Assessing the Challenges and Prospects of MSMEs Development: In the Case of Ethiopia[1][2]

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Abstract

For a country like Ethiopia, Africa's second most populous nation, the development of Micro, Small, and Medium Enterprises (MSMEs) helps reduce unemployment and boost the country's overall economy by fostering the growth of industries. Therefore, the main objective of the study is to assess and analyze major challenges hindering the development of Micro, Small, and Medium Enterprises in Ethiopia. Wood and metalwork, food processing, textile and garment subsectors in Nifas Silk Lafto Sub-city/Addis Ababa were chosen for data collection due to the convenience. A questionnaire was used to collect survey data from 291 MSME owners or managers. Descriptive findings revealed that financial, infrastructural, workplace place, and technological factors were identified as the four most severe problems that challenged the development of MSMEs. On the other hand, the results of the inferential analysis indicated that technological, marketing, workplace, and political-legal factors all had a significant effect on the development of MSMEs, except for infrastructure.

Keywords: MSMEs, Challenges of MSMEs, Prospects of MSMEs, Development of MSMEs

JEL Code: M10, L26

1. Introduction and Background

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the development of countries' economic growth and social development (Mehta, 2013). MSMEs are critical for the development of a modern, dynamic, and knowledge-based economy because these enterprises encourage entrepreneurship and entrepreneurial skills. In addition, these enterprises are more adaptable to marketing changes, and climate change, and more flexible in their behaviors than large enterprises. Besides this, MSMEs encourage the creation of new jobs (Govori, 2013).

Overall, the development of MSMEs has the potential to benefit the country's economy by producing substitute goods locally, making goods for domestics, and exporting goods to foreign markets. Furthermore, the growth of MSMEs increases productivity and cash inflow. It also enhances aggregate economic growth by increasing Gross domestic product and Gross National Product (Reinert, 2007).

Ethiopia is a country where agriculture is the primary source of income for the majority of the population. Agriculture is the primary source of employment, cash inflow from export food, and job security for the general public. Besides that, the majority of the country's population lives in rural areas, and their income is based on small businesses that are frequently vulnerable to drought (Lie and Berouk, 2018). What's more, as a developing and emerging country, the economic development system is supported by federal government investment. As one of the least developed African countries, Ethiopia relied on agriculture sectors to combat poverty and promote growth. Recently, the Ethiopian government has played an important role in increasing productivity, particularly in the agricultural sector. However, the agricultural sector's achievements in terms of economic development are unsatisfactory, as they are in other developing countries that rely solely on agriculture sectors. As a result of this problem and stagnation in the agriculture sectors, the federal government devised various policies, strategies, and plans aimed at reducing poverty through the promotion of economic growth, particularly by supporting private sectors.

Despite the contribution of MSMEs to economic growth and development, particularly the creation of job opportunities for a large portion of the Ethiopian population, Gross Domestic Product (GDP) from the manufacturing sector in particular and MSMEs, in general, remains unsatisfactory due to various constraints such as a lack of skilled human resources and finance to produce high-quality products (Abdissa & Fitw, 2016; Esubalew & Raghurama, 2017). In other words, although the Ethiopian government recognizes MSMEs as a tool for growth and has developed various strategies to support the sectors, MSMEs development in Ethiopia is still in its infancy. Considering this, the purpose of this study is to assess and analyze various significant factors that are hindering the development of MSMEs in Ethiopia.

The Ethiopian federal government, as well as international and local Non-Governmental Organizations (NGOs), supports the development of MSMEs in Ethiopia. Ethiopia's federal government supports MSMEs through various strategies, plans, and programs. Although the

government of Ethiopia recognizes MSMEs as a tool for growth and that these sectors are supported by the government and international organizations, the performance and productivity of these sectors are still in their infancy due to various factors. Thus, lack of access to finance (credit-related problems, collateral, late payment, and low level of saving), market-related problem (place to produce products, low-quality products due to a lack of raw materials and many to buy, low-level strategy to penetrate the market, absence of market strategy, low promotion, and inadequate price strategy), lack of infrastructure throughout the country, which is related to the availability of (electric supply, water, bad roads, and shortage of transportation facilities), lack of technology, lack of managerial skill, environmental problems, and government policies like tax-related issues were some of the major factors limiting the productivity and development of MSMEs in Ethiopia.

The extant literature suggest that government support seems to be the primary solution for the growth and development of MSMEs (Tambunan, 2019; Van Sheers, 2012; Zamberi, Ahmed, 2012; Govori, 2013). Despite the federal government's various initiatives, plans, and strategies to support MSMEs in Ethiopia, the contribution of MSMEs to economic development, particularly the contribution of manufacturing sectors, remains stagnant in comparison to other countries. Furthermore, the output generated by these enterprises is insufficient. As a result of this, the study intends to assess and analyze significant challenging factors that hinder the development of MSMEs in Ethiopia

Based on the problem mentioned above, the general objective of the research is to assess and analyze the challenges and prospects of MSME development in Ethiopia.

The specific objectives developed depending on the general objective are;

- To assess, if a lack of access to finance, management, marketing, infrastructure, technology, workplace, political, and legal issues is hindering the development of Micro, Small, and Medium Enterprises (MSMEs) in Ethiopia.

- Identifying various prospects and making recommendations to help in the development of MSMEs in Ethiopia.

2. Theoretical Background

2.1. Defining Micro, Small, and Medium Enterprises (MSMEs)

MSMEs are the economic backbone of both developed and developing countries, contributing to economic growth, job creation, and the delivery of public goods and services, as well as mitigating poverty and inequality (Ke Liu, 2009). According to Getahun (2016), countries cannot achieve economic growth unless they develop small-scale businesses. As a result, the most important thing for development is the establishment of MSMEs. MSMEs are important for economic development for the following reasons: MSMEs play an important role in increasing productivity and overall growth, reducing unemployment rates, and enhancing the quality of life. Despite these contributions, no universally accepted and confirmed uniform definition of MSMEs exists (Agyapong, 2010; Gidado & Babakura, 2019). It is instead based on the perspectives of individual countries, regions, or organizations. As a standard, most countries use the following criteria to define these enterprises: i.e. on the basis of capital, number of employees, output, and so on (Gidado & Babakura, 2019). Even though there is no internationally accepted definition of MSMEs.

2.2 Key Factors Enhancing the Growth and Development of MSMEs

MSMEs' growth is influenced by a variety of factors. These are managerial ability, owner objectives, access to finance such as capital and credit, and technology (Weldeslassie et al., 2019). According to Weldeslassie et al. (2019) findings, three factors influence MSMEs' survival: access to credit, capital size, and the gender of the MSMEs' owner/manager. Similarly, skills, finance knowledge regarding networks and information, adequate infrastructure, innovation, training and, education for workers and managers are critical factors for developing MSMEs (OECD, 2017). Several factors contribute to the expansion and development of SMEs. For instance, Muhammad et al. (2015) study, discovered that managerial skills, access to finance, and government support are important factors for the development of SMEs in Pakistan. Whereas, Indarti and Langenberg (2004) found that marketing, access to capital, and technology have a positive effect on the success of SME businesses.

2.3 Problems and Challenges of Micro, Small, and Medium Enterprises

Understanding the overall challenges that constrain the development of MSMEs is a critical and pivotal point. Because some challenges or factors can stifle enterprise growth or harm the establishment of SMEs, these factors may have an immediate impact on the firm's operation or

internal growth. However, in the long run, it impacts overall economic development (Abraham et al., 2017).

2.3.1 Lack of access to market and marketing skill

Every enterprise or organization that is involved in business requires marketing to continue or survive. Marketing knowledge helps SMEs gain a competitive edge in the market by increasing customer demand and understanding, as well as identifying and capturing the target market position (Jovanov and Stojanovski, 2012). Marketing is critical for businesses to identify their customers' needs and desires. Customer satisfaction is more important for businesses to profit, grow, and survive. In this perspective, marketing supports enterprises by determining market size, targeting niche markets, identifying appropriate strategies, and selecting market segments. Although marketing is essential in the development of enterprises, various marketing-related problems and other factors are adversely affecting the growth of these enterprises. SMEs face a variety of challenges, including access to finance or capital, inefficient management, a lack of skilled labor, a lack of infrastructure, and a lack of marketing skills, particularly in marketing research and development. According to Ebitu et al. (2016), most small enterprises are unaware of the value of marketing research and development. Moreover, this hindered the development of these enterprises compared to large enterprises because marketing-related problems are problems related to marketing barriers that limit the growth and development of small enterprises and other firms. Moreover, marketing issues are the primary impediments to enterprises making a profit, obtaining consumer satisfaction, generating income, and creating value for enterprises. Besides that, problems related to marketing skills, such as the inability to analyze market opportunities, a lack of promotion and advertising for their product, inefficiency in operation and production, a lack of product standardization, low-level quality products, and a lack of an effective pricing strategy, are some factors that affect the performance and profitability of these sectors (Ebitu et al., 2015). In the lack of marketing skills, it isn't easy to get potential customers for product and services. According to Van Scheers (2011), no one will do business with you if the potential consumer in the market does not have adequate information or awareness about the product and service you provide.

2.3.2 Lack of managerial skills

SMEs are critical development tools that require various improvements in terms of business competitiveness. In this regard, managerial skills are the most critical factor in improving the

internal problems and competitiveness of SMEs. Management skills are required to develop adequate and appropriate strategic planning, which aids in developing MSMEs. Moreover, these management skills assist managers in determining and implementing enterprise goals. Enterprises will achieve market competitiveness through management skills (Leyva Carreras et al., 2018). The success of SMEs is determined by an entrepreneur's or manager's managerial abilities. This means that managers can make businesses succeed or fail (Popescu et al., 2020). According to the findings of Leyva Carreras et al. (2018), strategic planning and managerial skills are internal factors that influence SMEs' competitiveness. According to Muhammad et al. (2015), internal and external factors are vital to the success and performance of SME entrepreneurs in their businesses. Internal factor skills related to SME management, such as conceptual, technical, and interpersonal skills, are crucial for developing MSMEs. Managerial skills are required to efficiently and effectively manage, control, and operate the activities of MSMEs. Moreover, for small enterprises, skilled human labor and material resources are essential tools for running their operations efficiently and effectively. Even though managerial skills and knowledge are the most important factors for businesses, the majority of MSMEs in developing countries lack managerial skills such as planning, organizing, directing, and controlling. Furthermore, small businesses in these countries have been constrained by a lack of basic skills and techniques to operate and sustain their operations (Abehi, 2017).

2.3.3 Lack of finance

Access to finance is one of the most important factors that allow MSMEs to keep growing. Finance can assist the development of enterprises from start-up to operation throughout their life cycle. Finance can include the cost of organizing and arranging products, machines, equipment, and sales premises in a startup (MOUDH, 2016). Finance supports the development of SMEs in a variety of ways. The first is that it increases their investment, which supports the growth of production in businesses, export, product, and service diversification (World Bank, 2018). Access to credit, particularly adequate and timely credit supply, promotes enterprise development and helps to solve problems (Getahun, 2016).

However, many African MSMEs, which include Ethiopia, are experiencing difficulties obtaining financial support. Although some African countries have established institutions to facilitate loans to small enterprises, most Sub-Saharan African countries remain financially constrained (Appui au Développement Autonome, 2016). One of the most significant barriers

to the growth and development of SMEs in developing and emerging countries is a lack of access to finance. In comparison to large enterprises, the ability of SMEs to obtain bank loans is limited. Because of this problem, most SMEs rely on internal resources, such as cash from their own savings families, and friends, especially during the start-up period (World Bank, 2018). Even though finances are required for businesses to start, develop, or expand more successfully way, the majority of MSMEs in Ethiopia are financially constrained. These challenges affect the enterprises both during the start-up phase and in ongoing activities; for instance, a lack of capital hindered the establishment of the enterprises, while other access affects ongoing business activities (Wami, 2020). Lack of finance is one of the major challenges that impede the development, growth, and productivity of MSMEs (Owens & Wilhelm, 2017).

2.3.4 Lack of adequate infrastructure

Adequate infrastructure is essential for overall development. Besides, it is the most critical factor for the survival and growth of small enterprises (Ebitu et al., 2016). Hence, the least-developed countries in the world are known for low infrastructural development, and Ethiopia is one of those countries, according to Getahun (2016), the country's economy has characterized by low-level infrastructure. And this low-level development of infrastructure constrained the overall economic growth, particularly the productivity of small enterprises. According to Geiger & Moller (2015) the main barriers to developing MSMEs in Ethiopia are lack of infrastructure such as electricity, roads, and telecommunications.

2.3.5 Lack of access to technology

Technology is an essential factor in the growth and development of MSMEs. MSMEs benefit from access to technology in a variety of ways. Modern technology will increase enterprise productivity because technology will change product quality and quantity. This boosts the overall growth of businesses. Moreover, technology, particularly the use of modern technology, reduces production costs in businesses by shortening production time. As a result, while access to technology promotes enterprise productivity and growth, inadequate technology hampers internal operations and overall growth. Besides that, a lack of adequate technology is a common problem among Ethiopian MSMEs (Wami, 2020).

### 2.3.6 Lack of supportive government policy and regulation

MSMEs promote equitable development, which boosts overall economic growth. Despite this, a variety of factors have an impact on the growth and productivity of MSMEs. Among these

factors, one major impediment to the development of this sector is government-related problems. Government problems include a lack of transparency and integrity, as well as red tape and corruption. Lack of transparency and integrity, particularly from public administration to SMEs, could have a wide-ranging impact on business growth and development. Besides that, red tape and corruption are major hindrances to the development of these enterprises (Weldeslassie et al., 2019). Furthermore, small enterprises are more reliant than large enterprises in their behavior. In this regard, policy inefficiency, market inconsistency, failure, regulatory complexity, and uncertainty affect these enterprises more than large enterprises. Because large enterprises have more capacity and can obtain information more easily than small businesses. In addition, most SMEs are at a disadvantage in terms of fixed costs such as tax and record-keeping payment processes (OECD, 2017).

2.4 Conceptual Framework

Various factors influence the development of Micro, Small, and Medium Enterprises (Weldeslassie et al., 2019). Internal or external factors could influence the development of this enterprise. Financial, marketing, infrastructural, technological, workplace, political, and legal factors are external factors that influence MSME development. Management factors were identified as internal factors influencing the development of MSMEs (Ebitu et al., 2016; Getahun, 2016; Muhammad, et al., 2015; Seyoum, et al., 2016; Tambunan, 2019; Weldeslassie et al., 2019; Zamberi Ahmad, 2012). However, in this study, the conceptual framework is drawn specifically from Abera's (2012), Getahun's (2016), Serawitu's (2016) theory of firm growth.

Figure 1. Conceptual Framework
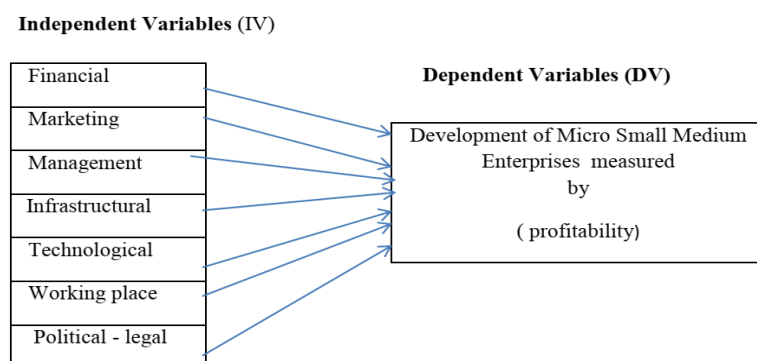
3. Methodology

To assess the various factors that hinder the development of MSMEs, using applicable research methodology is a must (Kothari, 2004). The researcher conducted the study using descriptive and explanatory research methods. The primary goal of descriptive research is to describe the current state of affairs. The study then describes and critically evaluates the various challenges or factors impeding the development of MSMEs in Ethiopia, specifically in Addis Ababa's Nifes Silk Lafto sub-city. The purpose of explanatory research designs in this study, on the other hand, is to establish the relationship between variables in terms of causes and effects (Vanhamme, 2000). Generally speaking, this study employs a quantitative research approach to address research purposes through empirical assessment by comprehending numerical measurements and conducting research analysis.

3.1 Sample Size

According to Dawson (2009, p.54), the sample size of a study is determined by the nature of the population being studied, the research type, and the purpose of the study. In this study, the total population for the study is 1183 MSMEs formally registered in "Addis Ababa City Administration Micro and Small Enterprises Development Agency" until May 2021, which was used to determine the sample size. Aside from that, the enterprises have a limited population and are heterogeneous. To reduce bias in population sampling, the frame can be organized into relatively homogeneous groups or strata to select appropriate elements for the sample. According to the Addis Ababa City Administration Micro and Small Enterprises Development Agency, the strata include metal and woodwork (608), food processing (339), and textile and garment (236) until May 2021. The sample size chosen by the researcher here is through undertaking the representative of metal and woodwork, food processing, and textile and garment manufacturing.

The following formula was used to calculate sample size with a 95% confidence level ($z\propto/2=1.75$ from the z-distribution table) and a 5% tolerable error (e). Furthermore, according to Kothari (2004), the most conservative sample size for success proportion (p) is 50%, so by using the most conservative sample size 50% (P), the estimation of failure (q) will be calculated as follows (q=1-p). Then, in the formula, substitute the value of both:

$$n = \frac{z^2.p.q.N}{e^2(N-1) + z^2.p.q}$$

Where n = sample size required

N = number of population = 1183

p = estimated success proportion = 50%

q = estimated failure proportion = 50%

e = margin of error = 5

Z = confidence level = 1.96 for 95% confidence

According to the result of equation 291 Micro, Small, and Medium Enterprises (MSMEs) were chosen proportionally from the total population (N) according to the size of each stratum identified in the above paragraph. The sample unit for each sub-sector was selected by using a non-probability sampling technique called the convenience sampling method.

3.2 Data Processing and Analysis

After data is collected from a sample of the population, it is analyzed to answer research questions. Sekaran and Bougie (2016) suggest that some preliminary steps must be completed before beginning to analyze data. Because it aids in ensuring that the data gathered is accurate, complete, and suitable for further analysis. In quantitative research, data collected via questionnaires is coded, keyed, and edited to filter out inconsistent and blank responses.

After completing the preceding preliminary steps, the next step in conducting research is data analysis. This means that in this step, the original numerical representation of quantitative data codded in the privies process will be changed to a different value. This is accomplished through the use of descriptive and inferential statistical analysis methods. In this study, the Statistical Package for Social Science (SPSS) 22 version was used to analyze data from questionnaires. In this study, descriptive statistics such as mean, standard deviation, and chart, as well as inferential statistical analysis such as correlation and regression, were used to analyze the data.

3.2.1.Model Specification

In this study, linear regression is used to describe changes in some phenomena caused by independent

$$yi = \beta o + \beta 1x1 + \beta 2x2 + \beta 3x3 + \beta 4x4 + \beta 5x5 + \beta 6x6 + \beta 7x7$$

β0 is the intercept term-constant which would be equal to the mean if all slope coefficients are 0. Where β0 is the intercept constant term at time zero, β1, β2, β3,β4, β5, β6, and β7 represent

parameters of a coefficient related to each independent variable. X_1, X_2, X_3, X_4, X_5, X_6, and X_7 represent: X_1=Finance, X_2=Marketing, X_3=Management, X_4=Technology, X_5=Infrastructure, X_6=Workplace, and X_7=Political–legal are independent variables and ε are error term for variables. So, yi is the development of MSMEs measured in terms of profit.

4. Results and Discussion

The table below shows that approximately 68.7 percent (184 MSMEs) of the selected sample populations were males, while 31.3 percent (84 MSMEs) were females. This demonstrates that men own or manage the majority of MSMEs, and women have a lower participation rate as owners or managers of these businesses than men. According to the findings, the majority of respondents are between the ages of 25 and 35, accounting for 46.3 percent; the majority of respondents from the sample population were married, accounting for 56.7 percent; 34.7 percent of respondents had a first degree; and 32.2 percent of owners or managers in this study have 5-10 years of experience.

Table 1. Demographic Characteristics of the Respondents and Business-Related Profile of the MSMEs

Gender	N	%	Age	N	%
Male	184	68.7	18-24	44	16.4
Female	84	31.3	25-35	124	46.3
Marital status	**N**	**%**	36 – 44	81	30.2
Married	152	56.7	Above 45	19	7.1
Single	100	37.3	**Education**	**N**	**%**
Divorce	16	6	No formal education	17	6.3
Work Experience	**N**	**%**	Primary	18	6.7
Below one year	23	8.6	Secondary	45	16.8
1_4	89	33.2	Diploma	84	31.3

5-10 years	105	39.2	Degree	93	34.7
11 and above years	51	19	Second-degree & above	11	4.1
Number of Employees	**N**	**%**	**Working sectors**	**N**	**%**
1-5 Employees	86	32.1	Textile and garment	52	19.4
6-10 Employees	109	40.7	Food processing	77	28.7
11-15 Employees	52	19.4	Wood and metalwork	139	51.9
Above 15 Employees	21	7.8			
Profitability trend of MSMEs	**N**	**%**	**Financial sources of MSMEs**	**N**	**%**
Profitable	163	60.8	Personal saving	60	22.4
Not Profitable	52	19.4	Microfinance institutions	95	35.4
break-even income	53	19.8	NGOs	41	15.3
			Family/ Friends	34	12.7
			Banks	8	3
			Iqub/Idir	23	8.6
			Others (specify	7	2.6

Furthermore, the study results show that the majority of respondents (51.9 percent) worked in wood and metal work, followed by food processing (28.7 percent) and textile and garment (19.4 percent), 40.7 percent of the enterprises have 6-10 employees, and the majority of MSMEs get financial support from Micro Finance Institutions (MFI) (which represents 35.4 percent of the MSMEs). Further to that, the majority of enterprises (60 percent) of the 163 MSMEs who responded to the survey said their business is profitable. While 52 MSMEs (19.4%) stated that their business is not profitable. Moreover, 53 MSMEs (19.8 percent) reported a break-even point in their profitability trend. This means that their business is neither profitable nor incurring losses.

4.1 Regressions and Correlational Analysis

To describe the association between dependent variables and independent variables, and to know how changes in the independent variables relate to changes in the dependent variable and to predict the impact of independent variable on dependent variable multiple regression analysis was employed for this study. Hence, the result of multiple regression analysis was presented and discussed.

Table 2 Regression Analysis

Model	Beta	Std. Beta	Err.Beta	T	Sig	Tolerance	VIF
Constant	-.111	.117		-.952	.342		
Finance	-.027	.048	-.024	-.565	.573	.394	2.538
Management	.078	.050	.082	1.567	.118	.259	3.857
Marketing	.246	.067	.230	3.649	.000	.178	5.625
Infrastructural	.100	.048	.103	2.095	.037	.291	3.439
Technology	.294	.050	.290	5.843	.000	.288	3.475
Workplace	.181	.038	.197	4.798	.000	.421	2.377
Political legal	.172	.048	.163	3.620	.000	.350	2.855

Model Summary: R Square: .816 Adjusted R Square: .811 Durbin Watson: 1.994

Table 2 above demonstrates the estimates of the multiple regression of development against its variables for the sample of 268 MSMEs. Before doing multivariate analysis Multicollinearity test was applied. Multicollinearity occurs when the independent variables are highly correlated. There is "overlap" or sharing of predictive power when independent variables are multicollinear. This could result in a paradoxical effect (Ho, 2006). In this study, the multi-collinearity test value, which is stated in the variance inflation factor (VIF) indicates that the relationship between the independent variables is acceptable since it has a value < 10. Besides tolerance values are greater than 0.1. Furthermore, we used the Durbin-Watson statistic to determine whether or not there is autocorrelation between variables. Normally, the Durbin-Watson statistic ranges between 0 and 4. A value close to 2 indicates that there is no autocorrelation; a value close to 0 indicates that there is positive autocorrelation; and a value close to 4 indicates that there is negative autocorrelation. The Durbin-Watson statistic in our study has a value of 1.994, which is close to 2, indicating that autocorrelation does not exist.

Table 3 Correlational Analysis (Pearson Correlation Values)

	Finance factors	Management factors	Marketing factors	Infrastructural factors	Technological factors	Working place factors	Political & legal factors	Development
Financial factors	1							
Management factors	.495**	1						
Marketing factors	.637**	.838**	1					
Infrastructural factors	.729**	.505**	.660**	1				
Technological factors	.610**	.725**	.815**	.649**	1			
Working place factors	.602**	.508**	.636**	.691**	.653**	1		
Political & legal factors	.475**	.674**	.697**	.679**	.666**	.633**	1	
Development	.611**	.735**	.826**	.714**	.826**	.734**	.755**	1

Moreover, the study finding shows that all variables are significant with a value <0.05 except finance and management. Given this, the multiple correlation coefficients between all of the independent variables finance, management marketing infrastructure, technology workplace, and political legal and the dependent variable (development) are .903a, as shown by multiple R. In addition R-Square value or squared value of R .816 which is used to describe the goodness-of-fit and adjusted R square value of .811 depicted that 81.1% of the variation in the development of MSMEs can be explained by the predictor variables, while the remaining 18.9 % of the variance is explained by other variables not included in this study. The unstandardized coefficients B column provides us with the coefficients of the independent variables in the regression equation including all the predictor variables as listed below.

Predicted development score = 0.111+.230 (Marketing) +.103 (Infrastructure) +.290 (Technology) +.197 (Workplace) +.163 (Political legal)

Table 2 also demonstrates that the five explanatory variables mentioned above included in this study can significantly explain a 95% confidence level of the variation in the development. The standardized beta coefficient column displays the contribution of each variable to the model.

The beta weight is the average increase in the dependent variable when the independent variable increases by one standard deviation (all other independent variables remain constant). We can compare them because they are standardized. Thus, the most significant influence on the development of MSMEs came from the technology factor (.290) and followed by the marketing factor (.230). On the other hand Finance with a beta value of (-.024) and management with a beta value of (.082) are the poorest predictor of development when it is compared with the other explanatory variables under study.

Taking the above findings into account, the following statements could be made about the study's hypothesis, as well as the summary of results and discussions based on inferential and descriptive data presented below.

4.1.1 Financial Factors: This factor is statistically insignificant, according to the statistical results, although it was ranked as the top problem that MSMEs face based on the results of central tendency and descriptive analysis. On the other hand, the factor had a negligible impact on impeding the development of MSMEs. In contrast with this finding, Serawitu (2018) discovered that financial factors were the fourth most significant influential factor affecting MSMEs and ranked as the third most severe problem in the descriptive analysis, In contrast, Abera (2012) discovered that financial factors were the second most significant influential factor affecting MSMEs and ranked as the second most severe problem in the descriptive analysis. However, due to the result from regression analysis for financial factors being statistically insignificant, we reject the hypothesis which is stated: "lack of access to finances negatively influences the development of MSMEs in Ethiopia". In contrast, Abet et al. (2015) conducted research on "Financing Small and Medium Enterprises in Asia and the Pacific." The study found that a lack of finance, a lack of accounting skills related to managing their capital, particularly by the owner of the enterprise, a lack of information between banks and MSMEs, and an inadequate market strategy had hampered the development of MSMEs. According to the authors, the main reason for the underdevelopment of MSMEs is a lack of funds (Abe et al., 2015).

4.1.2 Management Factor: Table 2 from the regression analysis shows that the management factor has a negligible impact on the development of MSMEs. This suggests that the management factor is not a critical determinant of MSMEs' development. In the descriptive analysis, this factor was ranked as the seventh least problematic issue that MSMEs faced. As a

result, we reject the alternative hypothesis that "a lack of management skills harms the development of MSMEs in Ethiopia" and accept the null hypothesis. According to this, Serawitu (2018) discovered that the management factor is statistically insignificant for MSMEs development and ranked it as the eighth least problem impeding MSMEs development in Ethiopia. Similarly, Abera (2012) discovered that the management factor is the poorest predictor of development and the fifth-ranked problem that enterprises face. In contrary to the study, Osotimehin et al.(2012), studied "An evaluation of the challenges and prospects of micro and small scale enterprises development in Nigeria''. Found that a lack of management skills and lack of finance constrained the development of MSMEs.

4.1.3 Marketing Factor: According to the regression analysis, marketing was the second most significant factor for the development of MSMEs at the 1% level of significance. Furthermore, the Correlation results from Table 3 demonstrated a strong relationship between marketing factors and development (r =.826**, p <0.01). The descriptive results of this factor revealed that the marketing factor was the sixth major issue impeding the development of MSMEs. The hypothesis that "lack of marketing skills negatively influences the development of MSMEs in Ethiopia" was found to be significant in this case and may thus be accepted. In line with this, Serawitu (2018) discovered that marketing factors were the first significant influential factor affecting MSMEs, whereas Abera (2012) discovered that marketing factors were the third significant influential factor affecting the enterprises and ranked as the third most severe problems in descriptive analysis.

4.1.4 Infrastructure Factors: Multiple linear regression results revealed that infrastructure factors have a significant impact on the development of MSMEs, and this was tested at a 5% level of significance. In descriptive statistics, it was ranked as the second most significant impediment to the development of MSMEs. Power outages (electricity power), insufficient and interrupted water supply, a lack of business development services, a lack of adequate and timely transportation, and a lack of an appropriate dry waste and sewerage system were identified as major constraints affecting enterprises under this factor. Besides the hypothesis that "lack of infrastructures negatively affects the development of MSMEs in Ethiopia" was also found to be significant and may thus be accepted. Similarly, Abera (2012) and Serawitu (2018) discovered that infrastructure factors were the most influential factors influencing enterprises.

4.1.5 Technological Factors: In the regression analysis, technological factors were discovered to be the first most significant and determinant factor affecting the development of MSMEs at the 1% level of significance. Furthermore, it was ranked as the fourth most serious problem of the enterprises in descriptive analysis. The major problems that MSMEs face are a lack of appropriate machinery and equipment, a lack of skills to handle new technology, a lack of money to acquire new technology, and an inability to select appropriate technology. Furthermore, when the hypothesis "Lack of technology negatively influences the development of MSMEs in Ethiopia" was tested at a 1% level of significance, it was found to have a significant impact on MSMEs development and thus may be accepted. Serawitu (2018) discovered that technological factors were the third most important factor affecting MSMEs. While Abera (2012) discovered that technological factors were the seventh least influential factor affecting enterprises.

4.1.6 Workplace Factors: At the 1% level of significance, the workplace factor was identified as the third most significant influential factor affecting MSMEs in the regression analysis. Correlation analysis results also revealed a strong relationship between workplace factors and development ($r =.734$, $p.<01$). Similarly, the descriptive analysis findings ranked this factor as the third core problem affecting the development of MSMEs, which included the current workplace being inconvenient, the house rent being too high, and the absence of own premises. Furthermore, the hypothesis that "Lack of workplace negatively influences the development of MSMEs in Ethiopia" was found significant and may thus be accepted. According to the findings, Abera (2012) discovered that workplace factors were the first and most significant factor affecting enterprises and were ranked as the second core problem affecting enterprises in descriptive analysis. Similarly, Serawitu (2016) discovered that working premise factors were the second most significant issue affecting businesses.

4.1.7 Political Legal Factors; the econometric result exhibited that the political legal factor is the fourth most statistically significant for MSMEs development at a 1% level of significance. In Descriptive analysis, it was found the fifth challenging problem that hinders MSMEs development. Under this factor, lack of accessible information on government regulations that are relevant to my business, Political intervention, the tax levied on my business is not reasonable, lack of government support, and bureaucracy in company registration and licensing respectively were included as core problems for the development of MSMEs. Considering this, the hypothesis which states that "Instability of country politics, government policy and

regulation, bureaucracy and lack of state government support negatively influences the development of MSMEs in Ethiopia" tested at a 1% level of significance was discovered to have a significant impact on MSMEs and thus may therefore be accepted. Contrary to this Abera(2012) found that political-legal factors were the six least significant influential factors affecting enterprises and prioritized descriptively as also the six most affecting problems. Besides Serawitu (201) found that the political legal factor is a statistically insignificant factor affecting enterprises development and descriptively, it was found that, the fourth challenging problem affecting MSMEs.

5. Conclusions

This study was carried out in Ethiopia, specifically in the Nifes Silk Lafto sub-city of Addis Ababa, to critically assess and analyze the challenges that MSMEs engaged in metal and furniture work, food processing, and textile and garment manufacturing face. The study attempted to assess the influence of financial, management, marketing, infrastructure, technology, workplace, political, and legal factors on the development of MSMEs. The following conclusions should be drawn based on the study's objectives and findings.

Financial, infrastructural, workplace, technological, political, and legal factors were found to be the five top most problems that have a significant impact on the development of MSMEs, according to the descriptive analysis findings. Financial factors, in particular, are shown to be a major constraint for the development of these businesses in the descriptive results. The reason for this problem is that the main sources of capital for businesses to start up and operate come from informal financial sources. According to the findings of the study, 56.6 percent of the funds for these businesses come from informal sources such as family, friends and NGOs. The formal financial institutions (Banks) have been unable to meet MSMEs' credit needs. Most MSMEs have been forced to use informal institutions for credit due to the high-interest rate and collateral requirements. However, as a study shows, the supply of credit from informal institutions is frequently insufficient to meet the credit needs of MSMEs.

Correlation analysis results show that all independent variables (financial, management, marketing, infrastructure, technological, workplace, and political-legal factors) have a significant positive association with the dependent variable (development). The results of multiple regression analysis show that technological, marketing, workplace, political legal, and infrastructure factors all have a significant effect on the development of MSMEs at the 1% level

of significance, except for infrastructure, which has a 5% level of significance. Similarly, standardized coefficient results show that technological factors, followed by marketing factors, workplace factors, and political-legal factors, are the top four significant influential factors in the development of MSMEs. Finance and management, on the other hand, were found to have insignificant influence on the development of MSMEs.

5.1 Recommendations

The following recommendations were made for the Ethiopian government:

- To promote gender equality in business and economic growth, the Ethiopian government should promote more women entrepreneurs in Addis Ababa's Nifes Silk Lafto sub-city. Men outnumber women in the ownership of MSMEs, according to this study.

- Introducing entrepreneurial skills in training courses will go a long way in boosting the development of these enterprises, according to this study, which found more graduate entrepreneurs and diploma and degree holders.

- Because young entrepreneurs make up the majority in Addis Ababa's Nifes Silk Lafto sub-city, the focus of government and non-governmental organizations (NGOs) and authorities responsible for promoting entrepreneurs in Ethiopia should be on them.

- Government of the country should assist the enterprises by analyzing external market opportunities. More by facilitating an exhibition place for their product.

- Government of the country should assist the enterprises by enhancing infrastructure development such as roads, electricity, a marketplace for products, etc.

- The government's determined regulations should be directed toward policies that benefit Micro, Small, and Medium Enterprises (MSMEs). The government's facilities and mediation in assisting entrepreneurs should focus on facilitating access to finance/capital resources, technical and managerial training, the ease of obtaining a business license, the availability of business centers/locations, and market information.

- More over government should have to diversify channels of financing to support this enterprise.

- Government and non-governmental organizations should hold regular seminars for potential and actual small and medium business owners on how to plan, organize, direct, and control their businesses, and micro, small, and medium business owners should always devise effective marketing strategies and maintain good customer relations.

- The government should encourage the growth of MSMEs by providing appropriate service and financial support. Improving the problem of value chains, taking advantage of regional market opportunities, growing digitalization, and supporting business owners, entrepreneurs, and employees by providing skill training

- To support the development of MSMEs, the country's government must improve legal regulators as well as policies regarding financing, taxation, and licensing as well as enterprise formalization.

- Government should be providing assistance and enhancements to business development services

- Government should provide financial support for MSMEs so the enterprises to obtain advanced technology and support innovation

- Government should facilitate institutions that provide training skills for Entrepreneurs

The following recommendations were made for the owners or managers of Ethiopian (MSMES)

- Owners or managers of (MSMEs) must improve their entrepreneurship skills to compete in the market. MSMEs are expected to achieve better growth and development by using an effective marketing strategy. Effective marketing can assist the performance of MSMEs. Taking this MSMEs managers should have to train themself and implement a good marketing strategies to succeed in day competitive environment.

- Operators of micro, small, and medium-sized enterprises should devise effective marketing strategies. This includes promotional strategies such as advertising and maintaining good customer relations at all times.

- Owners or managers of MSMEs in Nifes Silk Lafto sub-city should use various networking channels to freely exchange services such as advertising. Because this will increase the competitiveness of the enterprises by lowering the cost of production. In

the long run, this will improve MSMEs' sustainability, performance, profitability, and development.

5.2 Limitations and Future Directions of the Study

Overall, assessing various factors based on relevant information is critical for the growth and development of any enterprise, large or small. This can be accomplished by conducting additional research in related areas. This study's primary focus was on MSMEs, specifically those in the manufacturing sectors of wood and metal work, food processing, and textile and garment. Furthermore, this study focuses solely on the financial, management, marketing, infrastructure, technological, workplace, political, and legal factors that influence the development of MSMEs. This demonstrates the presence of a large area for further investigation by taking into account various internal and external factors that influence the development of MSMEs. Aside from that, the field of MSMEs is very broad and diverse. Given this, future research could focus on larger businesses. Furthermore, it is strongly advised that researchers interested in the growth and development of MSMEs engage themselves and conduct additional research because it is an interesting area with many unresolved problems. As a result, it would be commendable to obtain more remedies to many arising issues that contribute to better identifying, analyzing, and determining more effective ways to address constraints and widen the success factors of MSMEs

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