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EFFECT OF CREDIT ACCESS FACTORS ON THE PERFORMANCE OF MICRO AND SMALL ENTERPRISE– IN CASE OF FAMILY BUSINESS OF GONDAR CITY, ETHIOPIA

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Abstract: *The development of a country mainly depends on the performances and structure of manufacturing sector. Developing countries like Ethiopia face a lot of challenges to market its products in line with the formulation and execution of product, price, distribution and promotion strategies of the enterprises. The objective of this study is investigating the influences of marketing mix strategies on the business performance of Micro, Small, Medium and Large enterprises in Gondar city. The research method is mix of descriptive research design, qualitative and quantitative approach, stratified random sampling techniques, cross sectional, multi stage data collection and data analysis with coefficients has been used. The results were interesting enough with the significance of some elements in distribution with the business performance where the rest confirmed trivial and thereby the suggestions are offered for making the most of marketing mix elements by identifying and executing its ideal combination.*

Keywords: *Manufacturing Sector, Marketing Mix strategies, Business Performance, Family business*

INTRODUCTION

The very first step of entrepreneurial process starts with a small business where entrepreneurs hatch ideas, congregate resources, take individual risks and endeavor all efforts to be successful in their ventures. The owner-and the originator of the business, the entrepreneur plays all managerial roles and starts learning things slowly from his/her experience will aim for innovations and creativity will help to get success at the start up stage (Sharma P & et al. 2001) which is found to be applicable to the family businesses with respect to micro and small enterprises. According to Olson and co-authors (2003), family businesses are complicated by dynamics within the family that owns and manages them. These dynamics affect not only business performance, but also business growth, change, and transitions over time

Many studies have supported the concept of family business at micro and small enterprise level for the success rate stretches out much on certain constraints dexterously amalgamated with family governance. Though family businesses account for a considerable increase in the percentage of businesses in Ethiopia, yet there is paucity of knowledge about their ways of organizing and managing business in these rapidly changing times (Venugopal K & et al. 2015). The institutional outline and policy initiatives concerning to family businesses vary from country to country. Family businesses is affected by ranges of challenges such as taxation, company law, planning the business transfer, awareness-raising through lobbying and policy advice, research and dissemination of information, promotion of entrepreneurship, education, and governance (Handler, 1994).

The funding is highly important to flow with sustainability. Training programs provided by the government and different NGOs to the family business units is found to be extremely important as the specification of the techniques are different (Gopal, 2015).

When it comes to deal with the procurement of financing, according to the pecking order and credit rationing theories, under perfect market conditions firms financing themselves and capital structure have no influence on firms' value where they can prefer internal to external finance due to adverse selection. If SME operators are hungry of finance from outside they will prefer debt to equity because of lower information costs associated with debit issues. Myers, (1984) and Atieno & Shem (2001), state that the issue of imperfect information is the main reason to some lending institutions to choose or exclude borrowers.

Empirical investigations of Pandula (2011), tried to see experience education, firms' performance, sectors, tangible assets, financial auditing, location of the firm, age of the firm, size of the firm, membership association with financial access. The result indicated that the education of the entrepreneur and having membership with business associations are associated with credit access with bankers.

As the present study pertains to Ethiopia, the government implemented a growth and transformation plan (GTP) as a strategic framework to boost growth in different sectors. As stated in the 2010/11 to 2014/15 GTP plan, one of the major targets of the strategy is to conduct training and research for about three million operators in the areas of entrepreneurship, handicraft, technical and manufacturing. Therefore, the importance for the Micro and Small enterprises must have been benefited by the credit access.

In Ethiopia, micro and small enterprises (MSEs) sector is the second largest employment-generating sector following agriculture (CSA, 2008). According to CSA (2008) the sector contributes 3.4% of GDP, 33% of the industrial sectors contribution and 52% of the manufacturing sector's contribution to the GDP. In spite of the enormous importance of the MSEs sector to the national economy with regards to job creation and the alleviation of abject poverty in Ethiopia, the sector is facing various challenges, which impeded its role in the economy (Kebede & Abera, 2014). However, Penny et al. (2013) states that to integrate the value chain of small firms in developing countries to participate in international trade with the full range of capabilities, it is necessary to identify the various local factors since there is no one-size-fits-all. Several studies focus on the performance out of all challenges can be achieved through proper management of financing and credit access.

Access to credit refers to the ability of individuals and enterprises to obtain external funding to enable them ease cash flow problems (Osoro & Muturi, 2013). Credit can be either short term or long term depending on the lenders assessment of the borrowers' ability to repay. The ability to access credit for by businesses is a critical factor of private sector growth and especially for SMEs' that most often lack adequate capital that they need to grow and expand.

According to Manasseh (2004) external financing or credit facilities is kind of finance provided by person(s) other than the actual owner of the company who are the company creditors. Manasseh further added that credit can be in any of the following forms; overdrafts, trade creditors, lease financing, debentures, loans, overdrafts among others. All these external sources depend on the enterprises creditworthiness.

Credit access and SMEs growth is found to be highly interdependent and correlated while experiencing some practical observation and research studies as well. The availability and accessibility of external financing has positively impacted on the growth and performance of any business (Osoro& Muturi, 2013). Financial institutions have packaged different credit facilities that are aimed at different forms of business. These products when offered to SMEs help them improve their performance; by raising productivity, improving returns on investment, and increasing incomes (Njeri, 2012).

SMEs still face several limitations to credit access. According to Ogiji & Ejembi (2007), there is still less knowledge on financial management by SME managers and or owners despite the huge importance that this has on sound decision making. Cohen & Klepper (1996), on the other hand, observed that small firms have smaller asset bases to secure loans to finance their investments as compared to larger firms. Munoz (2010) concludes that banks, in most African countries for example, have not made a great effort to reach out to SMEs due to challenges with the processes and procedures involved in administering loans, the high costs of managing small loans and the high risk of loan defaults. This limited access to finances by SMEs therefore translates to slow growth.

According to Gopal (2015), the challenges faced by the family business are to be taken into consideration while debating the progression of the MSE sector in Ethiopia especially the financial challenges such as return on investment, working capital management, taxes to be paid and outstanding balances require to be trespassed with proper management.

The research has tried to provide a portrayal in particular of family businesses in line with credit access at the regional level i.e. at Gondar region of Amhara state, Ethiopia where more detailed information on each of the issues has been be covered .

Having collected a lot of information from the theoretical and empirical reports, the researchers have adopted certain factors influencing the credit access on the performance of the family business of micro and small enterprise. Money reserves to buy and use new technologies, Acquiring good advisory service for how to use money for your business, sufficiency of supplies on account, sufficient amount of credit to expand your business and sufficient money to run your business are the elements selected for the study with respect to find out the impact on the growth on sales, return on investment and profit margin. The contextual compatibility of the study area is taken into consideration while adopting the variables in order to suggest a set of good practices for most Micro and Small Enterprises as a considerable number of family companies here.

OBJECTIVES:

1. To identify the entrepreneurial research priorities of Family Business in Micro and Small Enterprise in Gondar city.

2. To find the effect of credit access factors on the performance of micro and small enterprise in the case of family business, Gondar city.

Methods and Materials

The research design was mixed research that combines the quantitative and qualitative data to address the research objectives. The data will be both primary and secondary data which was collected from firms, government officials and the community. The design of this study was cross-sectional in which data was shot at a single moment and analyzed to get findings. To address the objectives stated in the very beginning of this research proposal, questionnaire, interview and observation and focus group discussion were used as data gathering methods.

The study was conducted on Micro and small enterprises found in Gondar city. The report from Technical and Vocational Development Office (2013) for North Gondar zone indicates that there are two thousand one hundred eighty (2180) micro and small manufacturing enterprises in North Gondar zone and the report of trade and industry and micro and small enterprise office (2016) in Gondar city, there are 667 micro and small, 130 medium and 20 large manufacturing industry. In these districts, there are totally 817 types of manufacturing enterprises: metal work and wood work, food and beverage, and textile, agro-processing, cultural product and leather product.

This study has been carried out with Confidence level of 95% , Degree of variability (sample proportion) 75%(p) and Maximum tolerable error (sampling error) was 5% (w). Based on the above assumptions, the sample size (SS) for very large population and landed at 244. The methods of data collection used in this study are focus group discussion, semi- structured interview, questionnaire (open ended and close ended) and observation and focus group discussion.

The research team used semi-structured interview in order to get basic data on the institutional arrangements and know the performance level of the enterprises. In this study, descriptive statistics were used as for the analysis of data to provide detail information about each independent variable’s impact on the three dependant variables used.

Analysis and Interpretation

The influence of the Credit Access with respect to the elements of money reserves to buy and use new technologies, having good advisory service how to use money for your business, sufficiency of supplies on account, sufficient amount of credit to expand your business and sufficient money to run your business on the business performance elements i.e. Sales growth, ROI, and Profit margin is analyzed with Model Summary, ANOVA and Coefficients as follows.

RQ: Do the Items of Credit Access have any influence on Business performance in line with Sales growth, ROI, and Profit margin?

Growth of Sales

Table 1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.228[a]	.052	.008	1.156
a. Predictors: (Constant), CR1, CR2, CR3, CR4, CR5.				

R Square value is 0.052 as shown in the Table 1which means that all the levels of items in the variable Credit Access contributing 5.2 per cent in Growth of sales. The remaining 94.8 is being contributed by other unknown variables.

Table 2 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.823	5	1.565	1.171	.328[b]
	Residual	142.956	107	1.336		
	Total	150.779	112			

a. Dependent Variable: The growth of sales.

b. Predictors: (Constant)

In the Table 2, the significant value between the Growth of sales and the predictors is 0.328 which is more than tested alpha value which shows that there is no significance between dependant variable and its predictors. By this we can conclude if there is one level in items' increase, there will be 142.956 increase in the Credit Access.

Table 3 Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.694	.353		7.627	.000
There is sufficient money to run your family business	.022	.115	.024	.189	.851
There is sufficient amount of credit to expand your family business	-.011	.096	-.013	-.114	.910
There is a sufficient supplies on account	-.010	.099	-.011	-.097	.923

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There is a good advisory service how to use money for your family business	-.085	.097	-.095	-.882	.380
There is enough money to buy and use new technologies	.225	.134	.247	1.682	.095

a. Dependent Variable: The growth of sales.

According to the Table 3, the first item in Credit Access: sufficient money to run business is not significant relating with the Growth of sales as the p value (0.851) is more than the significant value. The second item: sufficient amount of credit to expand your business is not showing significant result to the Growth of sales where the p (0.910) > significant value. The Third item: sufficient supplies on account is not showing significant result to the Growth of sales where the p (0.923) > significant value. The fourth item: good advisory service how to use money for your business is found insignificant relating to Growth of sales where the p (0.380) is more than significant value. The fifth item: enough money to buy and use new technologies is found insignificant relating to Growth of sales where the p (0.095) is more than significant value.

Hence it can be interpreted that all the items pertaining to the Credit Access do not have any significant influence on the Growth of sales.

Growth on Return on Investment

Table 4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.434[a]	.189	.151	1.009

a. Predictors: (Constant), CR1, CR2, CR3, CR4, CR5.

R Square value is 0.189 as shown in the Table 4 which means that all the levels of items in the variable Credit Access contributing 18.9 per cent in Growth in return on investment. The remaining 81.1 is being contributed by other unknown variables.

Table 5 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.328	5	5.066	4.976	.000[b]
	Residual	108.920	107	1.018		
	Total	134.248	112			

a. Dependent Variable: Growth in return on investment.

b. Predictors: (Constant),

In the Table 5, the significant value between the Growth in return on investment and the predictors is 0.00 which is less than tested alpha value which shows that there is a significance between dependant variable and its predictors. By this we can conclude if there is one level in items' increase, there will be 108.920 increase in the Credit Access.

Table 6 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.437	.305		4.717	.000
	Presence of sufficient money to run family business	.089	.101	.108	.885	.378
	Presence of sufficient amount of credit to expand family business	-.113	.083	-.149	-1.357	.178

	Presence of sufficient supplies on account	.210	.086	.250	2.427	.017
	Availability of advisory service how to use money for family business	.061	.084	.073	.726	.470
	Availability of enough money to buy and use new technologies	.157	.118	.186	1.336	.184
a. Dependent Variable: Growth in return on investment.						

According to the Table 6, the first item in Credit Access: sufficient money to run business is not significant relating with the Growth in return on investment as the p value (0.378) is more than the significant value. The second item: sufficient amount of credit to expand your business is not showing significant result to the Growth in return on investment where the p (0.178) > significant value. The Third item: sufficient supplies on account is showing significant result to the Growth in return on investment where the p (0.017) is less than significant value. The fourth item: good advisory service how to use money for your business is found insignificant relating to Growth in return on investment where the p (0.470) is more than significant value. The fifth item: enough money to buy and use new technologies is found insignificant relating to Growth in return on investment where the p (0.184) is more than significant value.

Hence it can be interpreted that all the other items except "sufficient supplies on account" pertaining to the Credit Access do not have any significant influence on the Growth in return on investment.

Profit Margin on Sales

Table 7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.314[a]	.099	.057	1.102
a. Predictors: (Constant), CR1, CR2, CR3, CR4, CR5.				

R Square value is 0.099 as shown in the Table 7 which means that all the levels of items in the variable Credit Access contributing 9.9 per cent in Profit margin on sales. The remaining 90.1 is being contributed by other unknown variables.

Table 8 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.252	5	2.850	2.346	.046[b]
	Residual	130.013	107	1.215		
	Total	144.265	112			

a. Dependent Variable: Profit margin on sales.

b. Predictors: (Constant)

In the Table 8, the significant value between the Growth in return on investment and the predictors is 0.046 which is less than tested alpha value which shows that there is a significance between dependant variable and its predictors. By this we can conclude if there is one level in items' increase, there will be 130.013 increase in the Credit Access.

Table 9 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.054	.333		6.177	.000
	There is sufficient money to run your family business	.089	.107	.103	.828	.409
	There is sufficient amount of credit to expand your family business	.079	.091	.100	.865	.389
	There is a sufficient supplies on account	.083	.094	.096	.886	.378

	There is a good advisory service how to use money for your family business	-.008	.092	-.009	-.088	.930
	There is enough money to buy and use new technologies	.095	.128	.108	.740	.461
a. Dependent Variable: Profit margin on sales.						

According to the Table 9, the first item in Credit Access: sufficient money to run business is not significant relating with the Profit margin on sales as the p value (0.409) is more than the significant value. The second item: sufficient amount of credit to expand your business is not showing significant result to the Profit margin on sales where the p (0.389) > significant value. The Third item: sufficient supplies on account is not showing significant result to the Profit margin on sales where the p (0.378) is more than significant value. The fourth item: good advisory service how to use money for your business is found insignificant relating to Profit margin on sales where the p (.930) is more than significant value. The fifth item: enough money to buy and use new technologies is found insignificant relating to Profit margin on sales where the p (0.461) is more than significant value.

Hence it can be interpreted that all the other items except "sufficient supplies on account" pertaining to the Credit Access do not have any significant influence on the Growth in return on investment.

RQ: Do Credit Access have any influence on Business performance in line with Sales growth, ROI, and Profit margin?

It is quite important to maintain the credit operations especially to have sufficient supplies on account for working capital management since the stoppage of funds for the same would damage the returns. So to improve the ROI, an uninterrupted flow of credit balance in the account is highly needed.

CONCLUSIONS AND RECOMMENDATIONS

- From the overall results drawn from Credit Access items with its significance levels on the Business performance variables, it can be concluded that among the three dependable variables of business performance i.e. Growth of Sales, Growth in Return on Investment and Profit margin in Sales; Growth in Return on Investment is influenced by the item "Sufficient supplies on account" which is found significant.

- It is quite important to maintain the credit operations especially to have sufficient supplies on account for working capital management since the stoppage of funds for the same would damage the returns. So to improve the ROI, an uninterrupted flow of credit balance in the account is highly needed.

- Manufacturers should be alert in maintaining sufficient credit supplies on account for working capital management for the operational management aspects of purchasing raw material, process material, salaries to be paid, power, fuel and other resources and services. The uncontrollable stoppage of funds for the same would damage the returns drastically. So to improve the returns, an uninterrupted flow of credit balance in the account is highly needed.

- Money reserves to buy and use new technologies to meet the technological competencies has become mandatory in line with business competitiveness, so the firms should focus on the credit access in advance for any time in future the demand for the technology may come.
- Making the most of the money earned and procured is highly important with appropriate knowledge and expertise and the firms should concentrate on having good advisory service how to use money for your business is found to be relevant for the logical and rationale decisions lead to success.
- Sufficiency of supplies on account and sufficient amount of credit to expand your business are the major elements which can be concentrated for the positive transition of the business. Firms should leave the attitude of complacency and look forward for the expansion by exploring the credit access profile.
- Working capital management being the major challenge for the tiny firms, they are suggested to focus on the lead time of the cycle and act accordingly for the chain of funding for the payments should be contagious for the items to run the business raw-material, salaries, rents, electrical charges and process material etc. which leads to business performance elements

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