Ensermu Gudeta and Tulu
*Journal of Innovation and Entrepreneurship* (2022) 11:64
https://doi.org/10.1186/s13731-022-00258-9

Journal of Innovation and Entrepreneurship

RESEARCH Open Access

# The role of market linkage in growth of micro and small scale enterprises: the case of Ambo town, Ethiopia

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## Abstract

The research aims to investigate the roles of market linkage for the growth of MSE in Ambo town. The data were collected through questionnaires and interviews. A stratified sampling technique is used to select among the seven business sectors. Data were analyzed using descriptive and inferential statistics. The study elicited five major factors that affects the growth of MSE which include financial capacity, government support, entrepreneurial competency, marketing information, and types of business sectors. The findings from correlation and regression further indicate that there exists a positive and significant relationship between MSEs growth and, financial capacity, government support, entrepreneurial competency, marketing information, and types of business sectors. The concerned bodies should facilitate market linkage enhancement between MSE and the market. MSEs on their part are expected to improve financial capacity and competence. Furthermore, adequate market information has to be collected continuously to improve the linkage. By and general, growth of MSE is attributed to internal as well as external market linkage factors. In addition entrepreneurial competency of the person leading the enterprises is vital in creating good market linkage which in turn brings MSE growth.

**Keywords:** Ambo, Market linkage, Micro and small scale enterprises, Growth

## Introduction

Micro and small businesses (MSEs) are widely acknowledged as making a significant contribution to economic development and the creation of more job opportunities in developing nations with high populations of unemployed people. MSEs, as mentioned by (Habtamu et al., 2013), serve as a means of promoting economic transition by utilizing people's skill and talent without requiring high-level training, a large amount of capital, or advanced technology. This makes the industry more appealing for new business start-ups, job creation, income production, and poverty reduction. Ethiopia is one of the developing countries that has taken steps to improve MSE operations by taking into account their contributions (MUDC, 2013).

Mattsson and Wallenberg (2003), found that limited access to markets remains a severe constraint to SMEs intermediaries growth and competitiveness in developing

countries. MSEs have seen excellent growth in aggregate, especially when compared to larger enterprises. Many individual MSEs, on the other hand, expand slowly or not at all—in some circumstances, due to the business owner's deliberate decision. The fast expansion of a small set of high-performing MSEs often drives overall growth rates. Accroding to Goel et al. (2021), in addition to other factors informal competition among MSE has an impact on perorfmance and growtn of the enterprises.

It is recognized that micro and small enterprises (MSE) have a vital contribution to the economic development and creation of wider employment opportunities in developing countries with a large number of unemployed people. Habtamu et al., (2013) stressed that MSE is used as a backbone of the economy in many terms of producing income and reduction of poverty.

According to the Federal Micro and Small Scale Enterprises Development Agency (FeMSEDA) of Ethiopia, improving the productivity and market linkage of MSE operators is widely accepted as the engine of MSE development and expansion, providing a pathway to lift a large number of youths out of poverty (FeMSEDA, 2015).

While a lot of effort has been put by the government and other stakeholders such as banks to finance MSE to help them succeed, there is little or no access to markets or poor market linkage, failure is imminent as business success comes through the sale of products or services (Geremew & Toli, 2016). Promoting and supporting market access is considered an important business development service that can change the MSE landscape. Through market linkages with large and established enterprises, emerging entrepreneurs and small businesses have a great chance of development and growth.

Different empirical studies show that small enterprises usually regard market constraints and the inability to sell their products as one of the most serious obstacles to the starting of businesses and growth beyond mere subsistence level (Abera, 2016).

The Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of MSE since they are important vehicles to address the challenges of unemployment, economic growth, and equity in the country. To this effect, the government has formulated a National MSE Development and Promotion Strategy, which enlightens a systematic approach to alleviate the problems related to market linkages and to promote the growth of MSE. The lower the demand for their products, the lower will be the sales and revenue generated by the enterprises (FDRE/MoTI, 1997). Hence, increasing demand and creating market linkage are imperative.

One of the major challenges that hamper the growth and development of MSE in Ethiopia is access to a sufficient and sustainable market. The government tries to solve marketing problems for MSE in different ways. The FEMSEDA has introduced a new directive on franchising, sub-contracting, and out-growth linkage with large and medium enterprises. Apart from market linkage with government projects, large private enterprises were noted as private market linkages that have significantly involved the subcontracting of some of their works to MSE (Berihun et al., 2015).

Because of their limited capacity and capabilities, smallholders often have problems exploring new market opportunities. Therefore, they need support that aims to organize and coordinate smallholder production and establishes new market linkages (Gebeyehu, 2015). However, mainly impaired by institutional underdevelopment, MSE productivity gains, and market linkage are not significant and strong due to market linkage and

market-related challenges as a result growth of MSE is influenced. Supply of raw materials, lack of working premises, insufficient startup, and working capital, lack of marketing information, the experience of the enterprises, and nature of the product are the major obstacles of the enterprises (Hanna, 2010).

According to data obtained from the Ambo town MSE office, the issue of market linkage practices is very crucial. The town outsources government projects and makes links with large enterprises and private organizations as a result the enterprises become grow in which it generates profits, increases their capital and employment size.

Therefore, this research was conducted to fill the existing knowledge gaps and tries to identify and examine roles of market linkages for the growth of MSE (Manufacturing, construction, Urban Agriculture, Animals Husbandry, Service, Trade, and mineral works) in Ambo town.

The general objective of the study is to assess the role of market linkage for the growth of micro and small-scale enterprises in Ambo town. Specific objectives are,

- To analyze the general characteristics of MSE in the town.
- To investigate the current market linkage practices.
- To identify the major market linkage factors that determine the growth of MSE.

## Literatures review

In this part, MSE will be defined together with various empirical studies. Additionally, a conceptual framework that guides the study will be presented.

### MSE defined

The concept of MSE has been defined and used differently in different countries. There is no universal definition of micro and small enterprises, with many authors offering various criteria including size, the number of employees, and financial turnover per annum in the definition (Devins, 2009; Muhammad et al., 2010; Mahmood & Hanafi, 2013). MSEs are defined based on parameters of the number employees, paid-up capital, and sales turnover, or a combination (Stephen & Wasiu, 2013).

In Ethiopia, FEMSEDA (2004) noted, micro-enterprises are those enterprises with a paid-up capital not exceeding Ethiopian Birr (ETB) 20,000 and excluding high tech consultancy firms and other high tech establishments. Small enterprises are business enterprises with a paid-up capital not more than ETB 500,000 excluding high tech consultancy firms and other high tech establishments.

### Empirical studies

According to Rogerson (2000), with the statistic of MSE, the failure rate of MSE in Africa being put at 99%. Further, UNIDO (2009), explained that MSEs are often unable to take advantage of market opportunities that require large volumes of production, broad product range, and regular supply. According to this report, MSE lack market-related experiences and skills and have little access to expertise and finance, which hinder them from performing well and results in the slow growth of such enterprises.

Access to markets and lack of market information is one of the most critical constraints to the growth of emerging MSE in Kenya (Nyangito et al., 2002).

Akabueze (2002), Zindiye et al. (2008), and Aregawi and Tilaye (2014) identified long term factors that affect the growth or success of MSE as financial resources, management experience, poor location, and poor infrastructure. Eshetu and Zeleke (2008) find out that adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment are factors affecting the survival of MSE. Alene (2020), Meressa (2020), Mamo (2022) and Kassa (2021) added that access to business training, tax, land ownership, age of the owner, access to finance, family business background, and interest rate most likely affect the growth of the enterprises affect the growth of the enterprises.

This research tried to assess what the general characteristics of MSE look like, the current market linkages, and deeply factors affecting the growth of MSE holistically by targeting and investigating those operators engaged in Manufacturing, construction, Urban Agriculture, Animals Husbandry, Service, Trade, and mineral works in Ambo town.

### Conceptual framework

Many of the previous researchers used only one indicator to measure the growth of MSE. Fufa (2015), while Daniel and Dereje (2016) used only employment. They also used a limited number of business sectors of MSE for their study ignoring others. Even though obtaining the accurate current state of capital is difficult and owners are reluctant to tell about their capital accurately, it is more advisable to use it as indicators to measure the growth of MSE. Besides employment size can be used to measure growth, as different authors did. Many scholars argue that the safe way of measuring the growth of firms is to have comprehensive measures of growth than relying on a single indicator. The following Fig. 1 shows the factors that affect the growth of MSE.

The above Fig. 1 shows factors that portraits growth of enterprises is influenced by personal factors, financial cometance of the enterprises, marketing related informations, business sector engaged in and support from the government.

## Methods

A mixed research approach is used. The study employed both descriptive as well as exploratory research designs employed. The target population of the study was the micro and small enterprises in the major seven sectors (manufacturing, construction,

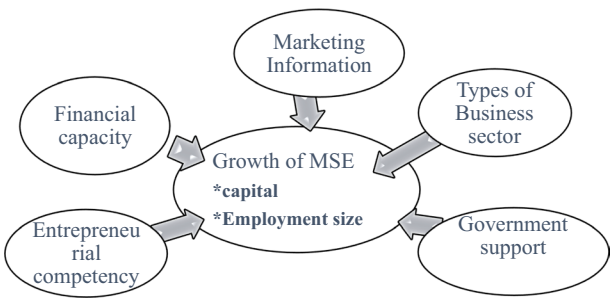


**Fig. 1** Conceptual framework of the study. Source: compiled from the literature (2019)

urban agriculture, Animals husbandry, Service, Trade, and mineral works) and which were registered and had got legal entity in Ambo town. According to data obtained from the Ambo town MSE office, there are about 638 MSE in the town. Using the following Yemane (1967) 246 selected as a sample.

$$n = \frac{N}{1 + N(e)^2}$$

where $n$ is the sample size, $N$ is the population size of households, and $e$ is the level of precision. Confidence level is 95%.

$$N = \frac{638}{1 + 638(0.05)^2} = 246.$$

Due to the heterogeneous nature of the population, stratification was used to get a representative number of enterprises from each sector that were considered in the study. The sample was taken after grouping the MSE according to the nature of their business (strata) like Construction, urban agriculture, Animals husbandry, Trades, services, manufacturing, and mineral works. Besides, the required MSE were selected purposely those who have a service year of 2 years and above to obtain performance-based data and information.

Primary and secondary sources of data collection instruments were employed. Primary data were obtained through the questionnaires (Five-point Likert scale) and Interviews. Secondary data used are the MSE market linkage manual from the MSE office database and different reports. Data were analyzed using descriptive statistics and the following linear regression model. Data collection was made after a pilot study to ensure the quality of the questionnaire.

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta 4 X_4 + \beta_5 X_5 + \varepsilon$$

where, $y$ = Growth of MSE, $x1$ = Financial capacity, $x2$ = Government support, $x3$ = Entrepreneur competency, $x4$ = Access to market information, $x5$ = Types of business sectors and $\varepsilon$ = is an error.

To measure the consistency of the questionnaire and the overall reliability of the constructs that it is measuring, the reliability test was carried out based on Cronbach's Alpha coefficient. Therefore, the reliability test accomplished that all the items of the pilot questionnaire have been reliable since the scores of the test were higher than 0.7 as indicated in Table 1.

## Result

In Fig. 2 regarding the business sector, 78 (33%) of the MSE in the sample have been engaged in the Trade sector. Another 68 (28%) of the respondents are engaged in the service sector, while 44 (18%) of the respondents are engaged in the manufacturing sector. 20 (8%) of the respondents replied that they engaged in the construction sector. Of the total respondents, 15 (7%) of the respondents were engaged in mineral works followed by urban agriculture and animal husbandry with the same value 8(3%). As data indicates the majority of enterprises engaged in trade or service business sectors. This

**Table 1** Cronbach's alpha coefficient test

| Variables | Cronbach's alpha | Number of items |
|---|---|---|
| Financial capacity | 0.883 | 4 |
| Government support | 0.840 | 4 |
| Entrepreneurial competency | 0.887 | 4 |
| Marketing information | 0.892 | 5 |
| Types of the business sector | 0.723 | 4 |
| Overall result | 0.868 | 21 |

Source: own survey, 2019

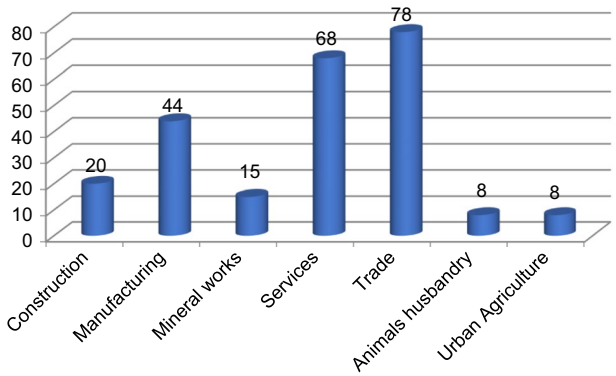


**Fig. 2** The types of enterprises by business sectors. Source: field survey, 2019

might be due to the simplicity to start up these businesses and the capital required is relatively less as compared to manufacturing enterprises and others.

### Market linkage practices

Table 2 portrays that is low market linkage an inadequate linkage opportunity that ascertains poor market linkage exercises. The mean score tells that the respondents agree about the inadequacy of the linkage. Also, respondents agree that inadequate awareness (mean score of 3.93) about the market linkage results in poor linkage. This shows MSE has got poor market linage as a result of poor facilitation and lack of info about the market.

By and general, data presented in Table 2 reveals that there exists inefficiency of market linkages as a result of the inappropriate exercise of market linkage legislation and procedures, less integration among stakeholders, and ineffective search of available markets and linkage with enterprises.

### Inferential statistics result

Before running regression the following linear regression assumptions tests have been done.

### Multicollinearity

The multicollinearity problem is not observed as exhibited in the following Table 3.

**Table 2** Market linkage status of the enterprises

| Current market linkage practices for the growth of MSE | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | Total | Mean |
|---|---|---|---|---|---|---|---|
| Low availability of market linkage opportunities for my business influenced my sales volumes | | | | | | | |
| Frequency/% | 0/0% | 10/4% | 9/3% | 114/47% | 108/46% | 241/100% | 4.33 |
| Inadequate market opportunity has influenced my business | | | | | | | |
| Frequency /% | 3/1% | 22/9% | 27/11% | 107/45% | 82/34% | 241/100% | 4.00 |
| Inadequate awareness about market linkage facilitation influenced my sales volumes | | | | | | | |
| Frequency /% | 6/2% | 39/16% | 12/5% | 93/39% | 91/38% | 241/100% | 3.93 |

Source: Survey data, 2019

**Table 3** Multicollinearity test

| | Collinearity statistics | |
|---|---|---|
| | VIF | 1/VIF |
| (Constant) | | |
| Financial capacity | 1.146 | 0.8727 |
| Government support | 1.119 | 0.894 |
| Entrepreneurial competency | 1.064 | 0.964 |
| Market information | 1.038 | 0.963 |
| Business type | 1.049 | 0.954 |
| Mean VIF | 1.083 | |

Source: survey, 2019

***Normality tests***

Normality is checked by inspecting the Normal Probability Plot (P–P) of the Regression Standardized Residual and the Scatter plot shown as part of the analysis. The plot is a reasonably straight diagonal line from bottom left to top right attesting normality (Fig. 3).

As it is clearly indicated in the above Table 4, there is a positive relationship between financial capacity and growth of MSE ($r=0.183$, $p<0.01$), government support and growth of MSE ($r=0.520$, $p<0.01$), and marketing information and growth of MSE ($r=0.207$, $p<0.01$), which are statistically significant at 99% confidence level. This implies that at a 1% level of significance it is discovered that the financial capacity, government support, and marketing information play a significant role in determining the growth of MSE.

Moreover, the association between entrepreneurial competency and growth of MSE ($r=0.143$, $p<0.05$) and business sector and growth of MSE ($r=0.134$, $p<0.05$) are statistically significant at a 95% confidence level. The result indicates that there is a positive correlation between entrepreneurial competencies and growth of MSE as well as types of business sector and growth of MSE.

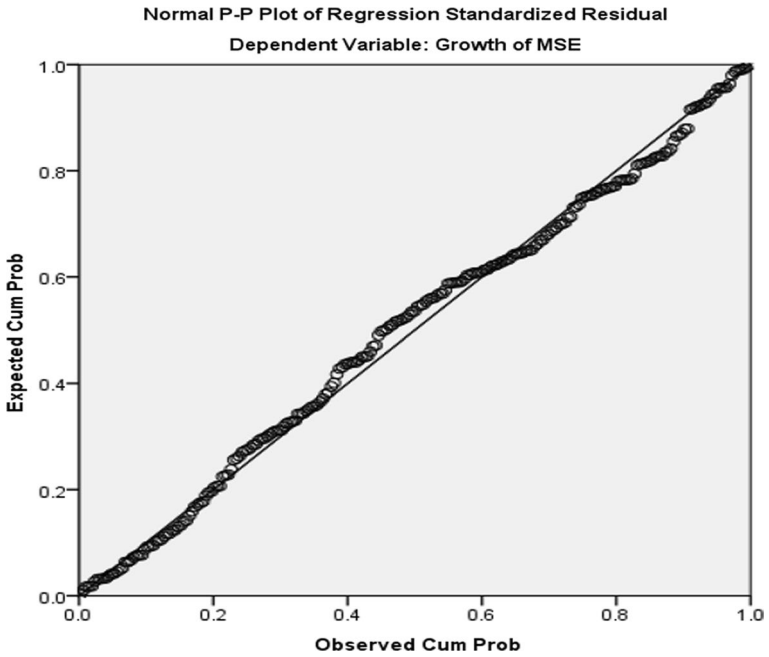


**Fig. 3** P–P plot. Source: Survey, 2019

Generally, having good financial status helps MSE to build good market linkages as government supports does. Governments like financial assistance, infrastructural facilities, mediating MSE with the market, and other necessary supports that build strong linkage. Furthermore, MSE competence in terms of resources, peculiar advantages, and marketing information helps to have a better relationship with the market. Finally, the types of business engagement matter whether or not good market linkage is established. This implies MSE who has got good demand might have relatively better market linkages.

### Regression result

From the Table 5, it is seen that the value of adjusted $R^2$ is 0. 538. This implies that there is a variation of 53.8% growth of MSE with changes in the Business type, Entrepreneurial competency, Market information, Government support, and financial capacity at a confidence level of 95%. In other words, 53.8% of changes in the growth of MSEs are explained by these factors.

As portrayed in Table 6, all factors significantly and positively affect the growth of MSE. Increase in financial capacity significantly affected growth of MSE ($r=0.130$, $p=0.003<0.05$). The study is corroborated with Onakoya et al. (2013), Osotimehi et al. (2012) and Meressa (2020).

Again increase in government support would significantly affect the business growth of MSE ($r=0.399$, $p=0.000<0.01$). In addition, entrepreneurial competency significantly affects growth of MSE ($r=0.169$, $p=0.000<0.01$). In the same manner increase in marketing information significantly affects the growth of MSE ($r=0.072$, $p=0.003<0.05$). Finally the types of Business sector also significantly affects the growth of MSE ($r=0.072$, $p=0.011<0.05$).

**Table 4** Correlation matrix

| | Growth of MSE | Financial capacity | Government support | Entrepreneurial competency | Marketing information | Business type |
|---|---|---|---|---|---|---|
| Growth of MSE | | | | | | |
| Pearson correlation | 1.00 | | | | | |
| Sig. (2-tailed) | | | | | | |
| Financial capacity | | | | | | |
| Pearson correlation | 0.183** | 1.00 | | | | |
| Sig. (2-tailed) | 0.004 | | | | | |
| Government support | | | | | | |
| Pearson correlation | 0.520** | 0.179** | 1.00 | | | |
| Sig. (2-tailed) | 0.000 | 0.005 | | | | |
| Entrepreneurial competency | | | | | | |
| Pearson correlation | 0.143* | 0.166** | 0.291** | 1.00 | | |
| Sig. (2-tailed) | .027 | .010 | .000 | | | |
| Marketing information | | | | | | |
| Pearson correlation | 0.207** | 0.194** | 0.208** | 0.170** | 1.00 | |
| Sig. (2-tailed) | 0.001 | 0.003 | 0.001 | 0.008 | | |
| Business type | | | | | | |
| Pearson correlation | 0.134* | 0.213** | 0.193** | 0.221** | 0.202** | 1.00 |
| Sig. (2-tailed) | 0.037 | 0.001 | 0.003 | 0.001 | 0.002 | |

Source: survey, 2019

*Correlation is significant at the 0.05 level (2-tailed)

**Correlation is significant at the 0.01 level (2-tailed)

**Table 5** Model summary

| Model | *R* | *R* square | Adjusted *R* square | Std. error of the estimate |
|---|---|---|---|---|
| 1 | 0.740[a] | 0.548 | 0.538 | 1.311 |

*$p < .01$

[a] Predictors: (Constant), Business type, Entrepreneurial competency, Market information, Government support, Financial capacity

## Discussion

The socio-demographic characteristics of the MSE owners showed that the majority of the entrepreneurs are youth with literacy. The majority of them are degree and diploma holders. Hence, it is possible to conclude that graduates who complete college or university join entrepreneurship. The gender ratio also shows males are dominating.

Findings obtained during analyses of characteristics of MSE indicated that entrepreneurs prefer to trade and service types of business even though it bears high competition and low growth rate as data reveals. This may be due to its simplicity to start it

**Table 6** Coefficients

| Model | Unstandardized coefficients | | Standardized coefficients | *t* | Sig |
|---|---|---|---|---|---|
| | *B* | Std. error | Beta | | |
| (Constant) | 2.564 | 1.046 | | 2.452 | .015 |
| Financial capacity | 0.130 | 0.043 | 0.143 | 3.040 | 0.003 |
| Government support | 0.399 | 0.033 | 0.564 | 12.165 | 0.000 |
| Entrepreneurial competency | 0.169 | 0.039 | 0.197 | 4.362 | 0.000 |
| Market information | 0.072 | 0.024 | 0.134 | 3.004 | 0.003 |
| Business type | 0.072 | 0.028 | 0.115 | 2.552 | 0.011 |

[a] Dependent variable: Growth of MSE

[b] Predictors: (Constant), Business type, Entrepreneurial competency, Marketing information, Government support, Financial capacity

than other types of business sectors. This shows that organizing MSE is based on market assessment and resource availability.

Among the available forms of business organization, the number of enterprises is dominated by private limited companies (PLC). Since cooperatives are less likely encouraged because their primary objective is to serve their membership rather than profit orientation. While Share Company is sophisticated to establish and needs high establishment capital it is not preferred by MSE. From the view of nature and government procedures among the forms of business, organization PLC is dominating nowadays.

The study analyses current market practices using descriptive analyses. The data shows there is a gap of market linkages that highly influences MSE business undertakings.

MSE operators reveal that the existence of insufficient credit facilities, difficulty in obtaining the financial source, and inadequate financial institutions with affordable interest rates made their business difficult**.** From this view, the study concluded that financial incapability led to difficulty in their business achievements.

Furthermore, Government support is analyzed using indicators like working place premises facilitation, credit facilitation, business consultancy, training, and capacity building. The result obtained from respondents and MSE officials shows the inefficiency of government support was observed which was directly tied to poor enterprise performance.

Though various governmental bodies designed various programs aimed at developing the MSE sector, most of the programs were not given the appropriate support, and as such, the impact of the programs could not be felt in the performance and competitiveness of MSE. This is mainly because these programs or policies are not effectively implemented in line with their intended objectives owing to various reasons. According to the findings, the reason ranges from lack of regular integration between the MSE Operators and constraints of capacity.

## Conclusion

The socio demographic characteristics of the entrepreneurs showed that majority of the entrepreneurs were educated youth. The gender ratio also shows males were dominating.

Findings obtained during analyses of characteristics of MSE indicated that entrepreneurs prefer trade and service types of business even though it bears high competition and low

growth rate. This is attributed to its simplicity to start compared to other types of business sectors. From this we can conclude that organizing MSE based on market assessment and resource available is inadequately done.

Among the available forms of business organization the number of enterprises were dominated by PLC. Since cooperatives are less likely encouraged because their primary objective is to serve their membership rather than profit oriented. While Share Company is sophisticated to establish and needs high capital it is not preferred by MSE.

The study concludes that market linkage practices were inefficiency which has a significant impact on the growth of MSE. The findings indicated that financial capacity is the pivotal factor for the growth of MSE.

The studied operators' shows existence of insufficient credit facility, difficulty in obtaining financial source and inadequate financial institutions**.**

In this study Government support was analyzed using as an indicators working place premises facilitation, credit facilitation, business consultancy, training and capacity building. The result obtained from respondents and MSE officials shows that there is inefficiency government support. Though, various governmental bodies designed various programs aimed at developing MSEs sector, most of the programs were not given the appropriate backing. This is mainly because of the fact that these programmes or policies are not effectively implemented in line with their intended objectives owing to various reasons. Accordingly, the reasons ranges from lack of regular integration between the MSEs Operators and constraints of capacity.

From the Descriptive analyses, respondents explained that entrepreneurial competencies are one of the fundamental reasons for the growth of MSE. Correlation and regression analysis showed that there was a statistically significant positive relationship between entrepreneurial competencies and the growth of MSE. From the previous findings, it is possible to conclude that the more the entrepreneurs have entrepreneurial competencies like training, marketing skills, and customer handling, the better their performance will be which leads to their business growth. Failure to develop entrepreneurial competency results in poor knowledge of effectively running their business, unable to identify potential competitors, their strength, action, and reaction.

From the above findings, the study concluded that inefficiency of entrepreneurial competencies observed in the selected sample study may be due to inadequate training, lack of business experience, entrepreneurs' educational background which may not be related to currently operating work, and motivational and drive for the business to grow. The majority of the respondents explained that enterprises engaged in mineral works and the manufacturing sector had got good market demand and their growth pattern is better relative to other types. But trade and service even though they comprise high entrepreneurs than other shows low growth levels than others. Mineral works and manufacturing business sector grow fast while trade and services at a low level in case of Ambo town. This may be due to competition, demand for the product, and other enabling conditions.

## Recommendations

From the findings, the study shows the majority of entrepreneurs prefer the trade and service sector due to its simplicity to start and low capital requirements. But it bears high competition and low growth while mineral works and manufacturing possess relatively

high market demand, as well as their growth, is better. During their establishment, MSE should be organized based on prior market assessments made and market opportunities forecasted rather than concentrating them on specific business sectors.

Regarding, existing market linkage practices, the study concluded that performance was not as good as expected. The concerned government institutions need to give awareness which may enhance the knowledge towards it. Outsourcing available opportunities for MSE which was begun yet but not optimal and satisfactory. Besides, the government should fully exercise the market linkage legislation which enforces even private companies to outsource for MSE that they can do so. Accordingly linking the MSE with other private contractors working within or around the town so that the operators can secure market opportunity. Intensive searching of market and linking with enterprises will be expected from the government even though the entrepreneurs themselves are the main responsible one than any other.

Financial capacity is the most challenging thing in the smoothing operation of MSE in creating market linkage. Operators were influenced by finance not to expand their business and to provide what the market demands. The poor financial capacity of MSE is the result of the poor financial system arrangement in the nation and the poor saving habit of the people. The financial difficulty of MSE operators might be solved by establishing a special window at different banks and micro finances to enable them to avail adequate loans to small enterprises as per the volume of enterprises emerging from time to time. It is also advisable to make strengthen the capacity of micro finances which plays a substantial role in providing credit for MSE.

In the previous empirical and elaboration, government support was decisive for MSE growth. Data collected through questionnaires and interviews shows inefficiency government support practices observed even though its importance is high.

Providing comprehensive support package for MSE as per legislation and Conducive relationships at every stage among concerned government offices like MSE office, Trade and Industry Office, TVET, Women, Youth and Children office are much responsible to handle in collaboration with other offices to paves the way to MSE growth.

The study confessed that the Entrepreneurial competency of an enterprise significantly affects the growth of MSE. To develop the capacity of entrepreneurs to effectively run their business, intensive training from the very beginning and continuous consultancy is needed. Since the majority of the entrepreneurs join the business as they completed colleges and universities with a different academic backgrounds, it is advisable to train them based on their business sector engagement. There is a need for developing a continuous capacity-building program to enhance the capability of MSE, with the modified model of training to make it suitable for these educated youths with relevant training institutions that cater to the needs of MSE. Especially MSE also needs to undergo business management training for them to adopt critical knowledge relating to accounts, bookkeeping procedures, inventory system, and business plan development and marketing practices.

Marketing information is one of the vital factors for the success of any business. The result of the study shows that access to marketing information in the case of the study area was ineffective despite its importance for the growth of MSE. The government should also improve facilities related to marketing information in the town. It is also possible to address any valuable marketing information for enterprises through newly

emerged technologies. The government should also encourage Bazaars and exhibition opportunities through which goods or services are promoted and a large volume of sales can take place and marketing information opportunities to become wider.

The concerned government institution especially the MSE office at all levels should give attention during enterprises select business sectors to begin their establishment. The type of business on which new entrepreneurs operate should be based on market assessment and detailed business analysis.

**Abbreviations**

| | |
|---|---|
| FDRE | Fedral Democratic Republic of Ethiopia |
| FEMSEDA | Federal Micro and Small Enterprise Development Agency (Ethiopia) |
| MoTI | Ministry of Trade and Industry |
| MSE | Micro and small enterprises |
| PLC | Private limited companies |
| TVET | Technical and vocational education and training |
| UNIDO | United Nations Industrial Development Organization |

**Acknowledgements**
Not applicable.

**Author contributions**
Both authors contributed. Both authors read and approved the final manuscript.

**Funding**
No funding for the study. Solely done by authors.

**Availability of data and materials**
Available upon request.

## Declarations

**Competing interests**
The authors declare that they have no competing interests.

Received: 18 March 2021 Accepted: 16 November 2022
Published online: 28 November 2022

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