

Full Length Research

Micro and Small Enterprises in Ethiopia; Linkages and Implications: Evidence from Kombolcha Town

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This paper examines the status of formal institutional linkages and its implications on MSEs performance in Ethiopia, particularly in Kombolcha town. The study was carried out in Kombolcha town. This paper has employed mixed (quantitative and qualitative) research design and explanatory sequential analytic approach. Using primary and secondary data, this study examines formal institutional linkages in terms of access to the market, financial support, infrastructures and educational institutions against MSEs performance. Thus, findings of the study show that locally produced raw materials are in a dearth of quality and affordability in the area. Despite having a favorable institutional linkage with TVET institutions in access to training and business improvement tools; technology transfer, credit access and market link for their produces is currently encountered with challenges from administrative sides and lack of appropriate policy concerns. Credit accesses as a backbone of MSEs has been highly affected by collateralize issues and entrepreneurs failures to organize under micro-enterprise as a mandatory procedure. Unlike formal linkages, the informal linkages have a significant role to play in access to the market. Thus, it is important to make revisions to the administrative procedures and traditional work practices at governmental and private institutions, and policy rigidity together to strengthen MSEs linkages with formal institutions.

Key Words: linkages, Micro and Small Enterprises, implications, Kombolcha-Ethiopia

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INTRODUCTION

People, especially in the developing countries, start to engage in MSEs and earn income and consequently put a visible mark on poverty, which can be explained both in financial and nonfinancial terms. Although people's ultimate goal in undertaking any livelihood activity is to escape poverty by enhancing their status of wellbeing, there are also circumstances on which they become more destitute (Rigg, 2007). This reality clearly exposes the dynamic, multifaceted and complex nature of poverty. On the other hand, livelihoods, which are composed of assets (including both material and social resources), capabilities and activities required for a means of living (in

this case being engaged in MSEs activities) and their outcomes are dynamic too; and are constrained or supported by policy, institutional, structural, environmental and owner related (personal) factors (linkages).

As micro and small enterprises could generate income and build local capacity in a variety of sectors. Thus the sector is playing its significant role in contributing to local economic development (Robert and Maria, 1985, p.8).

Various theoretical models have been developed which describe micro and small businesses. The theoretical models of learning focus on the process, active or

passive, and the other is the stochastic and deterministic approaches. From the 'modern' theories perspective, MSEs have two important roles to play simultaneously: "to accelerate economic growth through the growth of their output contributions to the gross domestic product (GDP) and to reduce poverty through employment creation and income generation effects of their generated output growth". In addition, theoretically, "MSEs have also indirect effects on economic growth and poverty reduction through their 'growth-linkage' effects". Output and employment increases in MSEs lead output and employment to increase in the rest of the economy through production (forward and backward), investment, and consumption linkages (Tulus, 2006, p.6).

In the area where there is a productive utilization of local resources (raw material, labor, and service) and better product as a result of it, it is not that far to get the business perform better. Therefore, the performance of MSEs has a determinate role in increasing local economies capacity to create wealth for local residents (Timothy, 2003).

According to Canzanelli (2001), MSEs are basically the backbone of local economies; it contributes to development in a number of ways; employment creation, income generation, device/process improvement and other multiple effects on other sectors of the economies.

In line with this shift in orientation, the FDRE government had taken MSEs as a major tool of providing employment to its growing population. Since their inception in 2004, the government has been working on the expansion of diverse sectors of MSEs from the national to the district (woreda) level. However, the sector is not in the position to be the source of income for all due to an alarming of the unemployment rate in Ethiopia (Endalkachew, 2008). This shows that the sector's average level of employment is not more than 10 individual workers, (ibid). This level of employment is insignificant. Therefore, the sector's role in the socioeconomic development is found below the expected (ILO, 2014; CSA, 2015; Waleligne and Wendimu, 2002).

The study by Tegegne and Mulat (2003) conducted on "The Performance of Micro-enterprises in Small Urban Centers of the Eastern Amhara Region" find out that, the local and regional area was the domicile where inputs were able to access and market destination for products. Besides, studies (Admasu, 2012, Endalkachew, 2008, Eshete and Mamo, 2009) were conducted focused on assessing the challenges and opportunities in promoting MSEs at national and regional levels. However, the studies about micro-enterprise performance and challenges and opportunities do not give sufficient information about the nature and status of institutional linkages of MSEs in general and in the study area in particular. This research is, therefore, conducted to fill the existing knowledge gaps on the formal institutional set of linkages of MSEs and its implications in Kombolcha town,

Ethiopia. The formal institutional linkages as a concern of this study include; market link, input-output link, formal financial institutions and entrepreneurial supports and set of connections with technical and vocational schools and higher education institutions (from now on HEIs). Since MSEs performances are highly affected by the link with these institutions, research undertaking with the general insight predicting the 'likelihood of MSE's with better institutional linkages performing better' is supported by the empirical evidence of the research. Accordingly, this study has tried to come up with the conceptual and empirical clarity of policy concern towards MSEs linkages, input-MSEs-output linkages, and market accessibility. In addition, the network established with formal financial and educational institutions and its implications has been the concern of the study.

MATERIAL AND METHODS

This paper has employed mixed (quantitative and qualitative) research design and explanatory sequential analytical approach; begin with a quantitative data to be followed and supported by a qualitative data involving explorations (Creswell, 2009). Primary data were gathered from enterprise owners and MSEs officers through semi-structured questionnaire and interview respectively. Secondary data were extracted from critical report documents, pamphlets, articles, notebooks and paper from the concerned offices and sites. Statistically prepared and relevant data from the central statistical agency, federal SMEs development agency, city administrative enterprise development offices were gathered and used.

According to Suskie (1996), survey research should have no fewer than 217 cases (participants) in the 500 major target groups. Therefore, with an impressive 95 percent of response rate, respondents (206 out of 482) were cooperative in providing immerse data.

In line with the stated objectives of the study, the gathered data were interpreted and analyzed using simple statistical analysis method (SPSS system). Tables, figures, and percentages are being adequately applied. Accordingly, about (65.7%) of the enterprises are owned by male and the rest (34.3%) of the sectors were headed by a female. From the study (Table 1) overwhelming portion of the owner are male though the number of female engaged in the enterprise it is not minimal. This suggests that ownership of enterprises in the study area also lack for gender proportionate.

As the table shows, about (58%) of the enterprise owners were in the age category of 19-34 years old, and about (32%) were in the age of 35-44 years old which constitute the highest percentage share of owners, while there is no any business owned and operated by below the age of maturity (Table 1).

Table 1. Demographic Characteristics of the Respondents (206/217)

Characteristics	Percent (%)	Number of the respondents (N)
Age		
<18	0	0
19-34	57.8	118
35-44	32.4	67
>45	9.8	21
Sex		
Male	65.7	135
Female	34.3	71
Level of education		
Illiterate	2	4
Write and read	4.2	9
Primary	16	33
Secondary	57.8	118
Degree	20	41
Family size		
None	14	29
1-3	36	74
4-6	41	84
>6	9	19

Source: Survey, 2016

Considerable enterprise owners have a larger number of families. About 36% and 41% of the owners in the sector has 2-5 and 4-6 members per family head respectively (Table 1). This indicates that large family size would have good prospect to own the business.

Since education increases access to information and better utilization of resources, it is expected that the business would provide better benefit when owners are found having in higher education status (MOTI, 2008). In this regard, more than half (57.8% and 20%) of the owners have access to secondary and graduate level of education respectively. In support of the above hypothesis, therefore, the majority of enterprises are owned by those who have better academic profile, while 2% of the enterprises are owned by illiterate, who can't write and read (Table 1). Therefore, conforming to the expected outcome the study reveals that business operators have a closer tie with better access to education. (Figure 1)

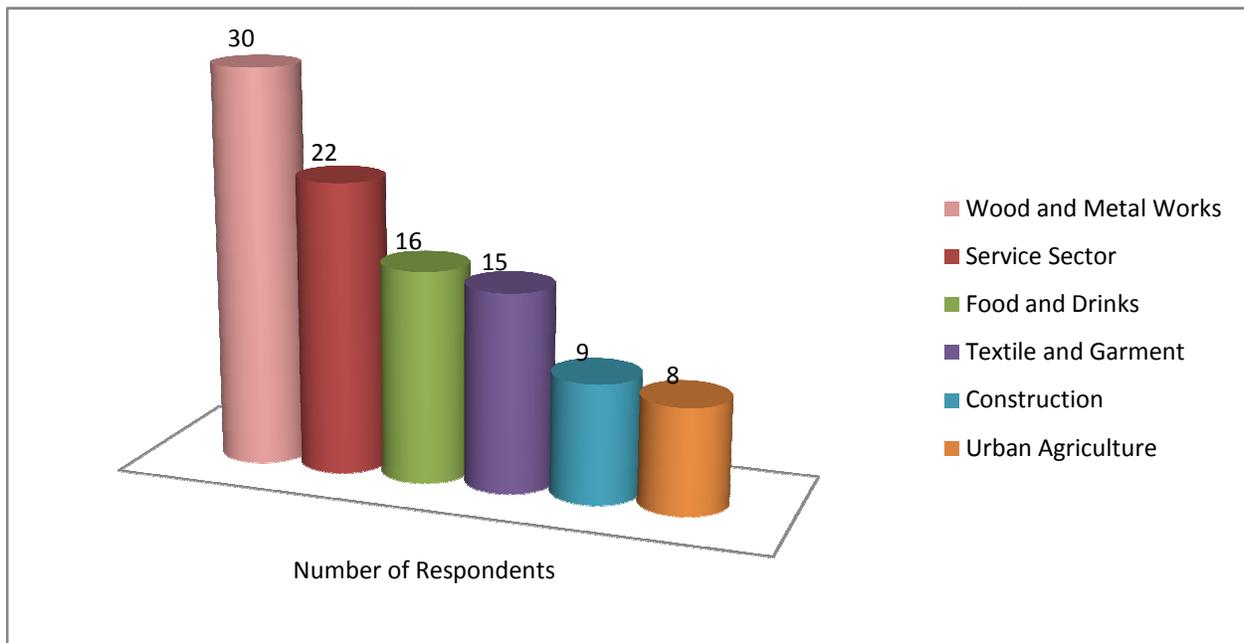
A larger percentage of the total MSEs population is concentrated in the industry in which most of them (30 percent) are involved in wood and metal works followed by Services sector (22 percent). Therefore, the study reveals that relatively there is a pull factor for operators to engage in wood and metal works (manufacturing) and Services sectors, while the urban agriculture is found to be a less significant sector in attracting entrepreneurs to engage in.

Theoretical Orientations

The interest in understanding formal institutions-MSEs linkage and its implications requires a critical understanding of the business's activities and its relationship with the concerned actor using different theoretical approaches. According to John et al (nd, p.7), small firms performance requires internal and external relationship thereby establish business networks. Firms being micro and small face problems in development phases. Therefore, different resources and supports from different actors in their different stages of business growth are essential. This support can be acquired through "personal and institutional networks" to get market access and workplace premises, resources and advanced production techniques from different actors.

Accordingly, researchers (Farbman & Lessik, 1989; Berner et al., 2008; and Gomez, 2008) identify the sector as survival and growth-oriented enterprises based on the capacity and level of specialization and innovation, and the size and nature of employment.

The survival category is also called as 'necessity driven enterprise' comprises persons referred to as 'the poorest of the poor', engaged to fulfill their basic needs as a result of lack of another alternative to employment. The exclusions from the mainstream economic activities cause MSEs to be the only option less option to survive. As a result of different barriers which hinder to enter in to the substantial sector, operators who are not aiming primarily maximizing profit and vertical growth of their



Source: Survey, 2016

Figure 1. Types of Activities in the study area

business to graduate to the other (medium and large enterprise) level, but smoothen consumption and reduce their vulnerability risk from income fluctuation (Berner et al., 2008; Gomez, 2008, p.10; Kanothi, 2009). Therefore, the roles of this kind of enterprises are minimal to come out from the vicious circle of poverty, (ibid).

Growth-oriented enterprises are a business by choice for profit maximization, capital accumulation and specializing activities (Berner et al. 2008) aiming to graduate easily into the next step in terms of vertical growth, employ high skilled manpower and complex technology and generate innovative ideas (Farman and Lessik, 1989; Gomez, 2008). However, research findings in both developed and developing nations indicate that job creation and growth are highly determined. As indicated by the European Commission, half of the total employment in MSEs has been created by a mere 4% of these firms (ILO, 2014).

According to ILO (2004, p.10), very few of the business owners (by investing their assets constantly) practically reach a significant living standard. Even though the rest of them receive support and assistance services (credit, bulk purchases, technology, and export promotion schemes), their non-entrepreneurial attitude continues firmly and remain to live under the line of poverty.

The other theoretical perspective is the Marketing Network Model developed by Hakansson and Johanson (1988), they argue that "small firms cannot perform better without direct or indirect network relationships" (John et al, nd, p.5). Small firm economic performance and transactions within the hierarchy or limits of the business

organizations ... "are either impossible or extremely difficult" to access to resources. Lacking resources thereby causes higher production costs and higher transaction cost. Therefore, it is hard to expect small firms to perform better unless there is direct support from the local governments with which it became governance ends (Borge, 1991; John et al, nd.). Market linkage, at one hand, serve to obtain the necessary resources, and to provide the products to consumers on the other hand, is the only fate of small firm not only to survive but also a way out for small firms development (John et al, nd.).

Concerning its contributions to the success of development through the different plan, MSEs continue to be the subject of debate among scholars and politicians. The pro-MSEs perspective shares the views that through direct government support MSEs helps promote economic growth and reduce high poverty level. Thus, they have economy-wide benefits by enhancing entrepreneurship, competitiveness, innovation, and growth in productivity (Beck and Demirguc, 2004). Advocator argued that this business is productive than large firms by its hiring capacity, apparently, government subsidies of failures of financial markets that impede businesses development is a fair panacea (Ibid). However, the anti- MSEs perspective argued that large enterprises may exploit economies of scale and fund researchers for new technologies and boost productivity (Agyapong, 2010). As a result, small firms are the least efficient and often take time to bring innovation to advance their products and marketplaces (Ibid). According to Abdollah (2014), small enterprises are the

least advantageous in job creation, but large firms offer better jobs for their employees in terms of better wage, benefits, safe working conditions, job security and skill enhancement opportunities.

In addition, MSEs performance cannot be explained in the absence of higher education institutions intervention in the form of commercializing knowledge through spinoffs, patents, and licensing (Grimaldi et al., 2011). Universities as an actor of regional development, the creation or enlargement of interface functions like technology transfer offices has been bridging the university with the local beneficiaries which entrepreneurs of small businesses are part (Goldstein, 2010; Siegel et al., 2007). Researchers (Clark, 2010; Etzkowitz, 1983; Etzkowitz et al., 2000) argue that universities as an entrepreneurial model are increasingly working to improve the local economies through research and training.

The link through entrepreneurial activities (job creation, spin-offs, and spillovers) of HEs in the form of formal and informal knowledge sharing mechanisms may also be emerged as 'anchors' for local industry (small and large) by attracting new talent and services that may be translated into products and services, and maintain local development (Feldman, 2003).

Therefore, studying the links of MSEs with formal institutions means identifying the institutional supports and gaps towards the success of enterprises.

Expected outcomes

The study brings three expected outcomes developed to help us understand the links of MSEs with formal institutions and its implications in the study area;

- I. MSEs have better access to use inputs of local areas and encourage using services required to promote their businesses.
- II. Linkages with financial institutions benefits businesses to cope up and grow to the middle and large firms.
- III. Entrepreneurial activities of the businesses are supported by the vocational institutions and Higher education Institutions.

This expected outcome emanates from the fact that MSEs activities are dependent on locally owned resources and knowledge of productions. The success in the business requires utilization of resources and local owned technologies. Therefore, this anticipated outcomes claims that the intervention of local financial, education, infrastructural services, and good market locations facilitate and encourage businesses to play its role to achieve the country's goal at large. The number and percentage of businesses access to local inputs and

services, financial institutions and entrepreneurial support from educational institutions are the variables of the research.

FINDINGS AND DISCUSSIONS

Linkages are important for MSEs, because, being micro and small mean firms with lack of resources like, raw materials, capital, market and technological exposure. According to Donckels and Lambrecht (1994), small business linkages are a necessary means to obtain the necessary resources and services. Contact (linkages) means the footstep of success. The widening scope of linkages would provide ample opportunity for the business to solve their many faced challenges that hamper them from growth the development.

The empirical results of the relationship exist between MSEs and the formal institutions of this research are presented here as empirical evidence. Their linkages are traced on how the access to market, financial and educational institutions relate to strengthening the role of MSEs in Ethiopia in general and Kombolcha town in particular. Following findings and discussions, the impacts of policy concern about the linkages and the growth and development of MSES in Ethiopia are presented.

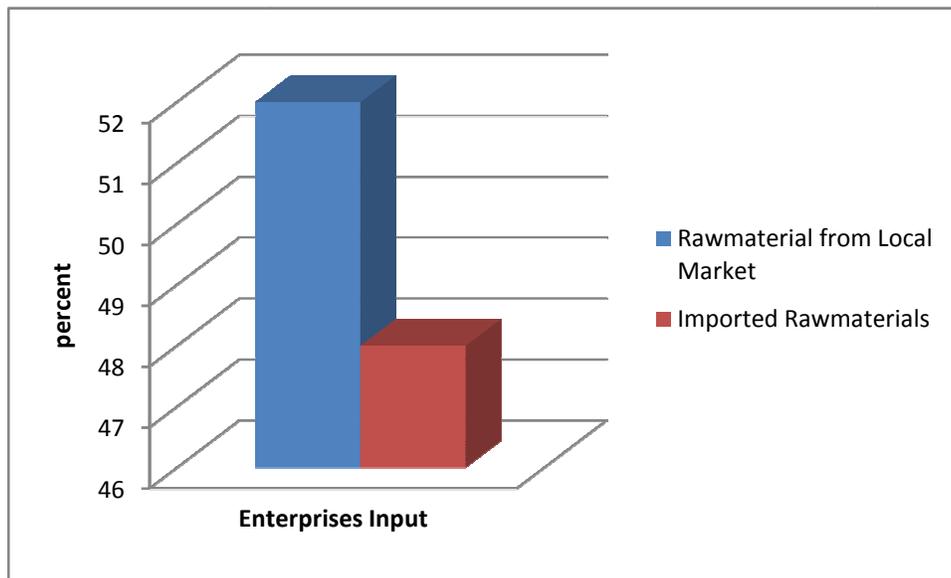
Linkages and Occurrences: a Central Part of MSEs:- MSEs- Raw Material and Market Linkages:

According to Canzanelli, small businesses are local inputs based enterprises (2001). However, the empirical data in figure 2 shows that 52% of enterprises get their inputs from the local markets, whereas, the rest (48%) of businesses use an imported inputs.

Though more than half of the raw materials are accessible from the local market, still a significant number of enterprises can't be able to be benefited from the locally accessed resources. In specific observation, manufacturing sectors are found to be over-dependent on imported inputs. Whereas, the service and urban agriculture sectors to some extent have better input access from the local markets. Therefore, these input-MSEs linkages show that locally produced raw materials are not accessible sufficiently in the market, which would impact the growth of MSEs due to import tariffs and transportation costs as well.

Besides, lack of inputs in the domestic markets, availability of imported inputs at a low price than domestic inputs, and low quality of domestic raw materials are the driving factors makes the inputs-MSEs linkages weak (Enterprise Development office, 2016).

An attempt was made to assess the accessibility and availability of markets to sell their products and services. As recapitulated in Table 2, majority of the enterprises



Source: Survey, 2016

Figure 2. Sources of Enterprises Input

Table 2. The MSEsLinkageElements and occurrences in Kombolcha Town

Linkage Elements	Percent (%)	Number of the respondents (N)
A. Access to Markets		
Access to Formal Markets	25	52
Informal Markets	67	154
B. Access to Resources and Infrastructure		
Access to Electricity	70	144
Access to Water Resource	20	42
Access to Disposal Services	10	20
C. Networks with Financial Institutions and Sources		
Access to Formal Financial Institutions (debit and credit)	17	35
Informal Financial Sources (Equip)	83	171
D. Support from Higher Education /TVET¹ Institutions		
Consultant Services	22	45
Training Services	35	71
Introducing Business Improvement tools (KAIZEN, BSC)	34	71
Introducing Improved Technology	9	19

Source: Survey, 2016

¹Technical, Vocational Education, and Training (TVET)

couldn't have any access to marketplaces either in temporary or permanent bases. The possibility to sell their produces makes real through their informal links rather than marketplaces and formal exchanges systems. The attempt of local government through enterprise development office in facilitating businesses access to the market (bazaars, symposium and special contract award) is found below the expectation. This indicates that there is a negative relationship between the concepts of the research hypothesis and the practice of linkages

observed in MSEs in the study area. Therefore, limited market access would limit businesses to provide the necessary goods and services, and then determine them to transform to the middle and large firms.

MSEs Access to Infrastructural Facilities and Services

Among resources and facilities provided, 70%, 20% and

10% of enterprises get access to electricity, water supply, and waste disposal services and resources respectively (Table 2). The accessed services and resources in the area don't mean facilities and resources are available without any shortages and interruptions. Though there are variations in availability of services and infrastructures in the area, still the local government have more burden to work to secure the uninterrupted use of electricity services, in which almost majority's activities are affected by it. Furthermore, shortage in electricity is extremely worsening in the Amhara National Regional State because of the failure to construct and expand electricity substation in the region since 1983 E.C, which Kombolcha industrial Town is part (ATV, 2017).

MSEs Networks with Financial Institutions and Sources

In different documents, the typical businesses-formal interest based creditor's relationships are defined. As mentioned in the GTP-II (2016), interest-based creditors like Amhara Credit and Saving Institution S.C (ACSI) are the benchmark placed in promoting small business by providing financial support and credit with a balanced interest rate. However, the evidence provided so far shows that formal financial institutions have played almost insignificant role in helping entrepreneurs access to finance (Table 2). As obtained from the disclosure of discussants, EQUIB (informal saving system) and borrowed capital from family members and relatives are the major sources of finance. This low level of MSEs-formal financial institutions link, in turn, affects the business possibilities to grow and expand. Thus, in order to strengthen businesses role, there should have a closer support from formal institutions by avoiding and lessening effects of challenges (collateral) pertaining access to financial capital.

The other dimensions of failures of MSEs -financial institutions linkages are associated with limitations to deal with the possible and immediate solution that emanates from incapacitated financial and managerial related skills of entrepreneurs, (Enterprise Development report, 2016).

Support from Higher Education /TVET Institutions:

With regard to the Support from Higher Education /TVET Institutions, higher education and vocational institutions are not only used to measure the human capital development. There has been a particular role that HEIs plays in promoting an advanced system and mode of production in different sectors of the economy. The research report (Table 2) shows that higher education institutions are an important part of business development and make their links real through delivering

training services, introducing new business improvement tools (KAIZEN, BSC) and consultant services. However, the propel effects of this institutions by introducing improved technology in improving firm's performance in the study area is relatively least. Therefore, with the absence of advanced technology, it is hard to expect MSEs to bring its intended transforming role in every sector, particularly in the urban areas.

Challenges and Policy Concerns of MSEs Linkages with Formal Institutions

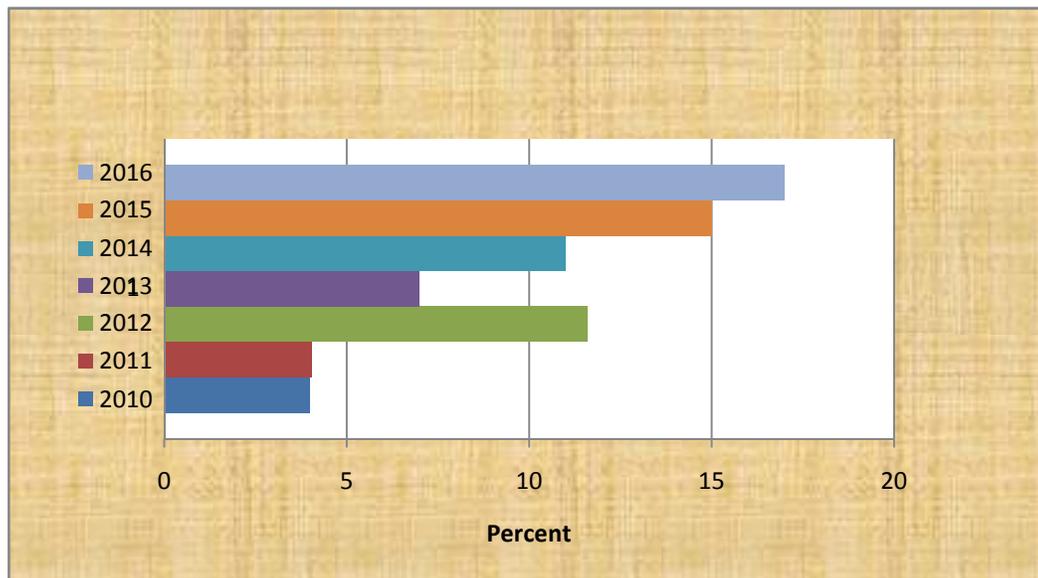
There are literature and reports that underline the need to emphasize on the contribution of MSEs to achieve Ethiopia's development goals and 2025 vision. However, the sector faces a range of entrepreneurs, institutional and policy challenges that can limit its role in creating new employment opportunities and poverty alleviation.

The perception about local government support as less important, not willing to establish an association to work together, entrepreneurs' low concern for quality products, technical skill gaps and refusal to receive expertise supports are the challenges manifested by the business entrepreneurs (Kombolcha Enterprise Development Report, 2016). Furthermore, insufficient and inefficient access to credit, the absence of technologically advanced machinery, and lack of proper utilization of locally accessed resources are the challenges that enterprise is facing. The data obtained in the survey and the 2016 Kombolcha Enterprises development office Report indicated that the loose linkages with financial institutions and access to raw materials and markets (especially for service sector) in their nearby areas are among the major factors that constitute the highest proportions. Thus, these weak links are inherent in the institutional environment of Ethiopia which disfavors small firms, especially access to credit; as the backbone of small businesses, are highly affected by collateralizing.

Figure 3 illustrates that the average performance of enterprise access to credits in Kombolcha town is approximately 10 percent. Even though the trend to get financial credit is improving from 4 percent to 17 percent in seven years, one can understand how credit service from formal creditors has been difficult and missing.

As can be seen from Kombolcha Enterprise development strategic plan (2010), a total of 500 million birr were planned to create access to credit for enterprises. However, as compared with their performance enlisted in the figure 3, the plane seems unrealistic.

Apart from access to credit, the insurance company remains beyond the reach of MSEs. Entrepreneurs' awareness about warranting their businesses as worthless makes surviving from damages difficult (Ibid). According to Abebe et al (2009), "insurance would be



Source: Composed by author based on data from Kombolcha Enterprises Development Office (2010-16)

Figure 3. Enterprises access to credit in Kombolcha Town

seen as a further burden on registered MSEs that would make competition with their unlicensed counterparts even more difficult". Therefore the governing body, Kombolcha enterprise development office, should establish an institutional mechanism and offer better business development services and resources for insured enterprises, and then promote the culture of warranting businesses in the area.

As evidenced by the report of Kombolcha Enterprise Development Office (2016), there are missing strategies that mitigate the problems pertaining business activities and survivals. From the annual and 5 years strategic plan of the office, the objectives to achieve within the specified period together with the responsible institutions and actors are clearly identified, but the possible mechanisms to handle challenges are overlooked.

Another important point is related to expertise support to the business from the concerned offices in the area. As has been documented in the report, lack of officers and expertise capacity and commitment to manage and supervise MSEs activities supported by specific strategies; to follow up and support businesses to survive; from the business collapse that compels them to withdraw from their activities (Ibid). Therefore, officer's capacity limitations about how to deliver the supporting business development services are seen as constraining to the operation and growth of the businesses.

By a glimpse of the fact that MSEs are alternatives of growth and development in Ethiopia, the government takes different measures to promote its contribution. Concomitant with MSEs development strategies developed by Ministry of Finance and Economic

Development, MoFED (2007), the government announced the "Ethiopian Youth Revolving Fund Establishment Proclamation No. 995/2017" (FDRE, 2017). By "making available financial resources"... the proclamation clearly identifies "the attainment of our development objectives requires the direct participation of youth in the economic activities (microenterprises)... to realize their productive potential and become direct participants in the economic activities of our country" (Ibid).

With the objective to "assist youth to employ their capabilities in creating job opportunities, provide financial assistance for organized income generating activities conducted by youth and ensure the all-rounded participation and benefit of youth", the federal government allocated 10 billion birr in the mid of last year (Ibid), which is 0.72 percent of the country's GDP (Desta, 2017).

According to Desta (2017), "youth unemployment and idleness in Ethiopia has contributed to massive social unrest in several Ethiopian urban areas", especially for the last two years. Therefore, the fund proclamation, however, has a role to "calm down" the unrest; rather, "... the actions ... will not have a substantial impact". Furthermore, the researcher explained using \$2.00 USD per day as a standard of the poverty line for developing countries, thus, the allotted 10 billion Birr is below the minimum requirement to meets the basic needs of job seekers (23 million). Thus, to respond to the current youth employment concern, it is a must for the government to allocate 18.35 percent of Ethiopia's GDP, which Ethiopia can't afford to spend (Ibid). Therefore,

youth revolving fund aiming to function micro enterprises are facing budget shortages, which forced them to fail to achieve their aforementioned objectives.

As stated in the proclamation, beneficiaries (youth) are required to "... organize under micro-enterprises who qualify to benefit from the fund..." is found to be the other major challenge. However, micro-enterprise is a common and widely practiced activity in many African countries, like Nigeria, Kenya, Ghana, and South Africa. In these countries, it is not a mandatory for entrepreneurs to be 'organized under associations' to secure financial and other facilities and services. In Kenya, youth revolving fund (one billion dollars every year) has been allotted 10 years ahead of where, individually owned enterprises, private corporations, unions, associations, and groups have the legitimacy to get credit service. South Africa also follows the Kenya's experience and fund a worth of two billion dollar each year starting from 2014 to youths that engaged in street vending, tour retailing, information and communication, music and film, and media and communication sectors (Emmanuel and Daniya,2012; John et al, nd; DW, 2017). Thus, credit allocation and access to youth fund is a noble lesson in which youths to come into a given association to organize are not mandatory, but in Ethiopia.

In spite of this, in Ethiopia organizing under micro enterprises facing challenges; members' failure to share the common and acceptable obligations of their association, the unlawful withdrawal of member's from their associations and lack of positive attitude and strong commitment among the youth to work together, are often makes them neglected to be organized (ATV, 2017; Kombolcha Enterprise Development Report, 2016; DW, 2017). As far as these problems are real, the precondition to organize youth in association as a mandatory became a barrier for youth from access to capital. As conceptually known and practically observed from different countries of Africa; microenterprise does not mean only to work with others by organizing under a given associations. Therefore, as witnessed from the real situations in Ethiopia, the government should revise its regulation and other laws in order to ensure that the revolving fund is accessible to all individual enterprise.

In terms of higher education/TVET and MSEs linkage, the government of Ethiopia develops the National Technical, Vocational Education & Training (TVET) Strategy and establishes more than fifty TVET institutions across regions. According to the strategy developed by MoE (2008), one of the objectives of TVET institutions are to be ... "the making Centers for Technology Capability, Accumulation & Transfer" With the purpose to: 1) replicate new and selected technologies...to the relevant industry, 2) develop standardized curriculum to address teachers' and trainers' competence gap in replicating technologies by hiring foreign experts, 3) revamp services and newly selected technologies to

MSEs against fees, and increase productivity, quality of products and services and facilitate creation of new business.

Taking in to account the above-mentioned objectives, TVET institutions are fundamental to MSEs performance and development. Nevertheless, TVET institutions are not to bring the desired result. Because, in the face of good governance-related problems, curriculums that are not into the conformity of the needed interventions, and workshop and input constraints, technology transfer to MSEs remain at infant stage (Kombolcha TVET and Enterprise Development office, 2016; Desta, 2017). Regardless of no matter how good the strategy is, practically traditional work systems and practices are the commonplaces of TVET and MSEs. Therefore, Ethiopia's transformation in this respect is not yet promising unless technology transfer grounded in problem-solving approaches.

CONCLUSIONS

In this study, an attempt has been made to analyze the implications of formal and institutional linkages of MSEs in Ethiopia. Regardless of different definitions and concepts of institutional linkages in MSEs, the practices in Ethiopia, and in this study considers it as an effective means to realize the objectives of the business by obtaining the necessary financial and non-financial inputs and supports. Unlike the expected outcome of the research, the study found that substantial numbers of enterprises are dependent on the imported inputs. Thus, businesses in the study area are not benefited as a result of imported tariffs and transportation costs.

Ethiopia's government supports in access to market are not sufficient. Produces have no showroom to facilitate their market link with distributors and customers. The market is inaccessible to entrepreneurs, due to this; entrepreneurs tend to use their informal network to sell their produces; which is against the expected outcomes of the research and enterprise development office plan.

Despite road and electricity is able to be obtained, businesses have not received a positive impact from electricity services. This is due to the inability of the government to expand substation center in the region. In addition, waste disposal service is less considerable services for enterprises. Therefore, lack of systematic waste disposal services would worsen the environmental pollution for entrepreneurs and communities in the area.

With a significant deviation from the expected outcomes, MSEs link with financial institutions is weak caused by inefficient managerial and policy-related barriers. However, conforming to the expected outcomes; HEIs/TVET institutions provide support to the business in terms of training, consultancy services and business improvements tools like KAIZEN and BSC. But,

introducing improved and advanced technology is still the missing area of linkages.

In addition, entrepreneur's perception of local government support as unimportant and gaps in quality produces and technical skills are the challenges pertaining business performance. Furthermore, the government policy emphasis towards large firms makes micro-enterprises less benefited and neglected. The Youth Revolving Fund, as a result, fails to consider the real need and problems (lack of positive attitude towards organizing themselves under micro enterprises) of youths and failed to address youths financial shortages. Thus, MSEs in Kombolcha town have faced policy and administrative challenges.

The National TVET Strategy is facing with challenges that hamper from providing technology transfer, caused by curriculum inefficiencies, workshop and input related constraints, and lack of good governance. Due to this, technology transfer remains at its infant stage and makes Ethiopia's transformation problematic and complicated.

RECOMMENDATIONS

The challenges of linkage have to be solved by the concerned tires of governments through strengthening strong institutional belongingness of employees and expertise to make a difference in the realization of the enterprise development plan by avoiding the polar ends (the business and formal institutions). Furthermore, to prepare MSEs to perform better the mushrooming of linkages needs to be addressed properly and strategically. More specifically, the following recommendations were made:

1. Capacity building training should be delivered to entrepreneurs about the benefits of organizing under micro enterprises.
2. The government should work to motivate the local market link with the business and improve challenges pertaining access to the market to get inputs and sell their produces.
3. National policy and strategies should be revised pertaining the linkages towards financial and educational institutions with MSEs
4. TVET curriculums and syllabus has to be compatible to mitigate the existing challenges that MSEs are facing.

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