



ISSN: 2230-9926

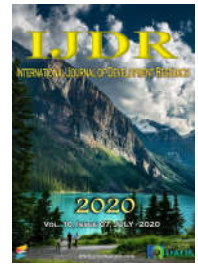
Available online at <http://www.journalijdr.com>

IJDR

International Journal of Development Research

Vol. 10, Issue, 07, pp. 37926-37934, July, 2020

<https://doi.org/10.37118/ijdr.19201.07.2020>



RESEARCH ARTICLE

OPEN ACCESS

CHALLENGES THAT HINDER THE SUSTAINABILITY OF SMALL AND MEDIUM SCALE ENTERPRISES IN EAST GOJJAM ZONE, NORTHERN ETHIOPIA

Amare Wubishet Ayele^{1*} and Abebaw Bizuayehu Derseh²

¹Department of Statistics, College of Natural and Computational Science, Debre Markos University, Debre Markos, Ethiopia; ²Department of Mathematics, College of Natural and Computational Science, Debre Markos University, Debre Marko, Ethiopia

ARTICLE INFO

Article History:

Received 19th April, 2020
Received in revised form
27th May, 2020
Accepted 09th June, 2020
Published online 30th July, 2020

Key Words:

SMEs, challenges, Sustainability,
East Gojjam Zone.

*Corresponding author:
Amare Wubishet Ayele

ABSTRACT

Small and medium-size enterprises (SMEs) play a major role in the vitalization and growth of national economies as they create job opportunities, foster stability and the creation of regional economies, and produce high value-added goods. The contributions of SMEs for socio-economic development are generally acknowledged, but they faced many obstacles that limit their survival or sustainability. This manuscript tries to identify the challenges of small and medium enterprise's sustainability in East Gojjam Zone. A retrospective and cross-sectional study design were used for licensed SMEs in the East Gojjam zone over the period between September 2009 and May 2018. Among 650 enterprises considered in this study 330 (50.8%) were censored (sustained enterprise) and the rest 320 (49.2%) were terminated (failed) enterprises. The main challenges for the sustainability of the SMEs in the study area are lack of infrastructure (electricity, clean water, and workplace), scares of resources or finance to expand the enterprise, lack of marketing linkage or access, lack of knowledge and poor access to technologies, unfair tax request by the revenue office and weak support from the government enterprise office. Efficient training and support on issues like financial reporting system, marketing, and sales promotion, customer relations for SMEs manager, and members should be given frequently.

Copyright © 2020, Amare Wubishet Ayele and Abebaw Bizuayehu Derseh. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Citation: Amare Wubishet Ayele and Abebaw Bizuayehu Derseh. "Challenges that hinder the Sustainability of Small and Medium Scale Enterprises in East Gojjam Zone, Northern Ethiopia", *International Journal of Development Research*, 10, (07), 37926-37934.

INTRODUCTION

Small and Medium-sized Enterprises (SMEs) have been recognized as catalysts to outgrowth the economic prosperity of a country. In many parts of the world, special focus has been given to the well-being and sustainability of SMEs in recognition of the important role they play in the development of the country (Sanders, 2017; Malaza, 2010; Eniola, 2014). The development of SMEs can help to face many challenges linked with economic development, inequalities, very high unemployment, demographic developments, and the need for structural change (Bannock, 2005; McIntyre, 2001; Rothwell et al., 1991). SMEs often struggle with fluctuating revenues, bureaucracy complexity, and lack of knowledge and relevant competencies. For medium-sized firms, access to sufficient amounts of risk capital, access to technology, and access to stable electricity supply may be more of a challenge [Fjose, 2010]. Interest in the role of small and medium-sized enterprises (SMEs) in the

development process continues to be at the forefront of policy debates in developing countries [Abor, 2010]. The development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation [Cook, 2000]. Africa is building its identity and needs to empower its population by the provision of jobs. SMEs have proven, in many instances, and many regions, to be an essential driver of the economy [Jeppesen, 2005]. Today rapid industrialization is one of the most pressing needs for many countries in the African Continent. The small enterprises/industries occupy a strategic position and play a vital role in fulfilling the socio-economic objectives of any nation. Ethiopia possesses the second largest population in Sub-Saharan Africa, more than 88 million, which could provide the necessary workforce for labor-intensive industries and one of the fastest developing economies in the world (Ethiopian Herald, 2016). Moreover, one of the most important focuses of Millennium Development Goals (MDGs) was generating job opportunities for the unemployed population in

the private sector like SMEs. Small and medium enterprises are major players in the economic resurgence and instruments for change and vehicles of growth and diversification. Currently in Ethiopia vocational schools are expanding and hundreds of thousands annually graduates and enter the labor market. According to the government education policy, the trainees are not supposed to be employment seekers they are rather job creators. In this respect, the government has been encouraging associations in coordinating credit facility through saving and credit associations to build and sustain SMEs. To create a mechanism to sustain the life span of SMEs governmental bodies, non-governmental organizations (NGO), policymakers should devise a plan, with a clear reflection on the survival probability and associated risks factors of SMEs sustainability, to satisfy the country's development agenda of being lower-middle-income economy by 2025. This is the reason why we motivated to identify the challenges that hinder the sustainability of licensed SMEs in East Gojjam zone, Ethiopia.

Statement of the Problem: All over the world, there is growing evidence that SMEs play an important role in the national economic development of any country [Smallbone, 2001; Beck, 2005; Kongolo, 2010]. The sustainability of SMEs is becoming more and more a subject of high attention in the developing countries, countries in transition but also in countries with developed economies. The contributions of SMEs for socio-economic development are generally acknowledged, but they faced many obstacles that limit their growth and survival. Then it is important to identify and understand the problems facing SMEs survival in Ethiopia because they are significantly different and unique from those being faced in developed countries. As indicated in the study conducted by Okparain Nigeria [Okpara, 2011], the problems facing the growth and survival of SMEs in Africa are administrative, operating, strategic, and exogenous factors. Even though, Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries, still the sustainability of SMEs due to different factor is the major tackle for economic development. Ethiopia is bracing up to become a leading manufacturing hub in Africa and transform itself into a lower-middle-income economy by 2025. Hence, it has made registering commendable economic development achievements a point. In this regard, the private sector like SMEs is expected to play a key role in Ethiopia's journey to become a middle-income country in the next decade. But the sustainability of SMEs is still under question mark due to different challenges. Very few studies have been conducted related to the determinants of SMEs growth in Ethiopia namely [Tuffa Birru, 2011; Brixiova, 2009; Tefera, 2013] which focuses on the determinant growth of SMEs using qualitative theoretical exploration methodology and Binary logistic regression model. No well-documented studies have been performed to the best of our knowledge to identify the challenges that impede the survival of SMEs in the study area.

Objective of the Study: The objective of this study was to identify the challenges that hinder the sustainability (time-to-sustain) of small and medium enterprises in East Gojjam Zone, and to assess the contribution of *woreda* and zonal level TVET & Enterprise office for SMEs sustainability.

Significance of the study: This study is very important to policymakers, researchers, governmental and non-governmental organizations for policy formulation and planning in the sustainability of SMEs in developing countries,

in particular Ethiopia. It can also be used as a supportive tool for endorsing a mechanism for SMEs continuation and management. As to the knowledge of the researcher, there are no studies that have been designed to identify empirically the sustainability of SMEs in the study area. Furthermore, the result of this study will be used as a basis for further study.

Operational Definition

Small and medium enterprises (SMES): Refers licensed enterprises included from fragile zero growth micro-firms (normally employing up to a couple of workers generating subsistence level revenues) to fast-growing medium-sized firms with up to 30 employees.

SMEs sustainability: Refers to the capacity for an enterprise to survive, adapt, and grow in the face of turbulent change, or a process by which enterprises manage or lead their financial, social, and environmental risks, obligations and opportunities in a sustainable way. Implement sustainability strategies that provide them with economic and cultural benefits attained through environmental responsibility.

Survival time: Waiting time until the occurrence of a well-defined event or the follow-up time from a defined starting point to the occurrence of a given event.

Censoring: Observations or some units of the event of interest has not occurred at the time the data are analyzed. When the time of event occurrence for some individuals cannot be completely observed in the follow-up period.

METHODS AND MATERIALS

Description of Study Area and Population: Gojjam zone is found in the Amhara Regional State of Ethiopia, with a capital of Debre Markos which is bordered on the south by the Oromia Region, on the west by West Gojjam, on the north by Debub Gondar, and on the east by Debub Wollo; the bend of the Abay River defines the Zone's northern, eastern and southern boundaries. This study was conducted in ten randomly selected woreda as of East Gojjam zone. The study includes those of SMEs or enterprises that had a license in East Gojjamworeda and zone TVET & Enterprise office from the beginning of GTP I September 2010 to October 2017.

Data source: Both primary and secondary data will be employed for this study. The primary data for this study was obtained from the enterprise manager that had a license in the TVET center in the study area using a self-administered questionnaire. Moreover, secondary data for this study was obtained from TVET center for the terminated (failed) enterprises in the study area using a questionnaire designed to extract only those variables considered in this study.

Study Design and Sampling technique: In this study, both Retrospective and Cross-sectional study design were employed. The cross-sectional study design was carried out to collect data set from sustain enterprises (primary data) and a retrospective study design was carried to obtain data set for terminated enterprises in which obtained from the record of TVET office (secondary data) in the study area. The multi-stage cluster random sampling technique was used in this study. Licensed SMEs in the East Gojjam zone out of ten randomly

selected *woredas* were considered and clustered using *woredas* as a clustering variable, and SMEs were randomly selected from each *woredas* using a simple random sampling technique. A total of 650 small and medium scale enterprises from the study area were considered in this study.

RESULTS

This study assessed the challenges that hinder the sustainability of small and medium scale enterprises in East Gojjam Zone. The study included 650 licensed enterprises over the period between September 2009 to May 2018 in small and medium enterprise office of East Gojjam zone.

period of 30 months. The minimum and maximum follow-up time were 2 and 117 months, respectively. Overall survival or sustainability time distribution indicates that 25% of SMEs had a sustainability time of fewer than 16 months, 50% of SMEs had a sustainability time of fewer than 30 months and 75% of SMEs had a sustainability time of fewer than 44 months.

The overall mean estimated survival time of the enterprise under the study was 34 months. The overall initial and current capital of the enterprise was found to be about 43,833 and 93,286 ETB on average respectively. The age of the manager of the enterprise was found to be 28 years on average, and each enterprise recruits 4 employees on average (Table 1).

Table 1. Summary statistics on the characteristics of small and medium scale enterprises in East Gojjam Zone over the study period, 2009-2018

Enterprise Status	Variables	Mean	Std. Dev	Median	Min.	Max.	Q1	Q3
Censored (sustained)	Time	35.35	25.014	32.00	9	117	16	44
	Initial capital	52667.12	109262.78	10000	500	500000	500	30000
	Current capital	106691.72	168558.79	40000	600	1500000	20000	100000
	Age of manager	29.25	5.93376	28	20	60.00	26	32
	# of employee	3.45	2.195	3	1	12	2	5
Event (failed/drop out)	Time	33.39	22.289	27.00	2	110	16	44.5
	Initial capital	34833.95	157711.89	5000.0000	70	1300000	3000	150000
	Current capital	75748.77	238445.04	16000	0.00	1500000	6600	40000
	Age of manager	27.81	5.84491	26	20	46	24	30
	# of employee	3.99	3.922	3	1	25	2	4.5
Overall	Time	34.38	23.714	30	2	117	16	44
	Initial capital	43833.35	135634.15	6000	70	1300000	3000	20000
	Current capital	93286.83	202211.16	30000	0.00	1500000	12000	80000
	Age of manager	28.54	5.93	27	20	60.00	24	32
	# of employee	3.72	3.174	3	1	25	2	5

Table 2. Descriptive summary statistics on demographic and related characteristics of the small and medium scale enterprises in East Gojjam Zone, 2009-2018

Variable	Categories	Status of Enterprise		Total			
		Censored Count (%)	Event Count (%)	Count	%		
Woreda of SMEs	Machakel	22	6.7%	28	8.8%	50	7.7%
	Shebel Berenta	32	9.7%	72	22.5%	104	16.0%
	Sinan	56	17.0%	40	12.5%	96	14.8%
	Debre Markos	44	13.3%	32	10.0%	76	11.7%
	Debre Elias	36	10.9%	12	3.8%	48	7.4%
	Dejen	44	13.3%	28	8.8%	72	11.1%
	Aneded	8	2.4%	10	3.1%	18	2.8%
	Awabel	28	8.5%	64	20.0%	92	14.2%
	Enarj Enawga	8	2.4%	20	6.3%	28	4.3%
	Enemay	52	15.8%	14	4.4%	66	10.2%
Sector of SMEs	Manufacturing	188	57.0%	128	40.0%	316	48.6%
	Construction	14	4.2%	34	10.6%	48	7.4%
	Trade	34	10.3%	36	11.3%	70	10.8%
	Agriculture	58	17.6%	52	16.3%	110	16.9%
Gender ^a	Service	36	10.9%	70	21.9%	106	16.3%
	male	254	77.0%	218	68.1%	472	72.6%
Religion ^a	female	76	23.0%	102	31.9%	178	27.4%
	Christian	304	92.1%	320	100%	624	96.0%
Marital status ^a	Muslim	26	7.9%	0	0.0%	26	4.0%
	married	236	71.5%	156	48.8%	392	60.3%
	Single	84	25.5%	156	48.8%	240	36.9%
	Divorced	10	3.0%	8	2.5%	18	2.8%
Education status ^a	Illiterate	14	4.2%	4	1.3%	18	2.8%
	Read and write	234	70.9%	230	71.9%	464	71.4%
	Elementary-diploma	64	19.4%	60	18.8%	124	19.1%
	Degree and above	18	5.5%	26	8.1%	44	6.8%

^acharacteristics for the manager of the Enterprise

Out of these 330 (50.8%) were censored (sustained enterprise) and the rest 320 (49.2%) were found to be terminated/ failed (drop out) enterprises. In this study, descriptive statistics were employed to dig out important information about the SMEs in the study area. The enterprises were followed up for a median

The majority of the SMEs considered in this study were from Shebel Berentaworeda 104(16%), and a small number of SMEs were considered from Aneded woreda 18(2.8%). Of this high sustainability (censored) and termination (failure) of small and medium-sized enterprises, 52 (15.8%) and 72 (22.5%) were

observed in Enemay woreda and Shebel Berenta woreda respectively (Table 3). The majority of the small and medium-sized enterprises in this study were from the manufacturing sector 316(48.6%), while a small number of enterprises were from the construction sector 48 (7.4%). High incidence of termination (event) 128(40%) and sustainability (censored) 188(57%) was observed in the manufacturing sector of enterprises (Table 2). The majority of the manager of the SMEs were males 472(72.6%). Regarding educational attainment, about 18(2.8%) of the manager of the enterprise were illiterate (no education), 468(71.4%) of the manager of the enterprise can read and write, 124(19.1%) of the manager of the enterprise attended elementary to diploma (TVET) and the remaining 44(6.8%) of the enterprise manager had attended first degree and above. The majority of the enterprise manager 392(60.3%) are married and 624(96%) are orthodox Christian followers (Table 2).

working in the industry zone or shade had high survival time or sustainability (censored) 236 (71.5%) as compared with the SMEs working else (Table 4). In that regard, the source of experience or skill of the majority of the managers of the enterprises obtained or gained their experience from their family (36.9%) and the majority of the enterprise (47.4%) acquired the capital to start the business from family and relatives. It indicates that there is low access to finance to begin their business from external sources such as banks and ACSI. Finally, the majority of the enterprises (72.5%) distributes their goods through their shops as a means of delivery to the main marketing platform or network (Table 3). Access for Training and collaboration with TVET of SMEs There has been a great deal of effort in Ethiopia to increase the level of education and training cooperation between the public and private sectors and small and medium-sized enterprises.

Table 3. Overall Accessibility of working place (shade) and marketing channel of SMEs in East Gojjam zone, 2009-2018

		Status of Enterprise					
		Censored		Event		Total	
		Count	%	Count	%	Count	%
Place in which the enterprise works	In my house	6	1.8%	8	2.5%	14	2.2%
	In industry zone / area	236	71.5%	176	55.0%	412	63.4%
	Rent	38	11.5%	82	25.6%	120	18.5%
source of your experience/skill	other	50	15.2%	54	16.9%	104	16.0%
	Family	122	37.0%	118	36.9%	240	36.9%
	Qualifying and training center	64	19.4%	84	26.3%	148	22.8%
	Training in an enterprise or a factory	86	26.1%	58	18.1%	144	22.2%
	Vocational and technical school	58	17.6%	60	18.8%	118	18.2%
Place for main marketing channels	Own shop(s)	250	75.8%	220	69.2%	470	72.5%
	Wholesaler(s)	26	7.9%	20	6.3%	46	7.1%
	Retail shop(s)	22	6.7%	18	5.7%	40	6.2%
	other	32	9.7%	60	18.9%	92	14.2%
source of capital to start your business	Banks / ACSI	74	22.4%	40	12.5%	114	17.5%
	Family and relatives	158	47.9%	150	46.9%	308	47.4%
	Personal saving / Deposits	86	26.1%	104	32.5%	190	29.2%
	NGOs	12	3.6%	26	8.1%	38	5.8%

Table 4. Accessibility of on-job-training and Practice of collaboration between SMEs and TEVT IN East Gojjam zone, 2009-2018

The activity of OJT and Collaboration		Count	%
Do you provide in-house training (OJT) for your staff	yes	356	54.8%
	no	294	45.2%
Collaborated with a vocational training institution	yes	396	60.9%
	no	254	39.1%
Satisfaction on cooperation with the training institution in general	Not satisfactory	200	31.0%
	Somewhat unsatisfactory	258	39.9%
	Quite satisfactory	156	24.1%
	Very satisfactory	32	5.0%
	obtained practical sessions from them	558	86.6%
Way of collaboration with TVET office	Provide practical sessions for trainees	8	1.2%
	Engage in the development of curriculum	12	1.9%
	accept interns /internship	50	7.8%
	No relationship at all	16	2.5%

The government of Ethiopia gives high attention to job creation, with particular emphasis given to SMEs based on their potential to create employment opportunities by preparing the working place zone and by distributing a loan by a bilateral agreement with financial institutions. In this study, majority of the enterprises 412 (63.4%) were working in the industry zone or by the shades prepared by small and medium scale enterprise offices with the collaboration of other concerned offices (Table 3). This is an evidence and highly acknowledged effort of the government to expand job opportunities for jobless individuals in low skill employment sectors such as trade, services, and elementary occupations. Those SMEs

Specifically, there is a consensus between small and medium-sized enterprises and TVET institutions like polytechnic colleges [Singh, 2008; Talegeta, 2014]. In this regard, 396 (60.9%) of the enterprises collaborated with technical and vocational education and training (TVET) colleges through student apprenticeships, training (learning), technology transfer, and manual preparation (Table 4). SMEs play a key role in ensuring the up-to-date transition of skills to TVET students by acting as a teaching institution. Interaction between small and medium-sized enterprises and the TVET Collage has been seen as a strategic instrument for national and regional innovation, competitiveness, and economic growth in Ethiopia.

Table 5. Professional's skill, attitude and social skill of employees as perceived by the manager East Gojjam zone, 2009-2018

Knowledge /skill	Degree/rate of perception			
	not qualified / highly negative	Somewhat unqualified / -ve	somewhat qualified /+ve	Very qualified / highly positive
Theoretical knowledge (know-how)	36(5.5%)	236 (36.3%)	194(29.8%)	184(28.3%)
Practical professional knowledge / skills	24(3.7%)	144(22.2%)	200(30.8%)	282(43.4%)
Work attitude /motivation	48(7.5%)	108(16.8%)	130(20.2%)	358(55.6%)
Communication and social skills	78(12%)	78(12%)	86(13.2%)	408(62.8%)

Table 6. Enterprise challenges on the accessibility of loan and future expected risks of enterprise in East Gojjam Zone, 2009-2018

		Status of enterprise					
		Censored		Event		Total	
		Count	%	Count	%	Count	%
loan access from the bank	yes	146	45.3%	84	26.3%	230	35.8%
	no	176	54.7%	236	73.8%	412	64.2%
Problems that you are facing with the loan	High-Interest Rate	42	24.4%	26	28.9%	68	26.0%
	Guarantee request during a loan	8	4.7%	8	8.9%	16	6.1%
	Time is taken to process the loan	14	8.1%	0	0.0%	14	5.3%
	Payments conditions	12	7.0%	12	13.3%	24	9.2%
	others	96	55.8%	44	48.9%	140	53.4%
Challenges that faced when you request a loan	Collaterals / validation	60	28.3%	85	35.4%	145	32.1%
	Financial Position	20	9.4%	32	13.3%	52	11.5%
	Lack of quality for business plan	36	17.0%	29	12.1%	65	14.4%
	other	96	45.3%	94	39.2%	190	42.0%
Non-financial problems that face the enterprise	Management / Administration	22	6.7%	98	31.0%	120	18.7%
	Marketing/Market Condition	62	19.0%	54	17.1%	116	18.1%
	A high number of Competition	8	2.5%	16	5.1%	24	3.7%
	Government tax	62	19.0%	52	16.5%	114	17.8%
	Quality and area of working place	126	38.7%	46	14.6%	172	26.8%
Expected future risk	other	46	14.1%	50	15.8%	96	15.0%
	Financial risk	24	7.3%	21	6.8%	45	7.1%
	Operational and IT risks	48	14.5%	67	21.8%	115	18.0%
	Reputational risk	32	9.7%	85	27.6%	117	18.3%
	Market risks	104	31.5%	79	25.6%	183	28.7%
	Compliance risks	10	3.0%	8	2.6%	18	2.8%
	other	112	33.9%	48	15.6%	160	25.1%

The most important issue to improve the survival rate of small and medium-sized businesses is creating appropriate training and development programs that meet their short and longer-term needs. Because this would increase employment, facilitate a dynamic, competitive economy, and promote social inclusion through flexible processes and flatter organizational structures usually found in small and medium-sized enterprises. Majority of the enterprises 356 (54.8%) in the study area provide on the job or vocational training for employees through a planned effort by the enterprise manager to enable employees to acquire certain job-related skills, such as knowledge, skills or behaviors that are essential for positive job performance of the enterprise (Table 4). On Job Training (OJT) program should be strongly advocated to increase the enterprise performance, as it enables the skills that each employee needs to improve to be strengthened. The staff of the enterprise who receives the necessary training is more capable of performing their duties. Exposure to the OJT system takes all workers to a higher level of knowledge and ability. Knowledge of the employees as perceived by the manager. The higher the knowledge and skills of human resources, the good the results of small and medium-sized businesses or vice versa. Knowledge and skills must, therefore, be strengthened and preserved to encourage workers to achieve better efficiency, which in turn will help to increase the performance of small and medium-sized enterprises. The majority of the enterprise manager 266(36.3%) assured that professionals, semi-skilled workers, and other workers of the enterprise are partially unqualified in terms of theoretical knowledge towards the task they perform. On the other way, 282(43.4%) of the enterprise manager assured that workers of the SMEs are very qualified in terms of practical

knowledge/skill. Therefore to increase theoretical and practical skill or knowledge of workers of SMEs continuous training particularly job-related or leading to an accredited qualification; it is highly important to make the enterprise innovative and sustain in long term by absorbing jobless individuals. Effective communication and social skill of workers is very crucial for the enterprise for better customer service by increasing the total number of customers with the provision of quality goods and services, and identification of customer needs and handling customer concerns and complaints.

The majority of the enterprise manager 494(76%) assured that workers of the SMEs had better communication and social skills (Table 5). This result suggests that workers of the SMEs are highly engaged to promote their products as it will increase the sustainability of the enterprise. On the other way, above half 358 (55.6%) of the enterprise manager confirmed that the workers of the enterprise had a highly positive motivation and attitude to work (Table 5). This situation had a positive impact on the sustainability of enterprises, as a good motivation or attitude has the potential to influence their interactions with others and their work performance, and it affects the reactions of workers to others, including colleagues and customers. Besides, motivated workers can lead to increased productivity and enable the enterprise to achieve higher levels of output. Challenges of SMEs on the Accessibility and Utilization of Loan. Timely access and proper utilization of loans are very crucial to the development and sustainability of SMEs, but loan access is the dominant challenge of various SMEs faced still. Credit availability makes it possible for SMEs to acquire the

Table 7. Infrastructure or resource-related challenges for the sustainability of SMEs in East Gojjam Zone, 2009-2018

Infrastructure or resource Access		Status of Enterprise				
		Censored		Event		Total (%)
		Count	%	Count	%	
Access for Clean water to the firm	Poor	108	43.9%	81	34.9%	189(39.5)
	Fair	18	7.3%	33	14.2%	51(10.7)
	Good	34	13.8%	25	10.8%	59(12.3)
	Very good	86	35.0%	93	40.1%	179(37.4)
Access to electricity	Very good	64	19.5%	59	22.5%	123(20.8)
	Good	40	12.2%	13	5.0%	53(9)
	fair	68	20.7%	22	8.4%	90 (15.3)
	Poor	156	47.6%	168	64.1%	324(54.9)
Access to land / working place	never /poor	140	42.7%	118	37.8%	258(40.3)
	very low	40	12.2%	38	12.2%	78(12.2)
	low	40	12.2%	36	11.5%	76(11.9)
	Good	108	32.9%	120	38.5%	228(35.1)
Access for monetary lone from government or NGOs	No Chance	104	42.3%	106	54.1%	210(47.5)
	Very Little Chance	0	0.0%	8	4.1%	8(1.8)
	Some Chance	4	1.6%	0	0.0%	4(0.9)
	Very Good Chance	138	56.1%	82	41.8%	220(49.8)

Table 8. Socio-economic Challenge's associated with sustainability SMEs in East Gojjam Zone, 2009-2018

Challenges		Status of Enterprise				
		Censored		Event		Total (%)
		Count	%	Count	%	
Use/adoption of new technology	Never	92	29.5%	93	31.4%	185(30.4)
	very low	20	6.4%	41	13.9%	61(10)
	low	48	15.4%	37	12.5%	85(14)
	good	152	48.7%	125	42.2%	277(45.6)
Price of new technology	Highly cheap	58	18.7%	94	31.8%	152(25.1)
	Cheap	62	20.0%	46	15.5%	108(17.8)
	Expensive	84	27.1%	72	24.3%	156(25.7)
	Goo Highly expensive	106	34.2%	84	28.4%	190(31.4)
Acceptability of enterprise products by clients	Slightly unacceptable	62	19.6%	62	21.2%	124(20.4)
	Slightly acceptable	24	7.6%	66	22.6%	90(14.8)
	Acceptable	56	17.7%	32	11.0%	88(14.5)
	Highly acceptable	174	55.1%	132	45.2%	306(50.3)
Fairness of tax payment	Highly unfair	86	29.5%	132	42.9%	218(36.3)
	unfair	40	13.7%	44	14.3%	84(14)
	fair	68	23.3%	48	15.6%	116(19.3)
	Highly fair	98	33.6%	84	27.3%	182(30.3)
Market access or linkage	Poor	104	32.3%	130	41.9%	234(37)
	very low	54	16.8%	26	8.4%	80(12.7)
	low	50	15.5%	48	15.5%	98(15.5)
	Good	114	35.4%	106	34.2%	220(34.8)
Support from TVET staff	weak	60	18.4%	104	32.5%	164(25.4)
	Somewhat weak	108	33.1%	112	35.0%	220(34.1)
	low	60	18.4%	52	16.3%	112(17.3)
	Strong	98	30.1%	52	16.3%	150(23.2)
Support from government office	weak	96	29.3%	108	34.2%	204(31.7)
	Somewhat weak	64	19.5%	86	27.2%	150(23.3)
	low	76	23.2%	88	27.8%	164(25.5)
	Strong	92	28.0%	34	10.8%	126(19.6)

appropriate inputs needed for their operation at the right time. The majority of the SMEs 412(64.2%) don't have a loan from the bank, and the remaining 230(35.8%) of the enterprise got a loan from a bank. In this regard, 236(73.8%) of the enterprises who doesn't access a loan is terminated (failure) enterprises, as access for a loan has a great contribution to the sustainability of enterprises. Moreover, high-interest rates and guarantee during loan requests are the dominant challenges faced for the enterprises who have a loan from the bank (Table 6). As small and medium-sized enterprises are high-risk enterprises, 145 (32.1%) of the enterprise lacks the necessary collateral to function as a loan guarantee and also they argue that the lending process is costly and the administrative procedure involved is also too complicated (Table 6). But collateral in SME lending is mandatory for the reduction of loan loss in the event of default, adverse selection, and moral hazard [Blazy, 2013]. Therefore, trade credit, where goods and services are supplied before payment should be advocated as a critical

source for financing SMEs. This approach consists of an open, unsecured, short-term line of credit. As shown in Table 6, among non-financial issues, the availability, quality, and appropriateness of the workplace 172(26.8%), and internal administration or management within the member of the enterprise (internal weaknesses) 120(18.7%) are highly prioritized problems by the enterprise. As an eye witness, "At the time of data collection, we note that enterprise office leaders at the woreda level are negotiating with a member of the enterprise to reach a consensus." Therefore, at the time of the establishment of the enterprise, the enterprise office at the woreda level must work hard to change the behavior of the workers to come up with strong engagement internally for the sustainability of the enterprise. The lack of market access and platform for the selling of the enterprise product 183 (28.7%) and 117 (18.3%) of them rise an issue on credibility risk as perceived by the worker of the enterprise are another priority threat for the survival of the enterprise (Table 6). The

enterprise office of the woreda should, therefore, work towards adversely affecting market risks through marketing and sales promotion practices, such as pricing, distribution, promotional and competitive strategies. It is therefore vital that market links between different stakeholders and SMEs to ensure inclusive growth and sustainability of small and medium-sized enterprises.

Challenges of Small and Medium Enterprises (SMEs) Sustainability towards Infrastructure. Infrastructure is one of the most critical factors for the survival and growth of small and medium-sized enterprises because it interacts with production processes and has a significant impact on the production and quality of enterprise output, revenue, profits, and job creation in the economy. In this study, 189(39.5%) of the enterprises had poor access to clean water; 324(54.9%) of the enterprise had poor access to electricity; 258(40.3%) of the enterprise had poor or no access to the workplace (access to an appropriate place of business); 210(47.5%) of the enterprise had no chance of access to money alone from government or NGOs (Table 7). Empirical evidence suggests that the poor or unsafe quality of electricity supplies is a serious constraint on the development and expansion of small and medium-sized enterprises in the East Gojjam zone. Also, voltage fluctuations create break production, damage equipment, and affect product quality. The 28-year-old business manager at Shebel Berenta woreda, who is engaged in the manufacturing sector, specifically wood and metalwork, replays his problem on the availability of electricity as follows.

"We work less than ten days a month due to lack of electricity. Without full commitment to our work, I am unable to cover the monthly salary of my employee. I am also unable to pay the rent of the house and the borrowed loan to Amhara Credit and Saving Institution (ACSI). Our enterprise is under a challenge due to lack of access to electricity, and survival is already at great risk in today's competitive world. If the government is unable to address the low availability of electricity in our woreda, we are unable to manage the deficit in this way. Finally, if the issue continues in such a way, likely, we will stop our work in the next four or five months."

Similarly, three men working as small and medium-sized enterprises in Aneded woreda in the manufacturing sector, specifically woodwork, reflect the problem of availability of electricity as follows.

"In the past two solid years, we have been working here by obtaining a loan from ACSI with the support of the woreda-level enterprise office. We're struggling a lot still to challenge poor electricity accessibility by designing different strategies, such as using Generator emplace of electricity. This burden invites us to make a high expenditure, even if it is not possible to cover the quarterly and annual payment of the loan. Our customers are also dissatisfied with our service as we are unable to distribute our product to the customer on time. Finally, due to a high lack of electricity, we decide to move to Addis Ababa or Diredaw to be employed by other companies."

Access to finance has been identified as a major reason for the high rate of failure of small and medium-sized enterprises as having a positive impact on the sustainability of SMEs [23]. Access to finance in the form of a loan (access to credit) to

SMEs in East Gojjam zone in the appropriate form is hampered by several autocratic, demand-and supply-side barriers (Table 7). In Dejen town, a 32-year-old man engaged in agriculture, specifically Cattle fattening, as small and medium-sized enterprises with his two members, argued that the lack of finance (lack of government or non-governmental monetary lone access) complain as follows:

"We are only fattening a small number of cattle due to lack of capital, we are unable to work by making full use of our efforts to make this enterprise profitable. If we have enough financing from the government or other interested agencies in the form of loans with a small interest rate, we can greatly expand our enterprise by fattening a lot of cattle, and we can also attract more unemployed people from our surroundings. Repeatedly, we reflect our lack of finance for the woreda enterprises office manager but there is still no positive response to our query."

The small and medium enterprise office manager of Dejen woreda identifies the difficulties and issues that impede them funding of small and medium-sized enterprises are due to the lack of collateral provided by small and medium-sized enterprises for loans due to higher risks associated with small-scale operations and the lack of significant transaction costs associated with small and medium-sized enterprises. In general, the lack of capital and the lack of availability of credit facilities are a major barrier to the survival of small and medium-sized enterprises in the study area. In the first place, sufficient funds are not available, and, in the second place, firms have lower credit opportunities due to weak collateral bases. Small and medium-sized businesses are not fully exposed or are adopting new technologies. Approximately 185 (30.4%) enterprises do not use emerging technology to produce their goods. This may be because of the lack of finance and the cost of new technologies are expensive. 190 (31.4%) of small and medium-sized enterprises (SMEs) argue that the high cost of new technology adoption prohibits us from using new technology (Table 8). Due to outdated production methods, they are faced with the problems of lower production in low quality and at a higher cost.

They are not in a position to compete at this level of production with other better-equipped competitors operating on a large scale. Small and medium-sized enterprises are also exposed to marketing problems in the East Gojjam area. 234 (37%) of small and medium-sized enterprises are challenged on the market network, of which 130 (41.9%) of small and medium-sized enterprises are terminated or failed (event). This may be because they are not in a position to receive first-hand information about the market, such as price, demand, taste, customer dissatisfaction, and popular style. Therefore, to increase the sustainability of small and medium-sized enterprises, the relevant body, in particular, the Government of Ethiopia, should reserve certain items of products for exclusive production to enterprises and also various agencies, such as the import-exporter, should extend the helping hand to small and medium-sized enterprises in the sale of their products both on the domestic and export markets. The unfair request of tax is a serious barrier to the survival of small and medium-sized enterprises in the East Gojjam zone. Of the 650 SMEs considered in this study, 218 (36.3%) of the enterprise argued that the tax revenue office had requested a very unfair tax, of which 132(42.9%) of the enterprises are terminated or failed

(event). One of the enterprise manager in Awabel woreda engaged in the furniture and metalwork says:

"This year, we have requested 13,000 (thirty thousand birr) tax from the tax revenue office. This was truly heart-touching and highly unmanageable for us because we work less than 12 days a month due to a lack of electricity with a monthly profit of less than 7000ETB. Besides, we paid a monthly salary for our employees, and the cost of raw materials is also high. There is also a disparity in the determination of tax by the revenue office between the two enterprises engaged in similar work. If the revenue office continues to have such a bias and imbalanced tax, we are obliged to stop our work shortly." Support for small and medium-sized enterprises in various ways through vocational education and training, as well as the government itself, is very important for the country's economy as it improves the labor market. 150 (23.2%) of the company had strong support from TVET employees, whereas 126 (19.6%) of the company had strong support from the government office. By comparison, 164 (25.4%) of the company had weak support from TVET staff, whereas 204 (31.7%) of the company had received strong support from the government in various ways (Table 8). This empirical evidence shows that the high level of support for small and medium-sized enterprises by TVET and the government is vital to the survival of the enterprise. Encouragement or support for small and medium-sized enterprises should be highly advocated in the study area through vocational training and training staff is very important for the development of an appropriate and highly qualified workforce in the enterprise.

Conclusion

The findings of this study indicate that the incidence of termination of small and medium-sized enterprises in the study area is relatively common. Of the 650 enterprises considered in this study, 330 (50.8%) were found to be censored (sustained enterprise) and the remaining 320 (49.2 %) were found to be terminated or failed enterprises. This situation creates pressure on the country's economy by producing jobless citizens. The main challenges for the sustainability of the SMEs in the study area are lack of infrastructure (electricity, clean water and work place/shade), scares of resources or finance to expand the enterprise, lack of marketing linkage or access (handling of customer preference), Lack of knowledge and poor access to technologies, unfair tax request by the revenue office and weak support from the government enterprise office (lack of skilled extension providers).

Recommendation

This study suggests that, due to the high incidence of termination or failure of small and medium-sized enterprises in the study area, an efficient financial reporting system, marketing, and sales promotion, customer relations for small enterprises (effective customer service, quality goods, and services, recognition of customer needs, staff training in customer service) training and support for SMEs should be given frequently. Successive, well-adverse training should be delivered by professional trainers who can have a positive impact on trainees gaining the information, skills, and behaviors they need to succeed in the market. Challenges

relating to the accessibility of infrastructure should be carefully mitigated as much as possible. On top of this, further work should be conducted to identify the significant aspects of institutional structures at local, national and sector level that need to be done to ensure the survival of small and medium-sized enterprises.

Acronyms

GTP: Gross and transformation plan
 MDGs: Millennium Development Goals
 NGO: Non-governmental organizations
 OJT: On Job training
 SMEs: Small and Medium Enterprises
 TVET: Technical and Vocational Education and Training

REFERENCES

- Abor, J. and P. Quartey, 2010. *Issues in SME development in Ghana and South Africa*. International Research Journal of Finance and Economics, 39(6): p. 215-228.
- Bannock, G. 2005. *The economics and management of small business: an international perspective*. Psychology Press.
- Beck, T., A. Demirguc-Kunt, and R. Levine, 2005. *SMEs, growth, and poverty: cross-country evidence*. Journal of economic growth, 10(3): p. 199-229.
- Blazy, R. and L. Weill, 2013. *Why do banks ask for collateral in SME lending?* Applied Financial Economics, 23(13): p. 1109-1122.
- Brixiova, Z. 2013. *On determinants of SME start ups in Ethiopia: A theoretical exploration*. 2009, Tunis: African Development Bank, Development Research Department.
- Cook, P. and F. Nixson, *Finance and small and medium-sized enterprise development*. 2000: Institute for Development Policy and Management, University of Manchester Manchester.
- Eniola, A.A. 2014. *The role of SME firm performance in Nigeria*. Oman Chapter of Arabian Journal of Business and Management Review, 3(12): p. 33-47.
- Fjose, S., L. Grünfeld, and C. Green, 2010. *SMEs and growth in Sub-Saharan Africa—Identifying SME roles and obstacles to SME growth [MENOM Publication no. 14/2010]*. Retrieved 15/10/15, from <http://www.norfund.no/getfile.php/Documents/Homepage/Reports%20and%20presentations/Studies%20for%20Norfund/SME%20and%20growth%20MENOM%20%5BFINAL%5D.pdf>.
- Jeppesen, S. 2005. *Enhancing competitiveness and securing equitable development: Can small, micro, and medium-sized enterprises (SMEs) do the trick?* Development in Practice, 2005. 15(3-4): p. 463-474.
- Kongolo, M. 2010. *Job creation versus job shedding and the role of SMEs in economic development*. African journal of business management, 4(11): p. 2288-2295.
- Konrad, J. 1998. *Skill and competence needs of Small and Medium Enterprises [SMEs] and for the creation of new companies*.
- Malaza, D.T. 2010. *An assessment of the determinants of women entrepreneurship in selected areas in South Africa*. North-West University.
- McIntyre, R.J. 2001. *The role of small and medium enterprises in transition: Growth and entrepreneurship*.: UNU World Institute for Development Economics Research (UNU/WIDER).

- Okpara, J.O. 2011. *Factors constraining the growth and survival of SMEs in Nigeria: Implications for poverty alleviation*. Management Research Review, 34(2): p. 156-171.
- Okpara, J.O. 2011. *Factors constraining the growth and survival of SMEs in Nigeria*. Management Research Review.
- Rothwell, R. and M. Dodgson, 1991. *External linkages and innovation in small and medium-sized enterprises*. R&D Management, 21(2): p. 125-138.
- Sanders, R.R. 2017. *The Rise of Africa's Small & Medium Size Enterprises: Spurring Development & Growing the Middle Class*. 2017: Xlibris Corporation.
- Singh, G. and R. Belwal, *Entrepreneurship and SMEs in Ethiopia: Evaluating the role, prospects and problems faced by women in this emergent sector*. Gender in management: An international journal, 2008. 23(2): p. 120-136.
- Smallbone, D. and F. Welter, 2001. *The role of government in SME development in transition economies*. International Small Business Journal, 19(4): p. 63-77.
- Talegeta, S. 2014. *Innovation and barriers to innovation: small and medium enterprises in Addis Ababa*. Journal of Small Business and Entrepreneurship Development, 2(1): p. 83-106.
- Tefera, H., A. Gebremichael, and N. Abera, *Growth determinants of micro and small enterprises: evidence from Northern Ethiopia*. Journal of Economics and Sustainable Development, 4(9).
- Tuffa Birru, W. 2011. *Horizontal inter-firm cooperation in Ethiopian small and medium enterprises: Evidence from leather shoe manufacturing firms in Addis Ababa*. Journal of Small Business and Enterprise Development, 18(4): p. 806-820.
- Ye, J. and K. Kulathunga, 2019. *How Does Financial Literacy Promote Sustainability in SMEs? A Developing Country Perspective*. Sustainability, 11(10): p. 2990.
