THE DETERMINANTS OF MICRO AND SMALL ENTERPRISE GROWTH: EVIDENCE FROM ETHIOPIA

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ABSTRACT

In Micro and Small Enterprises (MSE) sector a thorough examination of factors that constrain enterprises growth is critical to the survival and growth of the enterprises. This paper, therefore, utilized the data collected on 224 MSEs in south Wollo zone of Amhara region, Ethiopia to analyze the extent to which the growth of MSEs is linked with the constraints. Three sets of models were employed. The MSEs employment growth was significantly and negatively affected by limited access to finance, limited access to business services, and limited access to market. In addition, limited access to premises, limited access to finance and limited access to business services were significantly and negatively affect the operators’ perception on growth potential of enterprises income. Therefore, the results highlight that the growth of MSEs are highly influenced by accesses of productive resources and assets. The analysis and findings, on the other hand, should help to professionals in such field of study. On the other hand, it should help shed some light for policy makers and anyone else who may have a stake on the small business development as a positive knock on effect for growth of MSEs.

KEY WORDS: Business constraints, growth potential, principal components, MSEs, south wollo.