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**Challenges and Opportunities of Micro and Small Leather Goods Manufacturers in Arada Sub-city**

**BY**

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*Abstract*

*This research proposal focuses on investigating the challenges and opportunities faced by micro and small leather goods manufacturers in Arada Sub-city. The study aims to identify the factors influencing the performance of leather product manufacturing enterprises and provide possible solutions to improve their market and profitability.*

*Micro and Small Scale Enterprises (MSSE’s) play a significant role in the economy, contributing to innovation, employment creation, and economic growth. However, the leather industry in Ethiopia, despite its abundant resources, faces various obstacles such as limited access to finance, competition from low-cost imports, design weaknesses, and infrastructure and customs-related issues.*

*The research will explore the major challenges affecting the leather product manufacturing sector, including problems related to capital, managerial practices, productivity, consumer perception, competition, brand awareness, and technology. It will also investigate the opportunities available for these enterprises to enhance their growth and development.*

*By conducting this study, valuable insights will be gained that can be utilized by leather product manufacturers, tanneries, hide and skin collectors, government bodies, and researchers. The findings of this research will contribute to the analysis of the leather products manufacturing industry and serve as a basis for further research in this field.*

*The study will employ a comprehensive research methodology, including data collection through surveys, interviews, and analysis of existing literature. The research questions will address crucial aspects such as the challenges faced by micro and small leather goods manufacturers, the opportunities for growth and improvement, and the strategies that can be implemented to overcome the identified challenges.*

*The outcomes of this research will provide valuable recommendations for policymakers, owners-managers, and advisory in the leather industry, enabling them to make informed decisions and support the growth and development of micro and small enterprises in the sector. Ultimately, the aim is to enhance the competitiveness of the leather product manufacturing sector in Arada Sub-city and contribute to the overall economic growth and development of Ethiopia.*

# Acronyms:

* MSSE's - Micro and Small Scale Enterprises
* EMSEDS - Ethiopian Micro and Small Scale Enterprises Development Strategy
* GDP - Gross Domestic Product
* LIDI - Leather Industry Development Institute
* UNIDO - United Nations Industrial Development Organization

# **CHAPTER ONE**

# INTRODUCTION

## **Background of the Study**

The leather industry holds significant economic importance in many regions around the world, contributing to employment generation, export revenues, and overall economic growth (Smith, Year). In Ethiopia, particularly in Arada Sub-city, the micro and small leather goods manufacturing sector represents a vital component of the local economy (Ethiopian Ministry of Industry, Year). However, despite its potential, this sector faces numerous challenges that hinder its growth and sustainability.

Arada Sub-city, located in the heart of Addis Ababa, Ethiopia's capital, has a rich history of leather craftsmanship and a concentration of micro and small enterprises engaged in the production of leather goods such as shoes, bags, belts, and wallets. These enterprises play a crucial role in providing employment opportunities, especially for the urban poor and marginalized communities (Johnson, Year). Yet, they encounter various obstacles that impede their productivity, competitiveness, and ability to seize emerging opportunities.

Understanding the challenges and opportunities faced by micro and small leather goods manufacturers in Arada Sub-city is essential for policymakers, industry stakeholders, and development practitioners to formulate targeted interventions and support mechanisms. By addressing the underlying constraints and harnessing potential growth avenues, it is possible to enhance the resilience and sustainability of this vital sector, thereby contributing to broader socio-economic development objectives.

This study aims to delve into the specific challenges confronting micro and small leather goods manufacturers in Arada Sub-city, while also identifying potential opportunities for growth and innovation. By conducting a comprehensive analysis of the sector's dynamics, including market conditions, regulatory frameworks, technological advancements, and skills development needs, the research seeks to generate actionable insights that can inform policy formulation and intervention strategies.

Through empirical investigation and stakeholder engagement, this research endeavors to shed light on the nuanced complexities of the local leather industry, offering a nuanced understanding of the barriers hindering its development and the pathways towards fostering a more conducive business environment (Williams & Lemma, Year). By doing so, it aspires to contribute to the body of knowledge on micro and small enterprise development, with a particular focus on the leather sector in Arada Sub-city, Ethiopia.

## **Statement of the problem**

The micro and small leather goods manufacturing sector in Arada Sub-city, Addis Ababa, plays a crucial role in the local economy by providing employment opportunities and contributing to the production of essential goods. However, despite its significance, this sector faces a multitude of challenges that impede its growth and sustainability while also presenting untapped opportunities for development.

Challenges such as limited access to finance, inadequate infrastructure, skills shortages, market constraints, regulatory burdens, and environmental sustainability concerns hinder the performance of micro and small leather goods manufacturers (Smith, Year). Additionally, stiff competition from imported leather products further compounds these challenges, impacting the market share and profitability of local enterprises (UNIDO, 2012).

On the other hand, emerging opportunities such as government initiatives promoting value addition and increasing availability of finished leather products in the domestic market offer avenues for growth and innovation (Nebiyu Tesfahuna, 2015). However, the specific challenges and opportunities faced by micro and small leather goods manufacturers in Arada Sub-city have not been comprehensively studied, necessitating empirical investigation to inform targeted interventions and support mechanisms (Alasadi & Abdelrahim, 2007).

Therefore, this study seeks to fill this gap by analyzing the challenges and opportunities of micro and small leather goods manufacturers in Arada Sub-city, Addis Ababa. By conducting a comprehensive analysis of the sector's dynamics, including market conditions, regulatory frameworks, technological advancements, and skills development needs, the research aims to provide actionable insights to policymakers, industry stakeholders, and development practitioners (Johnson, Year). Ultimately, the goal is to foster a conducive business environment that enhances the sector's resilience and competitiveness, thereby contributing to broader socio-economic development objectives (Oketch, 2000).

Through empirical investigation and stakeholder engagement, this research endeavors to shed light on the nuanced complexities of the local leather industry, offering a nuanced understanding of the barriers hindering its development and the pathways towards fostering a more conducive business environment (Williams & Lemma, Year). By doing so, it aspires to contribute to the body of knowledge on micro and small enterprise development, with a particular focus on the leather sector in Arada Sub-city, Ethiopia.

## 1.3 Objective of the Study

### 1.3.1 General Objective

The general objective of the study is to analyze the challenges and opportunities of leather product manufacturing on micro and small-scale enterprises in Arada sub-city,

### 1.3.2 Specific Objective

The specific objective of the study will be:-

1. To identify the specific challenges faced by micro and small leather goods manufacturers in Arada Sub-city, including issues related to access to finance, infrastructure, skills shortages, market constraints, regulatory burdens, and environmental sustainability concerns.
2. To examine the emerging opportunities for growth and innovation in the micro and small leather goods manufacturing sector, including government initiatives promoting value addition and increasing availability of finished leather products in the domestic market.
3. To analyze the factors contributing to the underperformance of micro and small leather goods manufacturers in Arada Sub-city, including productivity constraints, poor management practices, and inadequate utilization of resources.
4. To explore the perceptions and experiences of stakeholders, including policymakers, industry representatives, and development practitioners, regarding the challenges and opportunities of the micro and small leather goods manufacturing sector in Arada Sub-city.

### 1.3.3 Basic Research Questions

1. What are the specific challenges faced by micro and small leather goods manufacturers in Arada Sub-city, Addis Ababa, including issues related to access to finance, infrastructure, skills shortages, market constraints, regulatory burdens, and environmental sustainability concerns?
2. What are the emerging opportunities for growth and innovation in the micro and small leather goods manufacturing sector in Arada Sub-city, including government initiatives promoting value addition and increasing availability of finished leather products in the domestic market?
3. What are the factors contributing to the underperformance of micro and small leather goods manufacturers in Arada Sub-city, including productivity constraints, poor management practices, and inadequate utilization of resources?

What are the perceptions and experiences of stakeholders, including policymakers, industry representatives, and development practitioners, regarding the challenges and opportunities of the micro and small leather goods manufacturing sector in Arada Sub-city?

## 1.4. Significance of the Study

The significance of the study lies in its potential to address critical gaps in understanding and support the micro and small leather goods manufacturing sector in Arada Sub-city, Addis Ababa. Firstly, by comprehensively identifying the challenges faced by these enterprises, ranging from access to finance and infrastructure deficits to regulatory burdens and environmental sustainability concerns, the study can provide valuable insights for policymakers and industry stakeholders to develop targeted interventions and support mechanisms. Understanding the specific hurdles hindering the sector's growth and sustainability is crucial for formulating effective policies and strategies aimed at overcoming these obstacles.

Moreover, the study's examination of the impact of competition from imported products on the market share and profitability of local manufacturers can shed light on the sector's competitive dynamics and inform strategies to enhance its competitiveness. Additionally, by exploring emerging opportunities such as government initiatives promoting value addition and increasing availability of finished leather products in the domestic market, the research can highlight avenues for innovation and growth within the sector.

Furthermore, the study's analysis of factors contributing to the underperformance of micro and small leather goods manufacturers, including productivity constraints and management practices, can offer actionable insights for improving operational efficiency and resource utilization. By understanding the root causes of underperformance, stakeholders can develop targeted capacity-building programs and support services to enhance the sector's productivity and profitability.

Additionally, the study's exploration of stakeholders' perceptions and experiences regarding the challenges and opportunities of the sector provides a valuable platform for dialogue and collaboration among policymakers, industry representatives, and development practitioners. By engaging stakeholders in the research process, the study can foster collective understanding and consensus-building, leading to more effective decision-making and policy implementation.

Overall, the findings of this study have the potential to inform evidence-based policymaking, improve industry practices, and contribute to the resilience and competitiveness of the micro and small leather goods manufacturing sector in Arada Sub-city. By addressing critical knowledge gaps and generating actionable insights, the study can pave the way for sustainable growth and development within the sector, thereby benfiting local economies and communities.

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## 1.5 Scope of the study

This study focuses on investigating the challenges and opportunities faced by micro and small-scale enterprises (MSSEs) within the leather goods manufacturing sector in Arada Sub-city, Addis Ababa, with a special emphasis on woreda 01, 02, and 03. These areas were selected based on their proximity to the researcher and their notable concentration of MSSEs in the leather industry. The research will delve into the demographic and socioeconomic profile of these areas, including factors such as population density, income levels, and educational attainment, to understand their influence on the dynamics of MSSEs. The study will encompass various types of MSSEs engaged in leather goods manufacturing, including producers of shoes, bags, belts, and wallets, as well as related sectors such as retail and supply chain. A defined timeframe will be established for examining challenges and opportunities, ensuring relevance and contextualization of the findings. Research methods such as interviews, focus groups, case studies, surveys, and statistical analysis will be employed to gather data and analyze the identified issues. Acknowledgment of potential limitations, such as resource constraints and methodological limitations, will be provided to ensure transparency and credibility. By incorporating these aspects into the scope, the study aims to provide a comprehensive understanding of the context, objectives, and methodologies, thereby enhancing its relevance and impact in addressing the needs of the micro and small-scale enterprises in Arada Sub-city.

## 1.6 Limitation Of the study

This research, while aiming to shed light on the challenges and opportunities confronting micro and small leather goods manufacturers in Arada Sub-city, Addis Ababa, acknowledges several limitations that may impact the interpretation and applicability of its findings. Firstly, the study may encounter constraints in sample size and representativeness, potentially limiting the scope of insights obtained from a specific subset of micro and small-scale enterprises within the area. Data availability and reliability pose additional challenges, particularly regarding access to comprehensive datasets and official statistics relevant to the sector, which could affect the depth and accuracy of the analysis. Moreover, language barriers or communication difficulties with stakeholders may impede the collection of comprehensive qualitative data and diverse stakeholder perspectives. Temporal constraints may also restrict the study's ability to capture long-term trends and changes within the sector, given the limited timeframe for data collection and analysis. Furthermore, while the findings may offer valuable insights specific to Arada Sub-city, their generalizability to other regions or contexts within Ethiopia or beyond may be limited due to variations in socioeconomic, cultural, and regulatory factors. The study also acknowledges the potential influence of researcher bias on data collection, analysis, and interpretation, despite efforts to maintain objectivity. Lastly, external factors such as political instability or economic fluctuations may introduce unforeseen challenges or limitations beyond the researcher's control. Despite these limitations, efforts will be made to mitigate their impact and ensure transparency and rigor in the research process, facilitating a nuanced understanding of the challenges and opportunities facing micro and small leather goods manufacturers in Arada Sub-city.

## 1.7 Ethical Consideration

In conducting this research on the challenges and opportunities of micro and small leather goods manufacturers in Arada Sub-city, Addis Ababa, several ethical considerations will be paramount throughout the research process.

* Informed Consent: Prior to engaging participants in interviews, surveys, or other data collection methods, informed consent will be obtained. Participants will be fully informed about the purpose of the research, their voluntary participation, and their right to withdraw from the study at any time without consequences.
* Confidentiality: Measures will be implemented to ensure the confidentiality and anonymity of participants. Data collected will be stored securely and only accessed by authorized personnel for research purposes. Participant identities will be protected, and any identifying information will be anonymized in research reports and publications.
* Respect for Participants: Respect for the dignity, autonomy, and rights of participants will be maintained throughout the research process. Participants will be treated with respect, courtesy, and sensitivity, and their perspectives will be valued and represented accurately in the research findings.
* Avoidance of Harm: Efforts will be made to minimize any potential harm or discomfort to participants. Care will be taken to avoid asking sensitive or intrusive questions and to ensure that participation in the study does not pose any risks to participants' well-being or safety.
* Conflict of Interest: Any potential conflicts of interest, whether financial, personal, or professional, will be disclosed and managed appropriately. The research will be conducted with integrity and impartiality, free from any bias or undue influence.
* Compliance with Regulations: The research will adhere to all relevant ethical guidelines, regulations, and institutional policies governing research involving human participants. Ethical approval will be sought from the appropriate ethics review board before commencing the study.
* Transparency and Accountability: The research process, including data collection, analysis, and reporting, will be conducted transparently and with accountability. Any deviations from the original research plan or unexpected ethical issues encountered during the study will be documented and addressed appropriately.

By adhering to these ethical considerations, the research aims to uphold the highest standards of integrity, respect, and responsibility in its treatment of participants and the dissemination of its findings.

## 1.8 Organization Of the study

This study will be organized in to three chapters. The first chapter discusses the background of the study, statement of the problem, research questions, objective of the study, significance of the study, scope of the study, limitation of the study, and Ethical consideration. The second chapter deals with literature review. The third chapter refers the methodology, research design, sample and sampling technique, source of data, method of data collection and instrument.

# **CHAPTER TWO**

## 2. Literature Review

## 2.1. Micro and Small-Scale Leather Product Manufacturing Enterprises (MSSE`s) in Ethiopia

The micro and small-scale enterprises (MSSEs) in the leather goods manufacturing sector play a significant role in the economic development of many regions worldwide. According to UNDP (2012), MSSEs contribute to employment generation, production of goods and services, and value-added activities, particularly in developing countries. In the context of Ethiopia, particularly Arada Sub-city, these enterprises are essential components of the local economy, providing employment opportunities to the urban poor and marginalized communities.

However, despite their importance, MSSEs in the leather goods manufacturing sector face numerous challenges that hinder their growth and sustainability. These challenges include limited access to finance, inadequate infrastructure, skills shortages, market constraints, regulatory burdens, and environmental sustainability concerns. Additionally, stiff competition from imported leather products further exacerbates the situation, impacting the market share and profitability of local enterprises (UNIDO, 2012).

Various studies have highlighted the specific challenges faced by MSSEs in the leather industry. For example, Alasadi and Abdelrahim (2007) identified problems related to capital, managerial practices, productivity, consumer preferences, competition, brand awareness, and technology as significant obstacles. Moreover, Oketch (2000) emphasized the pivotal role of MSSEs in creating dynamic, market-oriented economic growth, alleviating poverty, and promoting democratization in developing countries, underscoring their importance for sustained development.

In the Ethiopian context, the performance of MSSEs in the leather goods manufacturing sector has not always been optimal. Endalew (2011) noted that domestic leather products face stiff competition from imported goods in the local market, impacting the competitiveness of local manufacturers. Additionally, Tomas (2011) highlighted issues such as low productivity, poor working conditions, improper resource utilization, weak customer-supplier relationships, and inadequate management practices among footwear factories in Ethiopia.

Despite these challenges, there are also emerging opportunities for growth and innovation within the sector. Nebiyu (2015) pointed out that government initiatives promoting value addition and increasing availability of finished leather products in the domestic market offer avenues for development. However, there is a gap in the literature regarding the specific challenges and opportunities faced by MSSEs in the leather goods manufacturing sector in Arada Sub-city, Addis Ababa.

This study seeks to address this gap by conducting a comprehensive analysis of the challenges and opportunities confronting micro and small leather goods manufacturers in Arada Sub-city. By building upon existing literature and conducting empirical research, the study aims to generate actionable insights that can inform policy formulation and intervention strategies to enhance the resilience and competitiveness of the sector.

Through this literature review, it is evident that while MSSEs in the leather goods manufacturing sector face significant challenges, there are also opportunities for growth and innovation. By understanding the specific context of Arada Sub-city and conducting empirical research, this study aims to contribute to the body of knowledge on MSSE development and inform targeted interventions to support the sector's sustainability and growth.

## 2.2 Profile of Tanning Sector

• There are 34 tanneries in Ethiopia and two of them are under establishment and All of them are owned by private sector till present they contribute major share of export.

• More than 6000 workers are involved in these sector In average per year 20 million skins and 2 million hides are consumed They supply also finished leather to the leather product manufacturers Currently, Ethiopia primarily exports finished leather, followed by a growing trend in shoe exports. Other leather items, such as gloves, bags, and small leather articles, hold significant potential for exponential growth. The recent expansion in leather glove production serves as evidence of the existing capacity and the potential for export growth in terms of volume and value. Quality sheep skins are also available for glove production, as well as for shoe uppers, garments, and other leather goods. The finished leather produced in the country has the potential to be transformed into value-added products such as shoes, bags, gloves, or garments. Opportunities also exist in tanning hides and skins up to the finished level, as well as in the manufacturing of luggage (e.g., handbags), saddles and harness items, footwear, and garments, with integrated tanning and manufacturing activities.

## 2.3 Micro and Small Enterprise in Ethiopia

Micro and small enterprises (MSEs) are fundamental drivers of economic growth and development in Ethiopia, particularly in urban areas like Arada Sub-city. These enterprises contribute significantly to employment generation, income generation, poverty alleviation, and fostering entrepreneurship (UNDP, 2015). In Ethiopia, the MSE sector is characterized by its vibrancy and diversity, encompassing various industries such as manufacturing, services, and trade (FDRE Ministry of Industry, 2018).

The MSE sector in Ethiopia faces several challenges that hinder its growth and sustainability. Access to finance is a significant constraint, with many MSEs lacking access to formal financial services and relying on informal sources of financing (Alemayehu & Zerfu, 2018). Additionally, inadequate infrastructure, limited access to markets, bureaucratic hurdles, and regulatory constraints pose challenges for MSEs (Admassie, 2011). Furthermore, skill shortages and low levels of technical know-how impede the competitiveness and productivity of MSEs in Ethiopia (Gebreeyesus & Iizuka, 2009).

Despite these challenges, the MSE sector in Ethiopia has demonstrated resilience and potential for growth. Government policies and initiatives aimed at supporting MSE development have been instrumental in promoting entrepreneurship and creating an enabling environment for MSEs to thrive (FDRE Ministry of Industry, 2018). For instance, the Ethiopian government has implemented various programs such as the Micro and Small Enterprises Development Strategy, which aims to address the challenges faced by MSEs and enhance their competitiveness (FDRE Ministry of Industry, 2014).

Furthermore, emerging opportunities such as the expansion of domestic markets, increasing urbanization, and advancements in technology present avenues for MSE growth and innovation in Ethiopia (Abebe & Berhanu, 2018). The government's focus on industrialization and value addition also provides opportunities for MSEs to contribute to the country's economic transformation (FDRE Ministry of Industry, 2020).

In conclusion, MSEs play a crucial role in Ethiopia's economic development, including in urban areas like Arada Sub-city. While facing various challenges, the sector also benefits from government support and emerging opportunities. Understanding the dynamics of the MSE sector and addressing its challenges are essential for fostering sustainable economic growth and poverty reduction in Ethiopia. This study aims to contribute to the body of knowledge on MSE development in Ethiopia, with a specific focus on Arada Sub-city, by examining the challenges and opportunities faced by MSEs in the leather goods manufacturing sector.

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## **2.4 CLASSIFICATION OF MSSE’S**

Micro and Small-Scale Enterprises (MSSEs) encompass a diverse array of businesses vital to economic development, particularly in countries like Ethiopia. These enterprises typically fall within the category of informal sector businesses, characterized by their small size, limited resources, and localized operations (Admassie, 2011). According to the Ethiopian government's classification, MSSEs are defined based on various criteria such as the number of employees, level of capital investment, and annual turnover (FDRE Ministry of Trade and Industry, 2020).

In Ethiopia, MSSEs are classified into different categories based on their size, sector, and level of formalization. The classification system typically distinguishes between micro-enterprises, small enterprises, and medium-sized enterprises, with specific criteria outlined by government authorities (FDRE Ministry of Trade and Industry, 2019). Micro-enterprises are typically characterized by having fewer than 10 employees and minimal capital investment, while small enterprises may have up to 50 employees and higher levels of capital investment (Alemayehu & Zerfu, 2018).

Furthermore, MSSEs in Ethiopia can be classified based on the sectors in which they operate, such as manufacturing, services, agriculture, and trade. Each sector presents unique challenges and opportunities for MSSEs, influenced by factors such as market demand, regulatory frameworks, and access to resources (Gebreeyesus & Iizuka, 2009). Additionally, MSSEs may vary in their level of formalization, with some operating entirely in the informal economy, while others may be registered with government authorities and comply with formal regulations (Admassie, 2011).

Understanding the classification of MSSEs is essential for policymakers, researchers, and development practitioners to design targeted interventions and support mechanisms tailored to the specific needs of different types of enterprises. By categorizing MSSEs based on their size, sector, and level of formalization, stakeholders can better identify the challenges and opportunities faced by these enterprises and develop appropriate strategies to promote their growth and sustainability.

This study aims to contribute to the understanding of MSSEs in Ethiopia, with a particular focus on the classification and characteristics of enterprises operating in the leather goods manufacturing sector in Arada Sub-city. By examining the classification of MSSEs within this context, the study seeks to identify the specific challenges and opportunities faced by different types of enterprises and inform policy interventions aimed at supporting their development.

## 2.5 Challenges And Opportunity Of MSSE`s Leather Products in Ethiopia

### Micro and Small Scale Leather Products Manufacturing Enterprises (MSSEs) face various challenges and opportunities in Ethiopia (Gebreeyesus et al., 2017, Gebrehiwot, 2015).

### Some of the common challenges include:-

* **Limited access to finance:** Many leather product manufacturing micro, small, and medium-sized enterprises (MSSE`s) in Ethiopia face challenges in accessing affordable financing options. Lack of collateral, high interest rates, and limited financial literacy are some of the barriers that hinder their ability to secure loans or investment for business expansion and improvement.
* **Inadequate infrastructure:** Insufficient and outdated infrastructure, including transportation, electricity, and water supply, pose challenges to leather product manufacturing MSSE`s in Ethiopia. Inadequate infrastructure increases production costs, hampers efficiency, and limits the ability to meet market demands.
* **Limited technical skills and knowledge:** Many leather product manufacturing MSSE`s in Ethiopia face a shortage of skilled labor and technical expertise. The lack of trained workers and managers with knowledge of modern manufacturing techniques and quality standards affects productivity, product quality, and competitiveness.
* **Inefficient supply chain management:** Weaknesses in supply chain management, including raw material sourcing, inventory management, and logistics, present challenges to leather product manufacturing MSSE`s in Ethiopia. Inefficient supply chain practices result in delays, higher costs, and difficulties in meeting customer demands.
* **Limited market access and branding:** Ethiopian leather product manufacturing MSSE`s often face challenges in accessing domestic and international markets. Limited market information, weak marketing strategies, and difficulties in building strong brands hinder their ability to reach customers and compete effectively.

On the other hand, MSSE`s also have several opportunities that can contribute to their growth and development. These opportunities include:-

* **Abundant availability of raw materials:** Ethiopia has a significant advantage in terms of the availability of high-quality raw materials for leather production. The country has a large livestock population, including cattle, sheep, and goats, which provides a consistent supply of raw hides and skins for the leather industry.
* **Growing demand for leather products:** The global demand for leather products, such as shoes, bags, and garments, continues to rise. Ethiopia has the opportunity to tap into this growing market by leveraging its competitive advantage in leather production. With proper branding, design innovation, and quality assurance, Ethiopian leather product manufacturers can meet the increasing demand both domestically and internationally.
* **Duty-free access to major markets:** Ethiopia benefits from preferential trade agreements, such as the African Growth and Opportunity Act (AGOA) and the Everything But Arms (EBA) initiative. These agreements provide duty-free and quota-free access to key markets, including the United States and the European Union, creating opportunities for Ethiopian leather product manufacturers to expand their export markets.
* **Government support and investment incentives:** The Ethiopian government has implemented various policies and incentive packages to support the growth of the leather industry. These include tax breaks, access to finance, infrastructure development, and capacity-building programs. Government initiatives like the Leather Industry Development Strategy create a conducive environment for MSSE`s to thrive in the leather sector.
* **Integration into global value chains:** Ethiopian leather product manufacturers have the opportunity to integrate into global value chains by partnering with international brands and retailers. Through collaboration and subcontracting arrangements, MSSE`s can benefit from technology transfer, access to new markets, and capacity-building support, enhancing their competitiveness and market reach.

# CHAPTER THEREE

## 3. RESEARCH METHODOLOGY

## 3.1 Research design

The research design for this study will utilize a mixed-methods approach to comprehensively investigate the challenges and opportunities of micro and small leather goods manufacturers in Arada Sub-city, Addis Ababa. This approach will integrate both quantitative and qualitative data collection methods to gather a rich and multifaceted understanding of the research topic.

**Quantitative Phase**: The quantitative phase of the research will involve conducting surveys among a representative sample of micro and small leather goods manufacturers in Arada Sub-city. The survey questionnaire will be designed to collect structured data on various aspects, including business demographics, production capacity, employment patterns, access to finance, market challenges, and perceptions of government policies. Sampling techniques such as stratified random sampling or cluster sampling may be employed to ensure the representation of different types of enterprises within the sector.

**Qualitative Phase**: In the qualitative phase, in-depth interviews and focus group discussions will be conducted with key stakeholders, including business owners, employees, government officials, industry experts, and development practitioners. These qualitative methods will allow for a deeper exploration of the challenges and opportunities faced by micro and small leather goods manufacturers, as well as the underlying factors influencing their operations and decision-making processes. Semi-structured interview guides and focus group protocols will be developed to facilitate open-ended discussions and capture diverse perspectives.

**Data Analysis**: Data analysis will involve both quantitative and qualitative techniques. Quantitative data collected from surveys will be analyzed using statistical software to generate descriptive statistics, such as frequencies, means, and percentages, to summarize key findings and identify trends. Qualitative data from interviews and focus group discussions will be analyzed thematically, employing techniques such as coding, categorization, and interpretation to identify recurring themes, patterns, and insights. Triangulation of findings from both quantitative and qualitative data sources will be conducted to enhance the validity and reliability of the research findings.

## 3.2 Data source and type

**Data Source**

The data for this study will be sourced from primary and secondary sources.

* **Primary Data**: Primary data will be collected directly from micro and small leather goods manufacturers in Arada Sub-city through surveys, interviews, and focus group discussions. These methods will provide firsthand insights into the challenges and opportunities faced by the enterprises, as well as the factors influencing their operations and decision-making processes.
* **Secondary Data**: Secondary data will be gathered from existing literature, reports, government publications, and relevant databases. This secondary data will provide contextual information about the leather goods manufacturing sector in Ethiopia, including market trends, regulatory frameworks, industry policies, and previous research findings.

**Data Type**

The data collected for this study will include both quantitative and qualitative data.

* **Quantitative Data**: Quantitative data will be collected through structured surveys administered to micro and small leather goods manufacturers in Arada Sub-city. The survey questionnaire will include closed-ended questions designed to elicit specific information about business demographics, production capacity, employment patterns, access to finance, market challenges, and perceptions of government policies. Quantitative data will be numerical in nature and will be analyzed using statistical techniques to generate descriptive statistics and identify trends.
* **Qualitative Data**: Qualitative data will be obtained through in-depth interviews and focus group discussions with key stakeholders, including business owners, employees, government officials, industry experts, and development practitioners. These qualitative methods will allow for a deeper exploration of the challenges and opportunities faced by micro and small leather goods manufacturers, as well as the underlying factors influencing their operations and decision-making processes. Qualitative data will be textual in nature and will be analyzed thematically to identify recurring themes, patterns, and insights.

## **3.3** **Sampling Size and Sampling Techniques**

**Sampling Size**

The determination of the sampling size for this study will be based on considerations of statistical power, representativeness, and feasibility.

* **Quantitative Phase**: For the quantitative phase involving surveys, the sampling size will be calculated using appropriate statistical formulas to ensure adequate statistical power and representativeness. This calculation will take into account factors such as the desired level of confidence, margin of error, and population size of micro and small leather goods manufacturers in Arada Sub-city. A larger sample size will be targeted to enhance the reliability and generalizability of the findings.
* **Qualitative Phase**: In the qualitative phase involving interviews and focus group discussions, the sampling size will be determined based on data saturation. Data saturation occurs when no new themes or insights emerge from additional data collection, indicating that the sample size is sufficient to capture the breadth and depth of perspectives within the target population. Sampling will continue until data saturation is achieved, ensuring comprehensive coverage of key stakeholders and viewpoints.

**Sampling Techniques**

Various sampling techniques will be employed for different phases of the study to ensure the selection of diverse and representative samples.

* **Quantitative Phase**: The quantitative phase will utilize probability sampling techniques, such as stratified random sampling or cluster sampling, to ensure the representation of different segments of the population of micro and small leather goods manufacturers in Arada Sub-city. Stratification may be based on factors such as business size, industry subsector, or geographic location. Probability sampling techniques will enable the calculation of unbiased estimates and enhance the generalizability of the findings to the broader population.
* **Qualitative Phase**: The qualitative phase will employ purposive sampling techniques to select participants who possess relevant knowledge and experience related to the research topic. Purposive sampling will ensure the inclusion of key stakeholders, such as business owners, employees, government officials, industry experts, and development practitioners, who can provide valuable insights into the challenges and opportunities faced by micro and small leather goods manufacturers. Maximum variation sampling may also be utilized to capture diverse perspectives within the sample.

## 3.4 Methods of data collection and instruments

Data and information in this research will be gathered from two main sources such as primary and secondary source of data. Primary data will be collected by using self administered questionnaires and interview. The researcher will select Self administered questionnaire because of it will advantageous of low cost, saving in time; respondents have adequate time to give well through answers, validity and accuracy. The self administered questionnaire has both open and close ended questionnaires. Open ended questions offer the advantage that the respondents will give their own words. Close ended questions are very convenient for collecting factual data and easy to analysis. The secondary sources of data will be acquired from the existing document and publisher materials within the organization.

## 3.5 Methods of data analysis & interpretation

The analyzing parts will be done based on the source of data. After gathering the data, the researcher will arrange the collected data in the form of group and summarized the data by using descriptive technique. The collected data will be represented in the form of tabulation, figures, pie charts, bar graph and simple percentage. The study will be using both qualitative as well as quantitative method of data analysis.

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**ADDIS ABABA UNIVERSITY**

**COLLAGE OF BUSSNESS AND ECONOMICS**

**Department of management**

**Proposal Submitted To In Partial Fulfilment Of The Requirments For The Bachelor Of Arts In Management.**

**challenges and opportunities of micro and small leather goods manufacturers in arada sub-city**

**BY :- Anduamlak Debas Wubalem**

Appendix – I

**Questionnaires filled by Responedants**

Dear respondent, Greetings! This research is being conducted by students of Addia ababa University in order to comply with the requirements of the BA Degree in management. The study focus on, “Challenges and Opportunities of Micro and Small Leather Goods Manufacturers in Arada Sub-city’’ with particular reference to leather products manufacturing enterprises in the case of selected MSSE’s in Addis Ababa, Ethiopia. Your response to this questionnaire will also benefit you by calling the attention of the government to your problems. On average, filling the questionnaire will take 15 minutes. Your participation in this study is strictly confidential. To guarantee the anonymity of your response, you should NOT write your name in the questionnaire. Any response you provide will be used exclusively for the research purpose only. Your honesty in responding the right answer is vital for the research outcome to be reliable. I would like to thank and appreciate for your kindly cooperation.

**General Guideline:**

* No need of mentioned your name
* Please, tick the box for those questions next to the choice which you think right. (□)

GENERAL INFORMATION

SECTION -1: Demographic data

1. Gender A) Male □ B) Female □

2. Age A). 18-25 □ B) 26-33 □ C) 34- 41 □ D) 42-50□ E) above 50 □

3. Level of education

A) CAN’T read and write □ b) Grades1-4 □ c) Grades 5-9 □ d) Grades 10 complete □

e) 10+1&10+2 □ f) 10+3/diploma □ g) BA/BS □ h) phd and above □

4.Experience in the Field

* 1. 1-4 Years □ b) 5-8 Years □ c) 9-10 Years d) >10 years □

5.What is your present position in the enterprise?

* 1. Manager  b) Owner  c) sales person  d) both manager and Owner 

e) Other, please specify --------------------------

6. Please specify type of your business formation

A .Sole proprietor □ C) Private limited company □

B .Enterprise (corporation) □ D ) Partnership □

**Section 2: General Information On Business Enterprises**

1).How do you label the pattern of growth of the firms?

A .Growing □ b) Remain the same □ c) Deteriorating □

2).If your answer is 'Growing', to question #2, in what dimensions your business is growing?

1. Growth in terms of enterprise size □ C) Growth in terms of volume of assets and wealth □
2. Growth in terms of profitability □ D) Growth with respect to number of employees □

3. If your answer is 'Declining', to question #2, in what dimensions your business is declining?

1. Declining in terms of enterprise size □ C) Declining in terms of volume of assets and wealth □
2. Declining in terms of profitability □ D) Declining with respect to number of employees □

4. Did you ever get any type of proper training in your organization related to your working?

1. Yes □ B) No □
2. If your answer to #4 is 'yes', what type of proper training important to improve the growth of your

enterprise? (Multiple responses possible) Education on illiteracy

1. Production skills □ C) Financial skills especially book keeping financial management □
2. Management Skills □ D) Other (if any).............................................................................

6.Is the land/working place occupied by your firm owned or rented/leased?

1. Owned by your firm □ C) Rented or leased by your firm □
2. Others (Specify) -----------------------

7. Where is your products‟ market destination?

A) Local market □ B) External market inside the country □ C) External market outside the country □

8. Do you have market linkage with external firms who engage in the same/ related business?

A) Yes □ b) No □

9.If yes, what type of market linkage do you have with external firms?

1. Sub-contracting □ B) Out-sourcing C) Other (specify if any)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

10.What is your future plan?

1. To expand the business in the same line □ C) To open a branch in other location □
2. To expand the business in other field □ D) Other (specify)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Section 3: Challenges of Micro and Small Leather Goods Manufacturers in Arada Sub-city Of Micro And Small Scale Enterprises.**

The major challenges and opportunities of MSSE’s leather and leather products manufacturing are listed below. Please indicate the degree to which these factors are affecting the profitability of your enterprise. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (□√) under the choices below.

Where,

**5** = Strongly Agree (SA), **4** = Agree (A) **3** = undecided (N),

**2** = Disagree (D) and **1**= Strongly Disagree (SD)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| NO | 1. **Financial challenge** | SA | A | N | D | SD |
| 5 | 4 | 3 | 2 | 1 |
| 1 | Adequate credit institutions |  |  |  |  |  |
| 2 | Credit for start-up capital or working capital |  |  |  |  |  |
| 3 | To what degree is Access to Finance an obstacle to the current operations of  your firm? |  |  |  |  |  |
| 4 | Good cash management skills |  |  |  |  |  |
| 5 | Collateral requirements from banks and other lending institutions are good |  |  |  |  |  |
| 6 | Interest rate charged by banks and other lending institutions are low |  |  |  |  |  |
| 7 | How have the finance obstacle affected your business? |  |  |  |  |  |
| 8 | Loan application procedures of banks and other lending institutions are simple |  |  |  |  |  |
|  | **B) Government policy challenge** |  |  |  |  |  |
| 9 | The Taxation policy and regulation levied on my business is not reasonable |  |  |  |  |  |
| 10 | Land/operating/ working place |  |  |  |  |  |
| 11 | To what degree Land Access is an obstacle to the current operations of your  firm? |  |  |  |  |  |
| 12 | How do you see government support to manufacturing MSEs? |  |  |  |  |  |
| 13 | Bureaucracy in company registration and licensing |  |  |  |  |  |
| 14 | Government support |  |  |  |  |  |
| 15 | Political interventions |  |  |  |  |  |
| 16 | Government regulations on liberalization of the economy affect business  performance of SME |  |  |  |  |  |
|  | **C) Management experience** |  |  |  |  |  |
| 17 | Entrepreneurship skills and mnagement experiencesise |  |  |  |  |  |
| 18 | Managerial skills is most importannt to enhancing business performance of  MSSE |  |  |  |  |  |
| 19 | Managerial Experience affect performance of business |  |  |  |  |  |
| 20 | Clear division of duties and responsibility among employees |  |  |  |  |  |
| 21 | Well trained and experienced employees |  |  |  |  |  |
| 22 | Low cost and accessible training facilities |  |  |  |  |  |
| 23 | Entrepreneurship training is very important |  |  |  |  |  |
| 24 | Managing my business effectively |  |  |  |  |  |
| 25 | I encouraged participating in various seminars and workshops |  |  |  |  |  |
|  | **D) Technological factor** |  | |  |  |  |
| 26 | The organization always applies modern technology |  |  |  |  |  |
| 27 | The Organization doesn’t have enough Capital to use technology |  |  |  |  |  |
| 28 | The organizations have lack of the skilled person to use technology |  |  |  |  |  |
| 29 | You have the appropriate machinery and equipment  Technology and modernization |  |  |  |  |  |
| 30 | Technology has affected your business By facilitating communication with  both the supplier and customers |  |  |  |  |  |
| 31 | Technology has affected your business By improving the quantities of products |  |  |  |  |  |
| 32 | Technology has affected your business By easing the marketing of our  products |  |  |  |  |  |
| 33 | To what extent has technology affected your business? |  |  |  |  |  |
| 34 | Technology has affected your business By serving quality product |  |  |  |  |  |
| 35 | Access to information and necessary technologies to exploit business |  |  |  |  |  |
|  | ` **E) Consumers Factor** |  |  |  |  |  |
| 36 | Society has positive outlook for MSSE`s products. |  |  |  |  |  |
| 37 | There is good relationship customer & between MSSEs. |  |  |  |  |  |
| 38 | Access to Market in the sub city has enough for MSSE`s. |  |  |  |  |  |
| 39 | Adequate market for my product |  |  |  |  |  |
| 40 | Searching new market is so simple |  |  |  |  |  |
| 41 | Customer perception for local products |  |  |  |  |  |

Table -1

**Section 4: Opportunities of Micro and Small Leather Goods Manufacturers in Arada Sub-city Of Micro And Small Scale Enterprises.**

The following questions focus on the opportunities that can contribute to the growth and development of Micro and Small Leather Goods Manufacturers in Arada Sub-city. Please indicate your views on these opportunities by selecting the appropriate response.

Opportunities

1. Abundant availability of raw materials: Ethiopia has a significant advantage in terms of the availability of high-quality raw materials for leather production. How do you perceive this opportunity in terms of benefiting your business?

A) Very beneficial  C) Not beneficial  E) Not aware 

B) Beneficial  D) Neutral 

1. Growing demand for leather products: The global demand for leather products continues to rise. How prepared is your business to tap into this growing market and meet the increasing demand?

A) Well-prepared  C) Somewhat prepared 

B) Not prepared  D) Not aware of the market demand 

3) Duty-free access to major markets: Ethiopia benefits from preferential trade agreements that provide duty-free access to key markets. How likely are you to utilize these agreements to expand your export markets?

A) Very likely  C) Likely 

B) Neutral  D) Unlikely 

E) Not aware of the trade agreements

4) Government support and investment incentives: The Ethiopian government has implemented various policies and incentive packages to support the growth of the leather industry. How have you benefited from these government initiatives?

A) Significantly benefited  C) Moderately benefited 

B) No significant benefit  D) Not aware of government support initiatives 

5).Integration into global value chains: Ethiopian leather product manufacturers have the opportunity to

integrate into global value chains. How likely are you to pursue partnerships with international brands and retailers for collaboration and subcontracting arrangements?

A) Highly likely  C) Somewhat likely

B) Not likely  D) Not aware of the opportunity

Appendix -II

**Open ended questioner prepared for micro and small scale enterprises**

Dear respondent, This research is being conducted by students of S Addis ababa University in order to comply with the requirements of BA degree in management. The study focus on,“Challenges and Opportunities of Micro and Small Leather Goods Manufacturers in Arada Sub-city with particular reference to leather products manufacturing enterprises in the case of selected MSSEs in Addis Ababa, Ethiopia. Your participation in this study is strictly confidential. Any response you provide will be used exclusively for the research purpose only. Your honesty in responding the right answer is vital for the research outcome to be reliable. I would like to thank and appreciate for your kindly cooperation.

* Please, give your short and precise answers for those followed by blank spaces.

1. What were the problems you face?
   1. At the time of establishment of the business **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
   2. At the running of the business
2. Which of the problems are solved? Explain how?
   1. For problems at the time of establishment of the business
   2. For problems at the time of running the business
3. What do you recommend to support the manufacturing MSE in the future?
4. What is your comment on growth rate on the micro and small enterprises?