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ROLE OF MICRO, SMALL AND MEDIUM SCALE ENTERPRISES IN NURTURING EMPLOYMENT OPPORTUNITY IN HORN OF AFRICA

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Abstract

This study investigated the role of MSMEs in creation of employment opportunities in West Guji Zone. The study used both primary and secondary sources of data; the primary sources of data were obtained from closed ended self-administrated questionnaires using five-point likert-type scale(summated) while secondary data was obtained from various document analyses to support data obtained from primary sources. Data was obtained from 185 West Guji zone micro, small and medium scale enterprises and the office of towns food securities and job creation using Taro Yamane 1967 simplified Proportional formula. Then the stratified sampling technique was used to distribute the data to micro, small and medium scale enterprises. The data collected were analyzed using the SPSS version 20, Pearson correlation analysis and multiple linear regression technique. The overall effect of the Regulatory environment and financial support and financial environment of micro small and medium scale enterprises in the enterprises are very important for the creation of employment opportunities. Thus, the enterprises of West Guji zone should support more for micro small and medium scale enterprises roles by, improving the business environment.

Keywords: Employment Opportunities, Correlation, Regression, Relationship.

1. INTRODUCTION

Working in micro, small and medium enterprises (MSMEs) is the most prevalent way to make a living in low- and middle-income economies (Aparicio, S., Urbano, D., & Audretsch, D., 2016). Small and Medium Enterprises (SMEs) are playing critical roles for socio-economic development of nations especially in the areas of employment and job creation throughout the world (Barbieri, L., Piva, M., & Vivarelli, M., 2016). In the coming years, hundreds of millions of new jobs will be needed in order to keep underemployment rates at their current levels (Calvino, F., & Virgillito, M. E., 2018). For job establishment approach to be successful, MSEs must be specified vital weight. There are limited descriptive studies in Ethiopia on MSMEs in relation to determinants, development and factors determining the location of MSME firms in the country. To the best knowledge of the researcher there were no study conducted in west Guji zone concerning to this title.

In addition to this, a few studies were focused only on role of micro and small-scale enterprise; where as some of them were focused on role of small and medium scale enterprise in employment creation in Ethiopia but not in west Guji zone. That indicates there was no study conducted before that combines the role of MSMEs to employment opportunities in west Guji zone. It is against this background that this present study wants to assess the role of MSMEs to employment opportunities in west Guji zone.

2. OBJECTIVES

- To examine the role of regulatory environment on MSME micro, small and medium scale enterprise in creating employment opportunities in west Guji zone
- To identify the role of enterprise culture on micro, small and medium scale enterprise in creating employment opportunities in west Guji zone
- To assess how the favorable financial environment of micro, small and medium scale enterprise contribute to employment opportunities in west Guji zone
- To examine the financial support of micro, small and medium scale enterprises in creating employment opportunities in west Guji zone.

3. Review of Related Literature

The definition of micro, small and medium scale enterprises are different from one country to another country. Because of the amount of capital invested and the number of people employed (Coad, A., Segarra, A., & Teruel, M., 2016). Due to greater wage flexibility in small firms, unemployment rate during recession is lower in small enterprise than in large enterprises (Du, J., & Temouri, Y.,2015). The informal sector is a major provider of urban jobs in many Asian countries. Indeed, most studies on MSMEs are not able to capture the survival rates of firms and, when they do, job creation rates do not seem to differ from those of larger enterprises (Dogan, E., Qamarul Islam, M., & Yazici, M., 2017)



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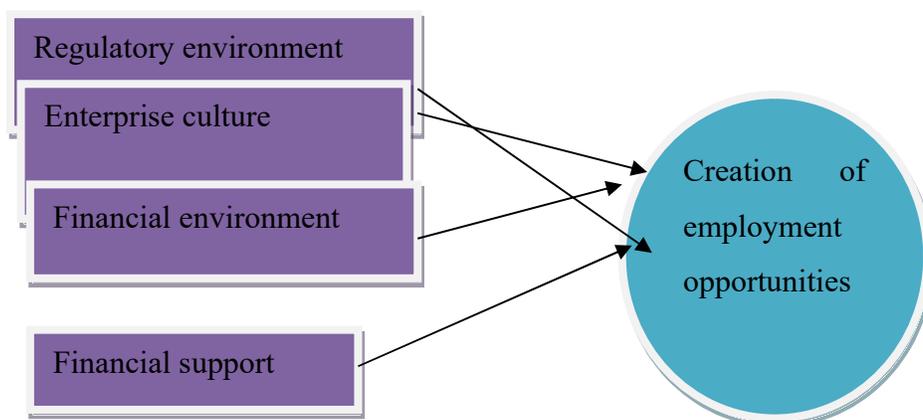
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European Commission (2016) has been conducted research on creating employment opportunities and improving employability with the role and contribution of local partnerships. But they were not conducted employee opportunities of micro, small and medium scale enterprise and this study was made out of Ethiopia. Like Heyman, F., Norbäck, P. H., & Persson, L. (2018) lot of researchers conducted research on the impact of Microfinance Institutions (MFIs) in the development of Small and Medium Size Businesses (SMEs) which was out of Ethiopia and not considered it in terms of the role of MSEs. They were only focused on small and medium scale enterprise.

Huber, P., Oberhofer, H., & Pfaffermayr, M. (2017) studied on impact of small and medium scale enterprises in the generation of employment in Lagos State. They were not studied in terms of the role and they were only focused on small and medium scale enterprise while the researcher was conducting on micro, small and medium scale enterprise. Tadesse B. (2010) conducted the research on The Role of Micro and Small Enterprises in Employment Creation and Income Generation of Mekele City, Ethiopia. He was seen the role of them using simple descriptive research method analysis such as table and percentage. He was not tested their role using regression and correlation model.

4. Conceptual Framework

Based on the preceding discussions of the previous research and related literature, this study postulates the following conceptual framework as shown in Figure 2.1 below:



Source researcher Own survey, 2021

5. Research Methodology

Researcher used experimental research method to derive verified functional relationships among the independent variable in order to study the effect of such variation on the dependent variable.

5.1. Research Design

Hypothesis-testing research design was used since the researcher tests the hypotheses of causal relationships between variables. Such studies require procedures that will not only reduce bias and increase reliability, but will permit drawing inferences about causality (Kothari, 2004).

5.2 Target population

The target populations for this study were West Guji zone micro, small and medium scale enterprise and of towns food securities and job creation of West Guji zone.

5.3 Sampling Technique and Sampling Size

5.3.1 Sampling Technique

West Guji zone micro, small and medium scale enterprises and the office of towns food securities and job creation were selected purposively, because the use of purposive sampling enables the researcher to generate meaningful insights that help to gain a deeper understanding of the research phenomena by selecting the most informative participants that is satisfactory to its specific needs (Hailemariam, 2014).

5.3.2 Sample size

As the data researcher got from West Guji zone office of town’s food securities and job creation human resource department office indicates West Guji zone has 9 Woredas, 2 city administration towns having 50micro enterprises, 39small enterprises and 25medium enterprise. In general, West Guji finance has 144 micro, small and medium scale enterprises.



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Then Taro Yamane simplified formula for Proportions(Yamane, 1967)was used to draw samples the sample for each stratum. This formula was used to calculate the sample sizes at a 95% confidence level and assumed P = 5% as follows

$$n = \left\lceil \frac{N}{1 + N(e)^2} \right\rceil$$

$$n = \left\lceil \frac{342}{1+342(0.05)^2} \right\rceil = 185$$

Selected woreda and town administration from west Guji zone were: Bule Hora Town, Bule Hora Woreda, DugdaDawa Woreda, SuroBarguda Woreda, Melka Soda Woreda, Kercha Woreda, Kercha Town, DimtuHambala Woreda, Abaya Woreda, Gelana Woreda and Birbisa Kojowa Woreda.

TABLE 1: SAMPLE SIZE DETERMINATION

No.	Enterprises	Number of enterprises	Member of enterprises	Total populati on	Sample
1	Micro	50	3	150	n = $\left\lceil \frac{342}{1+342(0.05)^2} \right\rceil = 185$
2.	Small	39	3	117	
3	Medium	25	3	75	
Total		114		342	
185	11	17	5	5	

6. DATA ANALYSIS

TABLE 2: THE FORM OF OWNERSHIP OF THE ENTERPRISE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Sole ownership	2	1.1	1.1	1.1
Partnership	183	98.9	98.9	100
Total	185	100.0	100.0	

Source: own survey SPSS, 2021

Concerning with the forms of ownership of the business in the above table, 2 (1.1%) of the respondents are responded that they were participated in sole ownership where as183(98.9%) of the respondents responded they were participated in partnership business. It shows that most of the respondents were participated in partnership forms of business.

6.1. Reliability Analysis

TABLE 3: TEST OF RELIABILITY

Reliability Statistics

Cronbach Alpha	N of Items
.72	4

Source own survey result of SPSS, 2021

All variables have Cronbach’s alpha of in between 0.72.

6.2 Co linearity Statistics: As shown in next table, the Co linearity table, the tolerance levels for all variables are greater than 0.10 and the VIF value are less than 10 indicates that there were no Multicollinearity problems that alters the analysis of the findings, rather it leads to the acceptance of r value, tolerance and VIF values.

Coefficients’

Model	Co linearity Statistics	
	Tolerance	VIF
1	.967	1.034
	.905	1.105
	.885	1.130

Source: own survey result of SPSS, 2021



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TABLE 4: TEST OF CORRELATION

Correlations

	Employment creation	Regulatory environment	Enterprise culture	financial support and financial environment
Employment creation	1			
Regulatory environment	.189**	1		
Enterprise culture	.130	-.093	1	
financial support and financial environment	.383**	.176*	-.305**	1

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

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

Source: own survey result of SPSS, 2021

Furthermore, there were strong correlations between the dependent variable creation of employment opportunity and independent variables RE (r = .189), EC (r= 0.130), and FS (r= 0.383), with (P<0.05) level of significant, shows a strong support for all hypothesis. This finding indicates that the greater the role of micro, small and medium scale enterprises, in creation of employment opportunities of West Guji zone.

6.3 Regression Results for creation of employment opportunities

The regression result explores the necessary indicators of the in creation of employment opportunities by using the variables identified in the model. As indicated in the model summery the appropriate indicators of the variable used to identify the in creation of employment opportunities were explored. That is, the value of R square used to identify how much of the variance in the dependent variable (creation of employment opportunities) identify by the model. The larger the value of R square, the better the model is (Field, 2009).

TABLE 5: MODEL SUMMARY

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.803 ^a	.562	.549	3.538	.162	11.697	3	181	.000

a. Predictors: (Constant), financial support and financial environment, Regulatory environment, Enterprise culture

b. Dependent Variable: Employment creation

Source: own survey result of SPSS ,2021

TABLE 6: ANOVA TEST

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	439.260	3	146.420	11.697	.000 ^b
	Residual Value	2265.696	181	12.518		
	Total	2704.956	184			

a. Dependent Variable: Employment creation Source; results of SPSS, 2021

b. Predictors: (Constant), financial support and financial environment, Regulatory environment, Enterprise culture

Moreover, the model summary also shows the significance of the model by the value of F-statistics. The overall contribution of regulatory environment (RE), Enterprise culture (EC), and financial support and financial environment (FS) accounted for 56.2 % (R² = 0.562) of the variation in the creation of employment opportunity, the rest 43.8% are other variables not included in this study.



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TABLE 7: REGRESSION RESULT OF THE STUDY

Coefficients^a

R = R ² = 0.562 Adj. R ² = 0.549 Std. Error of the Estimate = 3.538					
F = 11.697 P = .000 ^b					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	41.514	4.244		9.781	.000
1 Regulatory environment	.329	.182	.125	1.813	.0422
Enterprise culture	-.012	.093	-.009	-.131	.089
financial support and financial environment	.817	.165	.358	4.957	.000

a. Dependent Variable: Employment creation
Source: own survey result of SPSS ,2021

A significant relationship was present between the regulatory environment (RE), Enterprise culture (EC), and financial support and financial environment (FS) to predict in the creation of employment opportunities. The beta (β) sign also shows the +ve or -ve effect of the independent variables' coefficient over the dependent variable. And as shown in table above, beta sign of all the independent variables except Enterprise culture shows the positive effect of the predicting dependent variable. Therefore, based on the coefficients of the dependent variable (β sign) two hypotheses proposed by the researcher such as regulatory environment (RE) and Enterprise culture (EC), and financial support are acceptable because of all the four hypotheses stated the positively relationship with the dependent variable is meet. However, Enterprise culture hypothesis developed by the researcher stated the negative relationship with dependent variable. But based on the statistical significances of the independent variable over the dependent variable at 5% level of significance, only two independent variables regulatory environment and financial support and financial environment are significantly contributed for the creation of employment opportunities at (P<0.05) level of confidence.

Thus, this implies the regulatory environment and financial support and financial environment are the most important elements that play an important role in creation of employment opportunities. The t-test results for the individual regression coefficients (shown in the first extract) for the four independent variables such as regulatory environment and financial support and financial environment were .125 and .358 are positive respectively. But the t-test results for enterprise culture was-.131.

5.2. Conclusions

The finding of this research proved that the Regulatory environment and financial support and financial environment of micro small and medium scale enterprises were statistically significant and positively related with the creation of employment opportunities within the enterprises of West Guji zone. Thus, the enterprises of west Guji zone should support more for micro small and medium scale enterprises roles by, Improving the business environment which contribute to economic growth because it sets the conditions for any economic unit to thrive, including SMEs. For the case of the formal SME sector, it was important to constantly improve the credit channels, and simplify the procedures for opening and closing a business. The policies in favor of SMEs should pay careful attention to the issue of innovation and business sophistication beginning with topics such as fostering collaboration among enterprises, universities. The government should improve the regulatory environment by systematic and careful scrutiny of new regulations and by implementation of a business impact system to ensure the audit and monitoring of new legislation since a competitive business environment may result in larger SMEs sectors in terms of number of firms and contribution to employment.

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