



Graduate School of Development Studies

**Impact of Business Development Services in Local  
Economic Development:  
The Case of Gullele Handloom MSE in City place**

Addis Ababa

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## **List of Acronyms**

BDS	Business Development Service
CSA	Central Statistical Agency
CEFE:	Competency based Economies through Formation of Enterprises
<b>ecbp</b>	Engineering Capacity Building Program
ED	Enterprise Development
EBDSN	Ethiopian Business Development Service Network
FeMSEDA	Federal Micro and Small Enterprise Agency
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ICT	Information communication Technology
ILO	International Labour Organisation
LED	Local Economic Development
MOTI	Ministry of Trade and Industry
MSE	Micro and Small Enterprises
MWUD	Ministry of Work and Urban Development
NGOs	Non Government Organisations
ReMSEDA	Regional Micro and Small Enterprise Agency
TET	Training of Entrepreneurs Trainers
UNIDO	United Nation Industrial Development Organisation

## **Abstract**

This research paper explores the extent to which BDS impacts the development of handlooms sector enterprises in Gullele Sub-City, Addis Ababa. In the process, the paper analyses based on data gathered from BDS users, non users, and providers through semi structure interview and discussion as well as secondary sources. The analyses show that BDS has been provided with highly government subsidised fee rate and some level of participatory approach. The main provision is through government institutions. But, its accessibility varies among enterprises based on the established functional structure of each. Those enterprises that are working in collectively in common cooperative production place are small enterprise by their nature and have more access for service. Most of micro enterprises have very less access to BDS and work individually at separate workshops. The service has contributed to performance improvement of users. Some of the benefits were process, product, and market development; and improved vertical and horizontal linkages as well as positive income change. Particularly entrepreneurs in common workshop were benefiting more from these advantages. There was also improved employment opportunity for people with less capacity to run own enterprise. However, some critical problems like lack of financial capacity and input supply accessibility of enterprises in the sector have not been addressed appropriately. Compared to BDS users' enterprises, the non users' enterprises have shown less business performance change. Therefore, the paper concludes that the BDS have positively impacted business performance of handloom enterprise. Then end up by pointing the need towards improvement on the way through which some services have been provided and the accessibility of individual enterprises in order to gain the potential benefit from the service.

## **Relevance to Development Studies**

Micro and small enterprises are an important source of job opportunity and income for many people in the world, particularly in most developing countries. In Ethiopia, huge number of employment is come from these sectors. Large number of entrepreneurs is found in handlooms sector. Therefore, the study on the impact of BDS on handlooms enterprises sectors contribute to have understanding about policy intervention to MSE and its effect on local economic development.

## **Keywords**

LED, BDS, enterprises, MSE, handloom, handicrafts, weaving, cooperatives, employment, and Ethiopia

# Chapter 1

## Introduction

Micro and small enterprises are an important source of job opportunity and income of many people in different countries, particularly in most developing countries. In Ethiopia, huge number of employment is generated from these sectors. Therefore, the study on the impact of BDS on handlooms enterprises sectors contributes to understand about policy intervention to MSE and its effect on local economic development.

### 1.1 Back ground of the study

In Ethiopia, like many other developing countries, informal sectors are the main source of employment and income for vast number of people (Berhanu, E. 2005: 96). As some authors wrote, the largest segments of Ethiopian private sectors are constituted of micro enterprises, and small and medium scale businesses (Abebe and Belay 1997: 291). These have been forcing governments to incorporate issue of MSE in urban and rural development and poverty reduction policies and strategies. The county's urban development policy document also states the role of MSE in reducing urban poverty, strengthening rural-urban linkage, and source of entrepreneurs for private sector development (MWUD 2006: 17).

Addis Ababa, the capital city, is the most populated urban city in the country confronted by MSEs Sectors. Increasing population size due to natural growth and high rural-urban migration makes MSEs more significant. The 2007 Census result has revealed that 2,738,248 people were living in the city, of which 52.3% were women. The residents of Addis Ababa accounts 23% of all urban dwellers of the country (Federal Democratic Republic of Ethiopia Population Census Commission 2008).

The increasing population size in the absence of adequate capacity to accommodate the associated increasing demand has created pressure and contributed for prevalence of mass poverty, unemployment, and other socio-economic problems in the city(Abebe and Belay 1997: 157,RAWOO 2005). As studies show, unemployment rate in 1976, 1984, and 1994 was 9.6, 10.5, and 34.7 percents respectively. Generally, these imply the reason why MSEs are the main source of income and employment, and explain the needed attention in country's urban development policies. Handcraft is one of MSE sector which has been contributing important role in this regard.

Studies show that handcraft is an important cottage based industries next to agricultural sector which has been creating a wide range of employment (Ali 2007). Ali explains handloom as handcraft cottage heritages that found in various parts of the country and an important means of using local resources. Some show more than 290,000 number of handloom enterprises are estimated to be found in the country, of which more than 60% are located in the rural

areas<sup>1</sup>. The sector constitutes a number of informal sectors and is an important source of livelihood for larger number of people (Ali 2007).

However, its growth is below the expected level. This has been so, because it is constrained by several bottlenecks. Cognizance to the importance of the sector and its constraining factors, both at national and regional governments some intervention action have been taking place to create an enabling environment and improve availability of supportive financial and business development services. The later includes creating access for improved technology, marketing, networking and others.

Therefore, this paper focuses on handlooms sector. We explore the impact of business development services on handlooms sector development by taking Gullele Sub City of Addis Ababa as case study area. In the process we also see BDS approach, success and challenges in the usage of different type of BDS services, and accessibility conditions for enterprises under different circumstance.

## 1.2 Indication of the Problem

In Addis Ababa, given rapid urbanization and large formal sector capacity to absorb adequately the increasing demand for employment and socio-economic services people have been forced to depend on formal or informal small economic activities. As studies shows, about 40% of employment in the city comes from informal sectors (Abebe and Belay 1997: 158).

As we mentioned earlier, handcraft is a significant source of employment. A survey conducted by Central Statistical Agency (2003b) on cottage/handcraft manufacturing industries has revealed that in the year 2002 there were 211,842 handloom/weaving textiles enterprises in different parts of the country. Studies show Addis Ababa as one of the place where clusters of weavers are found (Ali 2007, MOTI 2005). Particularly, Ali's study has revealed that a huge cluster of about 20,000 weavers and other related input suppliers, traders, tailors and retailers where to be found at Gullele sub city, Addis Ababa.

Given long tradition of weaving in the country, Ethiopian Handloom Product Export Market Study (FeMSEDA and MOTI 2004) shows sector's products target for local and international market. The major products of the sector can be divided into two – semi finished fabrics and finished products. In most cases, semi finished fabrics are channelled to the domestic garment factories for further processing to produce most demanded final products for Ethiopians in the country and abroad. Some of these products are: Gabi, Netela, Kuta, Kemis and Netela-Gabi in their local names. The later –finished hand woven product includes different house furnishing textiles, table cloth, curtains, cushion, bed cover, and Napkin.

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<sup>1</sup> <http://www.unido.org/index.php?id=6912>

Handlooms sector also promotes forward and backward linkage for progressive transformation into modern establishment. This in turn facilitates development of local economic bases of the area and the creation of new supporting and innovative sectors (A.H.J. Helmsing 2003, A. H. J. Helmsing 2005). Therefore, the need of development interventions for the sector at different administration level becomes evident.

According to the Ethiopian MSE Development Strategy (MOTI 1997), textile and garment MSE sub sector is one among the six potential and prior MSE sectors which has been selected to LED interventions and government support. Handloom is the sub-sector of this sector. Moreover, handloom sector has been included as a development package in urban development programs of Addis Ababa city due to its role in employment and income generation to large proportion of the community. In addition, situational analysis has been undertaken in the past recent to identify problems of the sector.

The situational analysis identifies major constraining factors of the sector (MOTI 2005). These include: inadequate marketing and production space; facilities, backward production technology; lack of innovation; marketing problems; lack of information; poor input quality; absence of intra and inter enterprises networks; and lack of financial capital. Since then, the city's MSE Development Agency has been working to address the situation through preparing and implementing sectors development plan.

The plan focuses on creating enabling environment and handloom cluster development. Providing financial and non financial services (business development services) are among the intervention tools. In addition to establishing development agencies at sub city and assigning extension workers at the lower administrative level, ReMSEDA has been undertaking Handloom Cluster Development Project with United Nation Industrial Development Organization (UNIDO) at Gullele Sub City. Thus, clusters of weavers' cooperatives and groups have been organised in different Kebeles (lower administrative units) of the sub city in accordance with cooperative establishment's Proclamation No. 147/98 (Council of Ministers of Federal Government 1998). There are 5055 weavers organised under 140 weavers' cooperatives, 13 weavers' enterprises group and one individual weaver enterprise in the sub city.

Therefore, we argue that exploring the impact of business development services as development intervention instrument for handloom sector and in local economic development activities has important contribution. This further creates understandings about successes and challenges in the process. In addition, the investigation of the effect of interventions finds out details that need attention with regard to different actors in local and national economic development. Using different techniques, in the paper we have tried to address such issues.

### **1.3 Relevance and Justification**

As mentioned above, in Ethiopia, MSE development interventions are in place so as to take potential advantage from the sector. Since Handlooms sector is sub-sector of MSE, it has been given priority due to its influence on local economic development in the country. This will draw additional theoretical perspective to be applied to LED.

The paper also adds to the existing limited reference on handloom sector and BDS in the country. Moreover, as far as the central aim of the paper is exploring impact of BDS on handloom enterprises development in the country, the paper has vital importance in showing success and failure of BDS, in solving problems of the sector's and facilitating growth. Finally, the conclusion and recommendation we drawn from our analysis and findings may likely contribute to policy formulation and further studies.

### **1.4 Research Objective and Question**

The objective of this paper is to explore impacts of Business Development Services on developments of handlooms sector enterprises in Gullele Sub-City in Addis Ababa.

In the process the main objectives to be achieved are captured by a main research question that requires an answer: To what extent is business development service impacts the developments of handloom enterprises in Gullele Sub-City of Addis Ababa? Sub questions to be used as guiding tools to answer the main question are:

- What are the BDS approaches used by BDS providers, what are the type and combination of BDS available by these providers, do all enterprises in handlooms sector have access of the service?
- What are the improvements/successes recorded on development of the enterprises?
- What are the challenges faced by users of the service?
- What lesson can be learnt from the success or failure in the service provision and utilization process?

### **1.5 Methodology of the study**

The study was undertaken taking Enterprise Development(ED) as intervention instrument for LED and business development services as tools toward ED. Review of literatures on these and related theories and concepts were used to build conceptual and theoretical framework.

Both primary and secondary sources were used to fetch relevant information and data. Sources of secondary data includes: research papers; books; journals; and empirical/statistical figures from government and NGO sectors. Primary data was collected through semi-structured interview with operators and discussions with government, NGOs and private sectors as BDS providers or facilitators. The semi-structured interview was meant to allow

respondents give detailed information and to incorporate unforeseen relevant information. The interview was undertaken with Gullele Sub city's weavers who have used and not used BDS within the past three years.

Accordingly, the sub city and four specific Kebele (smallest administrative unit) within it were selected for data collection based on large number of weavers' and their clusters concentrations. The kebeles were Shiromeda (Kebele 19/20/21), Kechene (Kebele 08/16), Addisu Gebeya (Kebele 09/15), and Hayasosit (Kebele 18). The next step was classifying weavers according to their access to BDS. The total sample respondents were 36 which encompass 26 users and 10 non users of BDS. Accordingly, all weavers that categorised as BDS users were taken from weavers' cooperatives while the non users were from individual non coop member. Due to the fact that there were differences in accessing BDS among weavers under different cooperatives' organisational structure, the users group was further classified into two categories. The first category has included 16 respondents from weavers' cooperatives common workshops. The second users' category has included 10 respondents from weavers' cooperatives member but not have common workshops.

Based on the information and data obtained from both primary and secondary sources, both qualitative and quantitative data analysis methods are applied. However, most of the analysis is through explanatory qualitative method and using simple quantitative measures such as percentage and average of quantitative figures.

## 1.6 Scope and Limitation of the study

The paper has the following limitations:

In addition to taking specific sub sectors of MSE- handlooms sector, due to time constraint and lack of detailed information about all type and level of weavers' enterprises, the information was gathered only from weavers who are registered as MSE and located at the above mentioned four Kebeles. This would have influenced the result had there been enough information, no time constraint and enough space. However, it was tried to include those Kebele that are more helpful in fetching appropriate data.

It is known that different factors may influence performance of handlooms sectors. But, this paper has limited only on BDS and related policy, and other enabling environment created by different stakeholders. So, the research doesn't provide clear pictures of all influencing factors. In the paper MSE is defined in terms of employment even though the national definition is based on paid up capital and usage of high tech. This may again limits the research findings from being directly applicable on enterprises defined otherwise.

In addition to time constraints, difficulty to obtain relevant secondary data during field work was a problem that limits the paper from covering wide verities of users and the BDS provided to them in the past. This would have helped in conducting comparisons on the impact of BDS through time. As a result, BDS users and non users have been distinguished through interview and based on government and NGO sectors' focus.

## 1.7 Organization of the Paper

This paper has organised into five chapters. After the introduction chapter, chapter two presents reviews of literatures on conceptual and theoretical frameworks. Accordingly, the first section presents about concept and argument related with roles and features of micro and small enterprises. Then it reviews LED concepts, theories and its new approach. The third and fourth sections present review of enterprise development and definition, concepts, and approach of BDS. Chapter three is where the case study is presented and aimed at answering the first sub question of the research. After presenting about the general context of MSE sectors and legal framework toward MSE development in Ethiopia, it passes to presenting socio-economic roles of handlooms sector in the country and Addis Ababa Gullele sub city. The last section of the chapter provides an overview of BDS providers such as their roles as actors and intervention in BDS provision. Chapter four is the continuation of the case study in which the rest sub questions of the research are answered. It analyses the case through presenting weavers' characteristics; source, access, significance of BDS; success and challenges in using BDS; comparison of BDS user and non users and impact of BDS. The final chapter concludes the study.

# Chapter 2

## Conceptual and Theoretical Framework

### 2.1 Introduction

This chapter presents reviews of literatures about meaning, concepts, roles of MES, LED, enterprise development, and BDS; theory and approach of LED; and BDS approaches as enterprise development tool in order to build conceptual and theoretical frameworks. In addition, some related concepts are presented in the section.

### 2.2 Conceptualising Micro and Small Enterprises (MSE)

As explained above, MSEs have important roles by creating jobs and means of incomes, and as an “engine of economic growth”. But, scholars argue that the contribution of MSE and the policy interventions required may vary according to the level of enterprises. In order to see such issue it is important to look at different categories, characteristics, and meanings of enterprises. Farbman & Lessik (1989: 107) classify enterprises into three categories. Namely: - survival, micro and small enterprises.

According to these authors, the survival category comprises persons commonly referred to as ‘the poorest of the poor’. These people engage in economic activities to fulfil their basic needs due to lack of other alternative to employment. Others call them pre-entrepreneurial. These people are groups of societies often excluded from the economic mainstream and have different barriers which hinder to enter into micro enterprise or other more economically substantial sectors (108).

The definition of and criteria for MSE vary from country to country. For example, in Ethiopia, country wide used definition of MESs is on the bases of three criteria. These are: level of paid-up capital/fixed asset, using high tech establishment and consultancy services. Accordingly, in Ethiopia micro enterprise refers to small business with paid up capital not exceeding birr 20,000 and excluding high tech consultancy firms and high tech establishments. And, small enterprise refers to enterprise with paid up capital from birr 20,000 to 500,000 and excluding high tech consultancy firms and high tech establishments (Ageze 2006, MOTI 1997). However, in most countries MSE is defined based on number of employees. Accordingly, most commonly, micro enterprise is enterprises with ten and less employees, while small enterprise is enterprises with 10 to 50 employees (Abebe and Belay 1997: 153, Berhanu 2005: 102, Farman and Lessik 1989: 105).

As it is cited by Farbman and Lessik, Liedholm and Mead's (1987) study indicates distinct features of micro and small enterprises. Microenterprises account the largest proportion of manufacturing sector employment. In developing countries the largest proportion of these enterprise are family based firms with single worker, the workshop locates in the home, often use traditional technology, not demand high skill and knowledge, and use local supplies. While small enterprises featured by: creating relatively smaller employment opportunity in manufacturing sectors, depending more on hired workers, the workshop locate away from home area, often using non traditional technology and relatively complex and innovative in production, experience of input procurement and output sales. Further, there are other ways of classifying enterprises(Farman and Lessik 1989).

### 2.3 Survival Vs Growth-Oriented Enterprises

Some authors argue the need of classifying enterprises in two categories: survival based micro enterprises and growth oriented enterprises on the bases of the motive behind doing business, capacity to specialize, innovation, and grow in size – that employ new technology and skilled labour- and capacity to graduate(Berner et al. 2008, Gomez 2008). The first category may include the survivalist from the bottom line of enterprise and those micro-enterprises non dynamic in their nature.

The survival based micro enterprises comprises those people engaged in economic activities to fulfil basic need of their family and themselves, smoothen consumption, reduce their vulnerability risk from income fluctuation but not primarily by aiming at profit maximization and vertical growth of their business or to graduate into the other level of business (Berner et al. 2008, Gomez 2008: 10, Kanothi 2009). These enterprises are also called as 'necessity driven enterprise' that refers to enterprise created due to lack of employment opportunities and/or economic shocks (Gomez 2008). They often use the profit from their business for diversifying activities rather than specializing, to prime social reciprocities and cultural norms instead of tending to maximize profit and capital accumulation for vertical growth and graduating (Berner et al. 2008). Arguing the minimal role of survival enterprises to come out of vicious circle of poverty, the authors believe their vital role as a 'buffer against slipping deeper into poverty' and the need of appropriate intervention policy.

Apart from the survivalist micro enterprises, growth oriented enterprises are characterised by: business by choice, oriented toward profit maximization, capital accumulation, and involve or aim at to specialising activities (Berner et al. 2008). So that they relatively can graduate easily into the next step in terms of vertical growth, employ high skilled manpower and complex technology and generate innovative ideas (Berner et al. 2008, Farman and Lessik 1989, Gomez 2008). Having the different characteristics of enterprise in mind, we investigate their role in local economic development.

## 2.4 Local Economic Development

Literatures depict that since early 1970s Local Economic Development (LED) has been given considerable focus and importance. According to Blakely (1994), LED refers to a “process by which local government and/ or community-based groups manage their existing resources and enter into new partnership arrangements with private sector, or with each other, to create new jobs and stimulate economic activity in a well-defined economic zone”. Helmsing (2002: 81) has explained LED in the same way. Here the central aim of local development is to create or expand job opportunities available for local people. Moreover, the term local indicates more emphasis given for endogenous development instead of relying exclusively on exogenous factors. Local actors are the principal actor in LED. Thus, it needs partnership among and between government, private sectors, and community and community organization (ibid, Miehlradt and McVay 2006: 32).

Even though there were different approaches of LED in the past, in this paper we focus on the new approach which Helmsing (2003) calls: “the new generation of LED”. According to him, the new generation of LED promotion is characterised by multi-actor; multi sector and multi-level. The former implies the success of LED depends on active involvement of public, private and non profit actors. The multi sector indicates importance of the public, private and community sectors of the economy in LED. This shows that not only public sector but also private and community sectors have significant contributions for local economy in making goods and services available for current as well as future consumption. The final point- multi-level- refers to LED success requirement that not only depend on local initiatives but also considers opportunities and threats of global change. He describes the local initiatives by categorising into three: community based economic development; enterprises development; and locality development. The focus of the paper and next section is on enterprise development.

## 2.5 Business or Enterprise development (ED)

According to Guimaraes (1998: 29), in the new LED approach enterprise development can be promoted through two strategies: attracting outside investment and inward-oriented strategy. But, as many scholars argue, more emphasis has to be made the second strategy which promotes endogenous development that uses local resources and potentials. In both strategies developing local economic base is the main concern of LED. Economic base refers to economic activities of a given community that involve exporting their products and services outside the area (A.H.J. Helmsing 2003, A. H. J. Helmsing 2005). Some argue that economic base has multiplier effect in terms of generating wealth and employment to its community (Blakely 1994).

Berner et al.(2008) explain that three level of ED policy analysis: macro, meso and micro level. The macro level policies focus on creating enabling environment which aimed at “unleashing” the available entrepreneurial talent among the poor’. In addition, ED promotion at this level includes taking of specific measures such as access to finance, and knowledge and skills to

overcome systematic discrimination against smallness and informality. This shows the need of appropriate policy and business environment for competitiveness and profitability of businesses.

At meso level analysis, the focus is toward the value chain and cluster development policies. This emanates from considering larger firms in a value chain and geographical or sectoral clusters as an “engine of growth” which can generate economic dynamism (*ibid.*). Helmsing (2002: 88) also states creating industry-specific meso-economic and enterprise support institutions as centrals of the new LED. In the same line, Guimaraes (1998: 30) argues the role of industrial cluster/district in supporting and strengthening a number of broader and less directly related policy orientations.

The micro level of analysis shows two types of business support interventions tools: financial and non financial services (business development services). The former helps enterprises to acquire the means for expand or establish a business. The later includes services like marketing assistance, training, and technology supplies which help enterprises to grow and become more competitive and profitable.

As some studies indicate, in most cases, the provision of these services, are directed by supply driven approach through government or NGOs either in combined or separated ways. As a result, it is characterised by a top down approach with less sustainability, limited outreach and combination, less impact or capacity to address problems of business and high dependence on government and donors' budget. In the recent past, there is increasing shift from supply driven to more demand driven business support. Moreover, financial and non financial services have started to be provided by separate institutions. Since the main focus of the paper is on BDS, we will discuss more about it in the next section.

## 2.6 Business Development Services (BDS)

### 2.6.1 Definition

In literatures, BDS is explained as a range of non financial services to business, offered on a formal or informal basis. This includes: training and skill development; technical and managerial assistance; developing, adapting and promoting new technology; assessing markets and giving market support; providing a physical infrastructure and advocating policy (Dawson and Jean 1998, Dawson et al. 2002: 2). BDS can also divided into “operational” and “strategic” business services (Committee of Donor Agencies for Small Enterprise Development 2001). Operational services refer those services needed for day to day operations, such as information and communications, management of accounts and tax records and other services. The strategic services are those services used by enterprises to address medium and long term issues in order to improve business performance, market access and competitiveness.

### **2.6.2 BDS Approach**

Impact of BDS determined by the approach through which it is provided and the capacity of the service in addressing a given business constraints. BDS provision approach in turn may determine type, combination and price as well as sustainability of the service. As literatures show, basically there are two approaches of BDS: old and new. In the old approach, BDS has been delivered with micro-finance services either as a condition for getting loan or assistance from public institutions and/or donors' project. Literatures characterised the old as supply driven approach, high cost per client; limited type of services, outreach, and impact; low cost recovery; and more dependent on donors' subsidy. Consequently, the old approach is less sustainable.

According to the 2001 committee of Donor Agencies guiding principles for small enterprise development, the new approach to BDS works based on principle of market economy frameworks. Therefore, BDS should be treated as private goods. This shows that BDS must be mainly provided by private sectors, on payment base, and demand driven in order to secure efficiency, productivity and sustainability of the service(ibid.). The assumption is that entrepreneurs are willing to pay for meaningful BDSs and these services may be provided on commercial terms (Altenburg and Von Drachenfels 2006: 389).

### **2.6.3 Roles of BDS**

It is clear that BDS may have significant importance in reducing costs; and improving productivity and competitiveness of businesses. Even though each service has its own relevance in a given business, most BDSs are interlinked and complementary to each other. For example, information service can facilitate or lead to the creation/ diffusion of innovative ideas within and between enterprises which further improve market and non market linkage among and between enterprises. Networking services can also contribute toward the same: by reducing cost and improving competitiveness and capacity. Some BDSs roles are explained as follows.

#### **Innovation**

Bozic and Radas (2005: 34) see innovation activities as 'driving-force' for business success and economic development. According to them, innovation includes creating new products; service; ideas; production and procurement processes; organizational and administrative processes; and other activities which can improve business performance

Literatures explain innovation as the main ingredient for productivity, competitiveness and other desirable results of business. Innovation improves business performance through increasing both local and external market share and profitability (Michael and Pearce II 2009: 290). For example, innovation in procurement and through new technology can reduce per unit production cost and improve product quality, capability. This helps small business to take advantages of economies of scale and upgrading which in turn improve firms' market share. Bozic and Radas (2005) argue that innovation is determined by: intra firm action, policies; and vertical and horizontal linkage or actions of enterprises. As Pedersen (1997: 21) wrote, for example, collaboration of firms

contributes to rapid innovation diffusion through forward and backward linkages. Michael and Pearce II (2009: 291) show how government involvement can influence innovation attempts of entrepreneurs. Generally, as these authors explained innovation is the driving engine of economic growth, wealth creation and jobs so that promoting innovation through BDS would contribute for the entrepreneurs and an economy to gain these types of advantage.

### **Enterprise Networking**

Enterprise networking refers to creation of relationship between enterprises, enterprises and institutions that solve problems which are solely unsolvable and to take advantage of collective action (Ceglie and Dini 1999: 1-12). Premaratne (2002: 2) explains networking as long term contact between small business owners and external actors (person or organisation) in order to obtain information, moral support and other resources. He further state four components of entrepreneurial networks: actor, resources, activities and linkage. These help to strengthen relationship among stakeholders and improve business performance and competitiveness. For example, according to Ceglie & Dini (1999), small enterprises have different problems that link with their smallness but can be solved through networking. Such problems include: limited capacity to produce standardised and good quality product; difficulties in achieving economies of scale in the purchase of input like raw material, equipment, finance, and consultancy services; and limited opportunity for technology, training, through innovation services obtained from public and NGOs' intervention.

They argue that networking solves problem of smallness through enhancing horizontal integration which allows group of enterprises to help each other and solve their common problems, through integration to achieve economies of scale, capacity to supply large orders; vertical integration that promote specialisation; enter firm cooperation for collective learning and information sharing to improve product quality and design, and enter into profitable market segment; and presence of a shared local development vision and partnership among different stakeholders. Dijik & Rabellotti (1997: 2) have also explained in the same way. Some argue contribution of vertical networking to innovation (Michael and Pearce II 2009: 43, Premaratne 2002: 165). Pedersen (1997: 21-23) has stated networking role in development and acquisition of new resources and production capacities. In addition, some argue that, compared to the weak network, strong network among enterprise has more benefit in terms of building trust, fair interaction, smoothing trading, and ensuring continuities of activities due to integrated action for problem faced in the process(Bhagavatula et al. 2008: 2, Miehlradt and McVay 2006: 43). All the above mentioned concepts are important for what we are going to explore with regard to BDS in influencing handloom sectors.

## 2.7 Summary of the Chapter

Generally, this chapter presents the contribution of MSE in promoting LED by creating job opportunity and income for people, using locally available resources for producing goods and services. It also helps to expand local economic bases and serve as an engine of economic growth. However, these roles vary among different categories of enterprises. Particularly, as some argue, while the survivalist business helps to save people from deeper poverty, its contribution to economic growth is insignificant. The growth oriented one has more significant role in promoting economic dynamism. These show the need for different intervention policy and strategies for different levels of enterprise.

As scholars argue, role of different actors and economic sectors as well as local initiatives which work in line with global change are very important in LED promotion. This again shows that as economic sub sector MSE can play important role in promoting LED objectives. MSE activities and development have a combined effect of different actors and local initiative activities. Therefore, macro level intervention through creating enabling environment such as appropriate policy, strategies, guidelines, and institutional and legal frameworks; other supportive activities may affect performance of MSE sectors. The meso level interventions have significant role in strengthening the capacity of supporting institutions and enterprises themselves by improving their capacity in value chain and networking for collective efficiency and resource allocation.

The micro level intervention is through providing direct support for individual or group of enterprises. It may include providing financial and non financial business support. The former is to solve financial problems of business; while the later is to improve business productivity and competitiveness. In the past, these support or service have been provided in conjunction and mainly by government and NGO/Donors in a more supply driven way. As a result many argue, this contributed to ineffectiveness or less positive impact and un-sustainability. But, recently BDS is provided in a separate institution and there is shift from more supply driven to demand driven approach. BDS service provision is also treated as private goods for most services consumers may have willingness to pay. The argument is that the new approach can secure efficiency, productivity and sustainability of the service. The theory, concepts, and different approaches discussed in this chapter are used in the analysis of the case study in the next chapters.

# **Chapter 3**

## **Case Study of Handloom Sector at Gullele Sub-city of Addis Ababa**

### **3.1 Introduction**

As explained in chapter one, the case study of the research is handlooms sector at Gullele Sub-City of Addis Ababa. This chapter answers the first sub question of the research that seeks to answer about BDS approach used, and type or combination of available BDS and its accessibility for different categories of enterprises. In the process, it also presents context and roles of MSE sector and Handloom sub-sector; constraining factors and opportunities or favourable environment to these sectors; and role of BDS provider. This is based on secondary and primary data gathered through secondary sources and direct discussion with representatives of government and non government sectors.

### **3.2 Context of Micro and Small enterprise sectors in Ethiopia**

As explained in the introduction chapter, in Ethiopia, MSE sector plays pivotal roles in bringing about economic transition through creating opportunities to use existing human and material resources; and through this contributing to poverty alleviation in the short term and poverty eradication in the long run. Particularly, the sector has crucial role in playing as a quick remedy for the increasing unemployment problems in the country. Surveys conducted by CSA reveals this reality.

According to a national survey conducted in 2002 by CSA on cottage/handicrafts industries, in the country, there were 974,676 cottage/handicraft industry establishments (2003b). In total, 1,306,865 people were engaged in the establishments. Moreover, during the survey period there were 31,863 small scale manufacturing industries in the country. This shows the sectors potentials of providing employment and bringing about economic dynamism. However, both sectors have been facing different constraints such as lack of capital; lack of market demand; shortage of raw material; lack of working premises; and other policy, structural, and institutional problems(Abebe and Belay 1997: 162-166, CSA 2003b).

Other important sector in Ethiopia is the informal sector: legally unregistered enterprise activities. Studies show that, the sector is source of employment for more than 50 percent of urban work force. A national wide urban informal sector survey(CSA 2003a) indicates that there were 997, 380 persons engaged in 799,358 establishments, of which 60% were female. But

there performance is hindered by: lack of capital, inadequate skill and lack of working premises, and market access.

### **3.3 Institutional and legal framework for MSE development in Ethiopia**

Different MSE sector development interventions have been taking place by Ethiopian government. These ranges from creating business friendly and suitable macroeconomic condition and policies to directly support entrepreneurs as briefly explained by Berner and his Collaborates (Berner et al. 2008). In addition to establishing MSE development strategies and institutional structure, MSE has been incorporated in national and regional development policies and strategies. For example, the National Industrial Development Strategy takes MSE as vital instrument and ground for proliferation of private sectors and it gives priority to MSE sector for government support (FeMSEDA 2002). Parrilli (2009: 6) also explains that the establishment of such type of legal framework may insure macro level action towards small enterprise based industrial development.

The Ethiopian national MSE development strategy was established in 1997. Its prime objective is to create an enabling legal, institutional and other supportive environment. In addition, its specific objectives are to: facilitate economic growth and bring about equitable development; create long term jobs; strengthen cooperation between MSEs; provide the basis for medium and large scale enterprises; promote exports; balance preferential treatment between MSE and bigger enterprises (MOTI 1997). Generally, objectives of the strategy comprise two main things. These are addressing problem and constraints of MSE sector and working toward taking the existing and potential advantage of the sector.

In addition to the above two strategies, MSE Development is the focus of National Urban Development Policy (MWUD 2006). It indicates MSE development as one of the package in urban development program. This is due to the sectors role in urban poverty and unemployment reduction, fostering rural-urban linkage, urban poor income.

Accordingly, government has also been putting in place enabling legal frameworks. Some of these include: institutional organisations law; inter linkages promotion law to provide legal and regulatory frameworks which enhance sustainable business linkages; cooperative promotion law; and micro and small enterprise establishing proclamation.

### **3.4 Socio Economic Role of Handloom Sector in Ethiopia**

As explained in the first chapter, next to agricultural sector, handicraft sector accounts the large proportion of employment in Ethiopia. This sector is also important because it uses local resources, enhance linkage between sectors, and preserve local knowledge and cultures. One of its heritages is handloom sector that serves as an important source of livelihoods and income for large number of people in the country. In most case, it is found in geographically concentrated way (Ali 2007).

According to CSA (2003b) cottage/handicraft Manufacturing Industries Survey, there were 221,848 hand-weaving enterprises in the country, of which, about 55 per cent were located in rural areas. Male accounts about 60 percent of employment in the sector. Some authors have referred the sector as a potential means of improving backward and forward linkages in the country. Its also serve as means of tourist attraction, preserving local knowledge and cultural values.

Given the above advantages of the sector, currently there are handloom product exporters and their associations which are trying to capture the emerging export market. They are working to reduce international market barriers by involving in product development activities such as helping producers to produce product that can meet export standard in terms of quality, design and volume as well as by providing input supplies during subcontracting. Generally, the sector is playing important socio economic roles and showing positive performance changes.

### **3.5 Handloom sector in Gullele Sub City of Addis Ababa**

According to Ali (2007), in Addis Ababa the number of weavers is estimated to be 60,000, and 20,000 of them found in the form of clusters at Gullele Sub City which is located in the northern part of Addis Ababa. There are also other neighbourhood handloom clusters which are located at Ayertena, Yeka, and Akaki areas of the city. In these clusters, male accounts for 61 percent of weavers. But, the information obtained from Gullele sub city's MSE development agency, the percentage of male increase to 80 percent.

There are two organisational structures of weavers in the cluster. These are weavers under cooperatives structure and individual weavers who work outside cooperative structure. The later group mostly perform their activities at individual workshops. According to the current cooperative proclamation No. 147/1998, cooperative society refers to a society established by individuals on voluntary basis to collectively solve their economic and social problems and to democratically manage same. It also states that each primary cooperative society must have at least ten members. But, as I observed from field survey there are differences in terms of functional structure of cooperatives. Some work jointly at common place and have relatively some level of common business administration while some perform and administer their activities separately at different places. For weavers who are working at individual workshop, membership in cooperatives is to get some government supports like finance and input supply services.

Therefore, based on the paper's working definition for MSE, cooperatives that have common working place are belong to small enterprises while members of cooperatives which lack common working place and non coop member stands by themselves as separate micro enterprises since number of employees they had is not more than ten(Farman and Lessik 1989).

The 2008/9 annual report of the agency shows that during the reporting period there were 5055 registered weavers at MSE level, of which, male has accounted 89 percent (2009). The total number further divided in to 140 weavers' cooperatives with 4969 member and 14 enterprises established by 85 weavers' group and one individual weaver enterprises. Moreover, out of the total only 33 coops have common working premises for their 1514 members, while the rest coop members in 103 coop work at individual workshop.

So far, we have seen context and role of MSE and handloom sub-sector in the country and Addis Ababa City Province; and enabling environments that have been created to develop the sector. The next section discusses about government, NGOs and private sector BDS providers.

### 3.6 An Overviews of BDS providers

The section is about BDS providers to handlooms sector in particular and MSE sector in general. BDS providers included in the discussion are: FeMSEDA; ReMSEDA; UNIDO; GTZ; one commercial provider; and two handloom product exporters, respectively. The section helps to answer the first sub question of the research paper.

#### *3.6.1. Federal Micro and Small Enterprise Development Agency (FeMSEDA)*

FeMSEDA is a non profit entity which was established by the Council of Ministers Regulation No.33/1998 on April 3/1998. Its objective is to encourage, coordinate and assist institutions which provide support to the development and expansions of MSEs in the country at large. In order to achieve this objective it focuses on providing supportive services such as training of trainers, prototype development and dissemination, information and consultancy, facilitation, marketing, and technological database to stakeholders.

Accordingly, in collaboration with regional governments, MSE development agencies, NGOs, and the private sectors; the Agency mainly provides training and marketing services. The training service includes: business skill and management trainings; technical skill trainings like pattern making; handicraft skill training such as carpet making, weaving, and Tie dye and Silk; technology development and transfer training; and awareness creation on total quality management. The marketing services that are mainly provided by the agency include: sales and promotion; Market information and consultancy; and local and international business networking services.

These services have been provided up on the request of regional agencies, NGOs and private businesses on highly subsidised fee rate. But, it was usually by regional agencies and NGOs. In most case, the trainings initiated by regional agencies have been financed by NGOs. According to national BDS guideline, the subsidy is until BDS market developed (EBDSN 2005: 14).

The Agency's report on handicraft and technology training for the year between 2003/4 to 2008/9 shows limited outreach in trainings (FeMSEDA 2009b). The number of trainee in the period was 4421 only. Out of this, garment making accounts the largest number 1560 (35%) and followed by

weaving 410 (9.3%), while the rest shared by trainees on other handcraft and technology trainings. Even if it was not possible to get the exact figure from the agency, the discussion undertaken with training department director of the agency shows that in collaboration with UNIDO and GTZ, the agency has been providing training for weavers from Gullele sub city, in the past three years.

As explained above, one of the activities of the agency is creating market opportunities for MSEs product both at local and international market. In this regard, it has been performing networking and supporting activities, particularly, for operators and traders involved in exporting handloom and other handicraft products. Export market performance report of the agency has also revealed the same. Particularly, the number of exporters that are involved in handloom product has increased from 37 during the year 2007/8 to 52 in the year 2008/9. However, the number of major handloom product exporters was not more than eight (FeMSEDA 2009a).

In addition to creating favourable environment for handloom product exporters, the agency is working to create linkage between weavers' cooperatives and exporters through sub-contract arrangements. Accordingly, more than 15 weaver's cooperatives from Gullele Sub- city have been working with exporters through sub-contacting works and accepting orders.

### ***3.6.2 Addis Ababa, Micro and Small Enterprise Development Agency (ReMSEDA)***

ReMSEDA was established in 2003 under Trade and Industry Bureau. Its structure extends to sub-city and kebele levels (Ageze 2006). Objective of the agency is to reduce urban poverty through increasing employment opportunities and to promote industrial development through expansion and development of MSE sectors. Having this objective it has engaged in organising community members with different skill into cooperatives and trade association and providing various supportive services. BDS is one of MSE development tools (ibid.).

BDS that are provided by the agency in collaboration NGOs include: facilitating access to finance, training, appropriate technology, and working and marketing premises; facilitating market linkage and raw material supply; information and advisory services; and tax payers' and job seekers registration services. These services have been provided in one-stop service model to facilitate MSE operators' immediate access to all type of available services (ibid.).

In addition to providing BDS using one-stop service model, in line with national BDS facilitation guideline (MOTI 2006), the agency has established guideline for BDS facilitation to insure consistency and sustainability of the service. The guideline requires addressing problems of operators through their prime participation in identifying problems and seeking possible solutions. It also identifies three criterions for BDS provision. These criteria are: operators should be from MSE sector, have legal registration and demand for the service. Given these criteria, it also states three procedures that need to be followed. These are: undertaking situational analysis; identifying operators' problems and setting alternative possible solutions; and preparing action plan for problems

which can be solved by operators themselves and creating connection with BDS providers for problems beyond operators' capacity. In these process operators are the principal actors and facilitators roles are consultation and facilitation. This is to make the service more demand driven. Accordingly, as MSE sub sector, operators in Gullele's handloom sector have been users of these services based on priorities given for the sector.

### ***3.6.3 United Nation Industrial development Organisation (UNIDO)***

UNIDO has been undertaking handloom sector cluster development pilot project at Gullele since 2005. According to the discussion undertaken with UNIDO's expert in the program, the objective of the intervention is to ensure firms in clusters to benefit from larger sales volumes, lower costs, improved workers skills and product quality; and enhance productivity by promoting joint activities in marketing, production and improved sectoral training programmes(*Miftah* 2008). Having this objective, UNIDO provides both financial and technical assistance for the project. Accordingly, in collaboration with the FeMSEDA and ReMSEDA, UNIDO has been providing basic business management and modern weaving skill upgrading training to weavers at Gullele handloom clusters; and technical supports to facilitators who work with these weavers' clusters.

Beyond that, the project has played much role in addressing marketing problems of weavers through creating networks among weavers and between weavers' cooperatives and exporters. The later is mostly through arranging subcontracts. These services have been helping weavers by improving their income, creating new market opportunities, negotiating capacity, developing transparent relationship and trust, and reducing marketing costs.

In addition, with respect to reducing marketing cost, UNIDO has introduced innovative marketing systems by initiating and providing financial supports (during initial periods) in hiring marketing officers to weavers' cooperatives. Currently cooperatives that hired marketing officers are fully financing the payment by themselves. Similarly, UNIDO has contributed in the establishment of common show room (display centre) to weavers' cooperatives where they can market their product to tourists, local traders and users.

Further, it has been supporting attempts toward reducing the raw material problems of weavers through making raw material supplies arrangement during order and subcontracting; and by networking weavers with domestic yarn factories and individual enterprise that is involved in silk production. In general, UNIDO's cluster development project has been facilitating and providing different BDS services that enhance the growth of handlooms sector and its contribution to local economy dynamism.

### ***3.6.4 GTZ- MSE Development Programme***

GTZ-MSE development programme was a bilateral programme with the German government and had been working toward MSE development from 1996 to 2005 in three phases. The objective of the program was to support the promotion of MSEs by providing capacity building, networking, and Training for Trainers support to intermediary organisations that help them to implement efficient BDS and perform their activities in a coordinated way.

Accordingly, the programme has contributed in creating enabling environments to the MSE development through out these periods.

Since 2005, GTZ is working with Ethiopian government in Engineering Capacity Building Program (**ecbp**). Accordingly, **ecbp** supports handlooms sector by sponsoring market development activities such as exhibitions and bazaars, information dissemination, capacity building training for facilitators, and introducing advanced handloom technologies which is called “Flying Eight”. GTZ chandelles these services through government either in terms of cost sharing or fully financing.

### **3.6. 5 Private BDS providers**

Due to limited number of privet commercial BDS providers that have past experience with the Gullele handloom sectors, this section presents based on discussion undertaken with one commercial providers; and two exporters that are involved in providing embedded services.

The commercial BDS provider has been involving in providing new or improved looms and technical training related to assembling. The discussion shows that operators and service provider did not have direct contact and the arrangement was only through government agencies. This has been limiting flexibility of service provision and availability of diversified and demand driven services.

Regard to embedded services, according to the discussion made with two exporters, those services that have been provided due to their business relationships include: technical advice, information, product development service like design, input combination and post production quality management; as well as input supplies. Their reason was in order to get handloom product that maintained the required standard and specification.

In addition, they argue that there are increasing performance improvements by weavers who have been working with them. These are improvement in capacity to produce product that met the required export standard, and volume; and in capturing new design. They add that the obtained changes are encouraging them to accept bulk order and contributing toward their competitiveness in the international market.

### **3.7 Summary of the chapter**

This chapter presents about roles and challenges of MSE sectors and handlooms sub sector, and then answers the first research question by presenting an overview of BDS providers. MSEs have significant roles in job creation, as source of income and entrepreneurs in Ethiopian. But, their development was influenced by constraining factors such as limited access for capital and market, input supplies, inadequate skill, lack of working premises, and institutional and policy constraints. Different actors have been intervening in tackling these problems and promoting MSE development. Some of the measure include: integrating MSE development in the country’s development policy and strategies; establishing institutional and legal frame works; and promoting and supporting the development and activities of supportive institutions.

The chapter also discusses about socio economic roles of handlooms sectors in the country and in Addis Ababa Gullele Sub city. Main roles of the sector include: source of employment and income for large number of people; capacity to change local resources in to output and expanding local economic base, and facilitating sectors linkage. In the process we saw the role of actors in solving problems and promoting development of the sectors, particularly in relation with BDS provision. These led us to answer the research first sub question- approach used in BDS, type and combination of services, and who access the service.

Accordingly, the chapter further discusses role of FeMSEDA in facilitating and providing BDS. FeMSEDA mainly provides marketing and training services on highly government subsidised fee rate up on the request of regional government and NGOs. The marketing services includes: sales and promotion services, market information, arranging sub-contract with large firm through creating networks, and arranging bazaars. The training includes business management, technical and technology development trainings. The request and fund for fee for most services were from local and international NGOs. At regional level, the ReMSEDA provides facilitation and training services in collaboration with NGOs sectors after making situational analysis of enterprises. These shows, important role of NGOs in supporting BDS provision to handloom sector by channelling their support through government MSE development agencies. In addition, large firms and small traders have also considerable contributions through providing embedded BDS like services. The chapter shows that BDS provisions were mainly for individuals or group of enterprises which have registered as MSE. But, focus of most actors was toward enterprises which are organised into weavers' cooperatives.

# **Chapter 4**

## **Discussion of Findings**

### **4.1 Introduction**

The chapter analyses the case using data gathered from 36 sample respondents. As described in the methodology part, the sample was taken from both BDS users and non users. The users are from weavers' cooperatives members whose members work in common workshop and individual workshops. The analysis is presented in different section of the chapter. The aim of the chapter is to answer the second and third research sub questions which examine the positive contribution of BDS and their challenges in usage. It also helps to answer the fourth sub question which focuses on the lessons learnt.

### **4.2 Characteristics of sample respondent**

The survey shows that educational backgrounds of most of the respondents are concentrated around second cycle primary school level (5-8th grade). But, those respondents who are working jointly in cooperative common workshop are relatively well educated. This might give them an advantage of BDS for their competency and productivity.

Moreover, it shows that more than 70 percent of weavers engaged in the sector for more than ten years. As far as weaving activities are performed manually rather than complex technology and technical skills, the duration of engagement in the business may have significant importance in terms of capturing some relevant knowledge and skill. Therefore, majority of weavers in the sector have these potential advantages. Moreover, it might have relevancy for successful development interventions.

As some studies show, about 80% of operators engaged in handcraft sector have some level of skill and knowledge required in the sector either by inheriting from family or self experience as employee. As shown in details in Table 4.2.1 of the total respondents, about 94 percent were initially engaged in the business due to their inherited experience; while 3 percent enter due to lack of alternative and the rest entered by seeking opportunities.

Table 4.2.1  
Reasons Respondents for engaging in handloom sector

Reason	Respondent from Cooperative member at				Non coop member respondent	
	Common workshop		Individual workshop			
	No.	Per cent	No.	Per cent	No.	Per cent
Inheritance	10	62.5	8	80	10	10
Opportunities	3	18.75	2	20	-	-
Lack of alternatives	3	18.75			-	-
Inheritance & opportunity	6	37.5	3	30	5	50
Inheritance & lack of alternatives	4	25	5	50	5	50

Note: the respondents were allowed to give multiple answers

Source: field survey, 2009

Generally, about 56% of respondents from cooperative common workshop stayed in the business to take advantage of opportunities, while the rest 44% respondents stayed due to lack of alternatives. With regard to respondents who are working at individual workshop, from cooperative and non cooperative members, for 50 percent lack of alternatives and another 50 percent seeking opportunities were reasons for staying in the sector. This shows that compared to respondents from common workshop, majority of operators in these groups have high inclination to leave the business if other alternatives with more benefit are available.

### 4.3 BDS in Weavers' Business

The following section discusses about weavers' BDS sources. In addition, the discussion may help to compare the extent weavers at different circumstances access to available BDS.

#### 4.3.1 Sources of BDS

The finding shows five BDS sources for weavers. Namely; government, NGOs and private commercial providers are the formal source. And the rest are informal sources which were obtained from business partners and relatives or friends (Table 4.3.1).

Table 4.3.1  
Sources of BDS

Source	Weaver's Cooperative member at				Alternative source of BDS for Non coop members	
	Common work-shop		individual workshop			
	No.	Per cent	No.	Per cent	NO.	percent
Government	16	100	10	100	-	-
NGO/Donors	7	43.75	3	30	-	-
Private commercial providers	4	25	-	-	-	-
Business partners	8	50	4	40	4	40
Relative/friends	16	100	6	60	6	60
Informally form government workers	-	-	-	-	1	10

Source: Computed from field work, 2009

As Table 4.3.1 shows, governments and NGOs are the two main formal sources of BDS for weavers in cooperative. NGOs are mentioned as BDS source by less than 50 percent of respondents from cooperatives. But the percentage of respondents from cooperative common workshop is higher than cooperative members at individual workshops. Moreover, few of the former group has access for private commercial providers, while no one accessed for this source from the later groups. This indicates weavers in common workshop have better access for the formal sources of BDS. More interestingly, no one has replied for three of the above sources of BDS by respondents from non cooperative members. Their reasons were lack of access due to strict criteria set by providers like the need for being organised into coop or group, and group collateral, lack of trust on relevance of the available services that arise from absence of significant change by users, credit ceiling that does not satisfy their demand, and lack of awareness about some services.

As mentioned in chapter three, in addition to the above formal sources of BDS, weavers have been getting BDS like services from private business partners; and friend and/or relatives. These were due to business and/or horizontal relationships. Exporter or local traders were providing embedded services in order to obtain products with required quality, design, and specifications. Similarly, relatives and/or friends have role in sharing knowledge, giving advice and other services through their horizontal linkage with operators. Such relationships were relatively strong in case of weavers in common workshop than the other groups. Interestingly, in addition to lack of access from formal sources, the non cooperative member weavers have less access for services obtained through trade and horizontal relationships.

#### **4.3.2 Level of importance of BDS**

Information obtained from provider and users shows that the most available BDSs were short term training, credit facilitation, product design and technology, marketing, counselling and information, production and working premises, and networking services. Table 4.3.2 shows that operators have different level of priority for these services. This may show the significance of a given service for solving operator's problems, productivity and competitiveness or lack of awareness. Accordingly, table 4.3.2 shows level of importance of a given service as mentioned by respondents.

Table 4.3.2  
BDS importance level as measured by 26 sample operators

Type of services	not significant	Some what not significant	significant	Extremely significant
Short term training		8(31)	12(46)	6(23)
Credit facilitation			6(23)	20(77)
Product design and technology		7(27)	9(34.6)	10 (35.4)
Marketing			2 (8)	24 (92)
Counseling and information		16(61.6)	9(34.6)	1(3.8)
Production & marketing premises		1(3.8)	5(19.2)	20 (77)
Networking		3(11.5)	10(38.5)	13(50)
Raw material supply				26 (100)

Sources: field interview, 2009

Note: Figure in parenthesis indicates percentage of respondent

As Table 4.3.2 shows, since respondents from non coop members did not have access for formal source of BDS, the figure in the table was computed on the bases of response obtained from weavers in weavers' coop. Accordingly, types of BDS that have given first priority and the corresponding percentage of respondents were: raw material supply (100%); credit facilitation (77%), marketing (92%), product design and technology (35%), production and marketing premises (77%) and networking (50%) services. while short term training (46%), and counselling and information (61%) services, were given second and third priority, respectively.

### 4.3.3 Who uses BDS?

As it is depicted by table 4.3.3, percentage of users of the above mentioned services were identified for both cooperative members work at common and individual workshops.

Table 4.3.3  
Percentage of BDS users

Type of BDS	Coop member work at				Total	
	Common workshop		Individual workshop			
	No.	percent	No.	percent		
Short term training	9	56.3	4	40	13	
Credit facilitation	16	100	9	90	24	
Product design	7	43.75	2	20	9	
Technology development	12(7*+5)	75	-		12(7*+5)	
marketing	9	56.3	-		9	
Counseling and information	13	81.3	5	50	17	
working premises	11	68.75	-		11	
Marketing premises	7	43.75	-		7	
Networking	16	100	10	100	24	
Raw material	-		-		0	

Source: filed survey, 2009.

Note: '7\*' indicates users of new technology of loom while the corresponding number represents users of improved traditional looms.

Table 4.3.3 shows that while all weavers were getting credit facilitation and networking services, the opposite is true for raw material supply services even though it was placed at first priority level by weavers. In addition, some respondents have explained the price escalation of inputs. Their reasons were

limited number of suppliers in the market and weak attempts by government toward solving their input problems. However, some of the respondents from cooperatives with subcontracting experience have shown the presence of input supply attempts by contractors in some cases.

The two groups of respondents have been accessing the service at different levels. Particularly, while 12(75%), 9 (56%), 11(67%), and 7 (44%) of respondents from coop common workshop were users of technology development, marketing, production premises, and marketing premises services, respectively. No one has replied as user for these services from coop member at individual workshops. Here, 5(31%) respondent replied for rented common workshop and 11(69%) for common workshop provided by government. Similarly, 7(58%) respondents were users of new technology (loom), and the rest 5(42%) were users of improved technology. Further, short term training, product design, and counselling and information services users' percentages from common workshop were 56, 44, and 81 percent respectively, while they were 40, 20, and 50 percent for the other category.

Here the marketing premises service refers to common display centre around working premises and at FeMSEDA compound which established for MSEs handcraft product sales and promotion. The display centres around coop workshop were established by the initiation and financial support of UNIDO. The centres serve as sales and promotion centres. Currently cooperatives are managing and fully financing cost associated with marketing premises. From the total sixteen respondents only two respondents have been getting marketing premise service of FeMSEDA. This was because, the agency has been providing the service based on its own criterion for product quality, and quantity in order to select enterprises.

#### 4.3.4 BDS users' satisfaction level

Table 4.3.4 shows satisfaction level of BDS users by services provided in the past three years. Distinctions were made in terms of service accessed for both group and only for one group.

Table 4.3.4  
Level of satisfaction obtained from BDS

Coop member at	Type of services	Re-spon-dents' No.	satisfaction Level	
			Below mini-mum	Above mini-mum
common workshop	Technology development	12	5 (42)	7 (58)
	marketing	9	7 (78)	2 (22)
	marketing premises	7	4 (57)	3 (43)
	Production premises	11	4 (36)	7 (64)
Individual workshop				
both	Short term training	13	9 (69)	4 (31)
	Credit facilitation	25	25 (100)	-
	Product design	9	4 (44)	5 (56)
	Counseling and information	18	13 (72)	5 (28)
	networking	26	14 (53)	12 (47)

Source: computed from field survey, 2009

Note: those figures in bracket shows percentage.

As Table 4.3.4 shows, for more than 50 percent of respondents from common workshop their satisfaction level was above their minimum expectation for technology development and production premises services, while it was below their minimum expectation for marketing, marketing premises services. Except for product design, for more than 50 percent of both group of respondent satisfaction generated from short term training, credit facilitation, counselling and information, and networking services was below their minimum expectation. Reasons of respondents are discussed in the following section.

#### **4.3.5 Success and Challenges in using BDS**

As stated above, users of technology development, marketing, marketing premises, and production premises were weavers only from coop common workshop. Thus, impact of these services corresponds to the users. Therefore, we present first about these services then about services that are provided for both group of coop members.

##### *Service used by weavers in common workshop:*

For 58 percent of users of technology service, the service has generated satisfaction above minimum expectation. According to them this was because the service has positive impact on their product flexibility; production speed; product quality; weaving comfort; and in decrease cost of loom damages. This can be seen in terms of impact of the new loom and traditional loom on weavers performance.

Users of the new technology (loom) argue contribution of the technology for their product width and length flexibility. Weavers explain as their capacity has changed from producing product with 90cm or less width to 1.60cm due to the new loom. For example, one respondent said that “ previously my product width had been limited only between 80cm-90cm but now after I got the new loom I produce product which can have 1.2cm to 1.60cm as well as the length of product has increased by four folds so that I can make flexible product based on market demand”. This implies contributions of technology improvement on weaver’s product development.

With regard to weaving speed, the new loom (called MY-loom) users have mentioned as weaving process is getting more easy and the decline of per unit production time. Instead of intensive hand movement for shuttling as traditional loom, the new loom synchronised shaft allow weavers to do beating and shuttling automatically. Moreover, its four shafts allow them to make plain (not complex) pattern easily as compared to the traditional loom. For example, respondents have explained that by shifting from using traditional loom to MY-loom (new) their capacity of producing product with plain pattern has increased from 8 to 16 meters per day. In addition, weavers argue that MY-loom gives comfort during weaving and has eliminated health problems which are associated with pattern making using traditional sticks that needs intensive eye concentration.

With regard to traditional loom, mainly two impacts were identified by the respondents – that were decline cost of loom damage and improvement of weavers' comfort. Here, the change over the previous traditional loom is that shift in loom making from wood to metal materials and some adjustment on loom to produce product with additional width (from 80-90cm to 1m). According to the users, repeated loom damage and associated cost have been removed. Moreover, the improved loom has contributed to their comfort and enhancement in the production process. Using unimproved traditional loom requires pegging the loom into the ground in order to fix loom balance and position. That in turn needs preparing weaving place by digging a hole. According to them, weaving in such condition not only decreases weavers comfort but also reduces product quality. All these processes have been removed after using the improved one due to its easiness and flexibility to manage. Generally, above explanations show positive contributions of technology development services through improving product and process development as well as cost reduction in weaving activities. However, there were some problems explained by user of the service.

The first is that difficulty to produce product with complex designs (pattern) by using MY-Loom. This has forced the users to use their traditional loom along side the new one to use in the case of demand for complex design. It shows that its limited capacity to meet users demand. The second problem is absence of complementary services providers. Apart from the traditional one, operators lack technical skill to maintain the new loom when broken and lack easy access for spare parts. These problems have led broken loom to remain idle for long time and weavers to produce under capacity. The third problem was that unaffordable unit price of loom by individual weavers- from 9,000 to 12,000 Ethiopian Birr. According to the respondent and extension workers explanations, the price was above the capacity of most weavers and forces weavers to stick with the traditional loom.

With regard to working premises, comparing their past situation, about 64 per cent of users have described the service as satisfactory, while the rest 36 percent said less satisfied. All argued that the service has helped to improve quality of their product, to get relatively more customers and support of other service providers. Moreover, the service has improved weaver's relationship in sharing knowledge and skill. This goes with the argument of Staber (2009: 554) and Schmith (2000: 324) about positive contribution of physical proximity in collective learning and rapid diffusion of new ideas and practices. In addition, some argue that it saved them from increasing workshop rent. However, particularly 36 percent of respondents said they were less satisfied due to lack or absence of different utilities such as light, water and other sanitation services.

According to users of marketing services, services through display centres around workshop and at FemSEDA; bazaar and exhibition; and networking with large firms have positive contribution in promoting their product and increasing number of customers. However, most of the operators believed as they still have significant marketing problems due to high saturation of local market, lack of capacity needed for direct export; and inconsistence contractors order. As a result their unfair relationship with middle men is continued.

*Services used by weavers in common and individual workshop:*

So far, we have seen successes obtained from and challenges faced in the usage of services used only by weavers in common workshop. The following discussions are about services used by both categories of coop members.

As Table 4.3.4 shows except product design service, the rest services have generated satisfaction below the users' minimum expectation. Out of the total (9) users of product design service, 56 percent of respondents replied that the service had increased their capacity to make various design based on demand situation. Some of the stated attributing factors for such improvements include: improved interaction among weavers working in common workshop; linkage with large firms; and final consumers.

Respondents were explaining networking in terms of improved relationship and interaction created among themselves; between them and exporters and local traders, government sectors, and NGOs; and the associated benefit from the linkages. But, most argue that even though networking has positive contributions for their business, their satisfaction due to the service was below their expectation. This was because it is less capable in solving resource and capacity problem of weavers through bringing individual capability, skill and resources in to more organized joint resources and collective action.

For 69 percent of credit facilitation service users, satisfaction from the service was below their minimum expectation while 31 percent even said it has adverse effect. Some of the reasons include; absence of consultation during facilitation; and less capability to address working capital problem. According to the users, credit facilitation activities were not after recognising weavers' demand and priority by consulting direct users. The second reason was that the mismatch between amounts of credit allowed for borrowing and weavers' capital demand. As they said, the credit was not enough to solve their immediate capital problems or for expanding their business. Instead some argue that this has influenced their willingness to pay for existing loan and it in turn creates lack of other credit opportunity.

As it is depicted in Table 4.3.5, the most commonly provided types of short term training were included: entrepreneurship; leadership; accounting; bookkeeping; and business management, respectively. Majority of sample respondents were taking entrepreneurship and bookkeeping. However, for almost all respondents the service was not problem solving. The reasons were that lack of preparation and good awareness about weaving sector by trainers and facilitators, and providing less relevance training to solve recurrent problems. Moreover, users' response shows the service has not been in accordance with the BDS provision guideline rather based on government and NGOs working plans. As a result, it's the relevancy in addressing problems was very lower.

Table 4.3.5  
Short term training users

Type of short term training for coop member	No. of respondent	Entrepreneur-ship	leadership	accounting	Bookkeeping	Business man-agement
common work-shop	8	5	3	1	6	2
individual	5	3	1	2	3	-
	13	8	4	3	9	2

Source: Computed from field survey, 2009

## 4.4 Comparison of BDS user and non user and Impacts

### 4.4.1 Employment Opportunity

According to respondent from 16 weaver's cooperatives in common workshop total employment created by these cooperative were 444. Out of which, 28 are temporary employees and 5(37.5%) of permanent employees had been temporary workers in others business. The aim of cooperatives that hired temporary employees was facilitating their order delivery by supporting the existing permanent members in the case of bulk order. In other time, the temporary employees perform their individual activities within the common workshop regardless of their membership. On average each cooperative has 28 employees. These may indicate potential of networking to create employment and ownership for weavers, and to promote graduation of enterprises. As of working definition we used for MSE in this paper, all respondents from common workshop belong to small enterprise cooperatives since the number of employees in each coop is above 10. Compared to the other categories of respondent, in this category there were no family members involved in weaving activities of coop members. It supports the argument of some authors that indicates less important role of family members in small enterprises.

Table 4.4.1  
Job created in different weavers' categories

BDS/respondent from	Workshop	respondent No.	Total employ-ees	Permanent	Temporary	Family members
Users/coop	common	16	444	316	28	-
	individual	10	21	10	5	6
Non users/non coop	individual	10	23	7	8	8
	Total	36	488	333	41	14

Source: from field work survey, 2009

The percentage of respondent replied change in number of coop member in the past three years in terms of: no change, declining, fluctuation/seasonal and constant increase were 43.75, 25, 18.75, and 12.5 percents, respectively. Even though number of employment was less, the figure in general has shown that cooperatives which have common workshop may remain source of employment for the existing members and potential employees.

Given most respondents have knowledge and skill in the sector, most argued that coming into common workshop has helped them to have additional source of knowledge and skill due to their improved network with different parties and within themselves. Their argument is in line with Staber's (2009: 555) argument about promotion of learning through horizontal interaction among enterprises and vertical interaction among actors along the value chain. This indicates contribution of network in increasing the probability of remaining in weaving business.

The second category- cooperative member work at individual workshops - has different features. Some of the features include: locate at scattered place; independent in employment decision; each respondent (coop member) can be seen as individual enterprise and can have his or her employees; and categorised under micro enterprises since the number of employees in each is not more than ten. Having these features in to account, the following is about employment situation in the category as compared to the above one.

Out of the total 10 respondents, 5 (50%) operators have one employee, while the rest have between two to four employees. The total 21 employments created were that for: 5(24%) temporary employees, 6 (28.5%) family members, and 10 (47.5%) active business owners. Change in number of employees was practiced only by those who have temporary employees depending on market fluctuation. Compared to those in common workshop, the number of employment created in this category is very low. Moreover, the potential of the business in creating means of employment for outside job seeker was very small since large proportions were occupied by family member and active owners. This further indicate that networking service provided for this group have not been able to be effective in bringing collective action of cooperative members to create more capacity and resource, and to graduate.

BDS non users (non cooperative members) have similar features with the later category. So that each respondent has handloom micro enterprises and employment composition includes family member, active owner and temporary employees. Out of ten respondents, 7 were actively running their own businesses. Number of temporary employees and family member each account eight employees from the total 23 employment. This implies that, like coop members in individual workshop, large proportion (65%) of employment have accounted by family members and active owners. In addition, number of temporary employees change with market condition. Generally, the tendency toward creating permanent as well as temporary job for non family member is very lower in the category.

#### 4.4.2 Impact on operators' income

Table 4.4.2  
Role of weaving in operators' income

BDS/respondent from	Workshop	Weaving as source of respondent's income		
		sole	main	additional
Users/(Coop )	common	9 (56%)	5(31%)	2(13%)
	Individual	3(30%)	7(70%)	
Non users/Non coop	individual	3(30%)	5(50%)	2(20%)

Source: field survey, 2009

As Table 4.4.2 shows, 87% of weavers in common workshops generates their income solely or mainly from weaving. For 56% of respondent weaving is their sole income source. This may indicate that in relative term income generated from weaving at least can fulfil operators and their family demand. Of these respondent, 6 (66.7%) initially entered in the business by seeking opportunities and also currently have inclination to expand their business. This generally implies that largest proportions of respondents in the category are opportunity oriented and have an inclination to expand and develop their business.

Similarly, out of five respondent who replied weaving as main income, 3(60%) were initially engaged in the sector due to lack of alternative while the rest 2 (40%) were to take advantage of the sector. But, their response shows as they have inclination to expand their business. Generally, the respondents' tendency toward expanding their business and the proportion of weaving in their income may indicate that the positive advantage existed in the sector and its development potential.

In similar line, the largest proportions (62.5%) of the respondent have indicated slight improvement in their monthly income as well as increase demand for their product by local consumers and contractors. But, few (19%) reported significant change in their revenue due to the same reason, while the rest indicated the existence of decline and fluctuation in income. All argued that the main constraining is from increasing input price.

Compared to the above BDS users' category, there were high income diversification attempts among cooperative members from individual workshop. For example, in this group weaving is sole income source only for 30% of respondent, while for the rest it is main income source. Further it indicates for large proportion of weavers' income generated from the sector is less capable to fulfil demand of operators and their family. In addition, 60 percent of the respondents have indicated slight increase in their income, while the rest 40 shown declines in income due to input price increase and lack of market. Therefore, the comparison shows that the performances as well as the advantages of individually engaged coop member weavers are lower than that of those collectively working in common workshop. But, the inclination of 70 percent of respondents to expand their business may indicate the existence of positive advantage in the sector.

With regard to BDS non users, percentages of respondents said weaving as sole; main; and additional income source were 30; 50; and 20 percent, respectively. Given high income diversification, like the above two categories

of BDS users, weaving still account for larger proportion of income of respondent. In addition, 67 percent of those who have mentioned weaving as sole income and 60 percent of those who have mentioned weaving as main income were initially entered in to handloom business having opportunity orientation. The survey shows that 50 percent of the respondents in the category have an inclination to expand their handloom business. Generally, these results may show significant and potential role of the sector in weavers' income.

These respondents have also indicated change observed in their income in the past three years. Accordingly, 30 and 20 percent of the total replied for no change and decline in income, while 40 and 10 percent indicated slight and significant improvements in income generated from the sector. Like constraints of BDS users, increasing input price and lack of supplies were the major factors affected income from weaving. In addition, 60 percent of these respondents have mentioned increasing workshop rent as problem which affects their profitability.

#### ***4.4.3 Marketing and Networking***

It is believed that BDS can play a role in improving access for local and external market and hence market outreach, change in customers demand, and competitiveness. Information gathered from the respondent has some implications in these regard and shows advantage of weavers in common workshops over cooperative members work in individual workshop in terms of accessing and capability to use BDS. Impact of networking on operators business is depicted in the following paragraphs.

Respondents were asked whether demand for their product is increasing or not. Responses of weavers in common workshop were: 8(50 percent) slight increase, 3 (18.75 percent) seasonal increase, 2(12.5percent) constant increase and 3(18.75 percent) no change in demand for their product. Even though there were seasonal increase and no change by some respondent, the majority response shows positive change in product demand. Their most reasons were: presence of common display centre and production premises; and improved linkage with traders and contractors.

According to 7(44%) respondents, common display centres have significant contribution for their product market demand increase by: creating easily accessibility to new customers; increasing potential to generate reasonable product price for individual weavers; and improving financial capacity of cooperatives through generating revenue from commission collected for per unit product sold in the centres. Here all the revenue after deducting the commission will be paid for the member who displayed his/her product in the centre. Thus, revenue which added to coop common asset is only that obtained from each member as commission.

However, these respondents argued that the display centres have not been working at their potential. This was due to failures to meet consumers demand in terms of quality, quantity and product combination that arise from limited coops financial capacity In addition, absence of related services (garment making) along side the displayed product have been mentioned as problems which divert consumers to other alternative market.

Improved networking was the second reason which mentioned as contributing factor for improved demand. In this regard, including those respondent from cooperative which have common display centre, 11 respondents were said that they have been working with exporters and large firms through accepting order and subcontracting works. Most of them believed that the improved relationship and trust with contractors has encouraging working together for mutual benefits. This goes with what Schmize (2000: 324) wrote that producer cluster helps to attract specialized suppliers of inputs and buyers of their outputs. Visser (1999: 1553) has mentioned this as advantage of being in clusters in order to benefit from purposeful cross firm cooperation in vertical or horizontal linkage with the goal to improve products and processes. Similar to the display centre, the increasing order have considered as advantage for individual weaver in cooperatives and for the cooperatives themselves.

During the case of bulk order either in the form of subcontracting or other arrangement with traders, it is the responsibility of cooperative marketing committee and board member to divide works among the member after taking in to consideration about individual members skill, and knowledge as well as speed in weaving in order to deliver order on time and maintain the required product quality, design and specification. Then, the member will be paid based on the per unit profit after deducting commission from each. Moreover, there is also linkage between cooperatives, particularly, in terms of sharing works in the case of large order beyond capacity of a given cooperative. In this case, the subcontracted cooperative will be paid commission for each unit of product it shared.

However, there are two problems faced by cooperative members. These are inconsistent of orders by contractors and internal management problems. In most of the case orders obtained by subcontracting from large firms is very seasonal. As a result, given limited capacity of weavers to determine their product price; lower capacity of cooperatives to collect weavers' product and sale at reasonable price; and the existing market saturation, the inconsistency of order has limited the capacity of individual weavers to escape from unfair relationship with middle mans. In addition, it reduce the potential environment created for taking advantage of collective action since in the absence of order each weavers have been forced to work for individual benefit and search their market for own product. These in turn reduce positive perception and trust of individual members for collective action.

The second factor that respondents mentioned as problem link to internal relationship and administrative procedure that were used to distribute works among members. According to them, the work division in the case of order was by using subjective measures. The subjectivity of criterion used has been contributing for lack of trust to happen between members and board members. Moreover, some respondents were claiming problem due to corrupted leadership attempt of some leaders. In this regard, for example, one respondent had said that "I have no full trust on our board members because there was a case that the previous leaders had been secretly diverting orders which had come in the name of cooperative to their own individual business." It shows that some cooperatives have leadership problem that prohibits access

of other members to potential customers and hence limits the benefit of coop and its members from potential market. It may also show limited positive effect created by the provided leadership short-term trainings.

Cooperative members those are work at individual workshops were not have common display centre. While 50 percent of them use middle man and open market for selling their product, 30 percent use both open market and door to door selling, and the rest 20 percent use middle man only. According to the respondents who use middle men, their dependency on middle man is due to their capacity problem which limited them from selling their product directly to retailer or wholesaler on credit bases. They also explained the mismatches between need of most traders to buy weavers product on credit bases and limited capacity of weavers to wait for payment. As a result, instead of buying product directly from producers, retailer/whole sellers prefer getting through middle men who have capacity to provide product on credit. This in turn has been forcing weavers to get lower value and profit for their product by exposing to unfair relation with middle men.

Moreover, while 50 percent the respondents argue as demand for their product is very seasonal, 40 percent argue as there is slight improvement and 10 percent decline in market demand. Therefore, their cooperative membership and other BDS have not been contributing for them to take more advantage from increasing market demand. With regard to BDS non user, the result has not that much significant difference with the later category except not having cooperative membership and marketing support.

Regarding to product destination and outreach, respondent responses were shown that that their product market is limited to local market and there was no improvement in market outreach within the country. So that, most of positive improvements in market demands have linked with local market. However, they said as other traders (large and small exporters) have been exporting their product to abroad by collecting as contractor or buying directly from individual weavers.

Generally, even though there are unsolved challenges, the positive advantage obtained from BDS toward market development has significant role for the improvement of market compared to the past. All the above improvements were positive advantages experienced by cooperative members who are working at common workshop. Given absence of the above marketing services and networking services for both cooperative and non cooperative member weavers at individual workshop, positive improvements observed from these categories were very weak.

#### **4.4.4 Product Development and Technology**

With regard to product development, the response of sample respondent has shown that weavers in cooperatives were benefiting from BDS in two ways. The first is from linkage created among weavers by organising into coop and preparing common work place. The second is from improved network of weavers with large firms which facilitated by government sectors and NGOs, particularly UNIDO.

With regard to the first factor, majority of weavers from coop common workshop argued that they have benefited from working together in common

place through improved interaction and trust among weavers, and more conducive environment to share knowledge and skill. According to their explanation, these factors have contributed to improve their product quality, design, input combination, and capacity to produce standardised product with large volume. The respondents stated that, in the past, there were customs of keeping own design (pattern) making talent as secrete to prohibit competitions of others. Thus, it was difficult to get product with same standard. This shows the existence of impediments on competitiveness and capacity to produce large volume of standard product. Even though the problem is still appearing, degree of disparity is getting lower due to the above reasons.

The other factor was improved vertical linkage between weavers and large firm and designers. Weavers from cooperatives which have relatively strong vertical linkage argued as they have benefited from the linkage. As they explained, the linkage has enabled them to make standardised design with high demands; improve quality control and management technique, improve input combination and colouring (dyeing); and know how to produce colouring supplies from local materials. Some exporters and fashion designers as well as retailers in domestic market have been playing a role of sharing knowledge and skill, and giving advice to weavers that enable them improve their performance with the changing environment by improving their product quality, design and input combination.

As mentioned above, those weavers not belong to cooperatives with common workshop have not been getting such advantage. Their horizontal and vertical linkages were very weak. Moreover, their tendency towards improving product design, pre and post production quality, and input combination were relatively very lower. But, the competitions created and changes brought by other groups have some spill over effects on them. With regard to technology development no one has reported change or improved his or her traditional loom. Generally, these show that weavers in cooperative common workshop benefiting more from positive change in product development and technology, while the other coop category lagged behind.

## 4.5 Summary of the chapter

Initial aim of the chapter was to answer the second and third research question which ask about success and challenge in the usage of BDS. Then, it was to add lesson learnt in the process. Accordingly, the following paragraphs state summary of answers obtained from the analyses.

The analyses shows that even though there are some disparities between individual, the general figures revealed as most of the operators in the handloom sectors have similarity in their back ground and have a tendency of expanding their business. Given that, there is disparity in accessing BDS among different categories of weavers based on where they belong to. In terms of classification of enterprises by taking employment size, cooperative which have common working place can be categorised as small enterprises since they have more than ten employees (28 on average), while members of cooperative who work at individual workshop and operators from non coop members can stand by themselves as individual micro enterprise since number of employees

of each operators was not more than five. The analysis shows that those weavers organised into cooperatives have more access than non organised weavers. However, there are variations among different categories of cooperative member: members in cooperatives which have common workshop have more access for various BDS from formal and informal sources; while those belongs to coop members that not have common workshop access limited type of services from government sector as the sole formal source and relatively less from business partners.

The analyses shows users of BDS have some advantage over the non users even though the level of impact of each service varies between different categories. Particularly, cooperatives which have common working place have benefited from different services by contributing for change in product development and process, relatively improved consumers demand, and improved vertical and horizontal linkage that may contribute for their competitiveness and productivity. These in turn have impact on employment and operators' income or future expansion. The opportunity orientation nature of most respondent has shown the same. The BDS impact on the other users group -individually working cooperative member- is very insignificant. These differences in impact may show those services which are provided for operators in common workshop have significant importance for bringing considerable positive change in competitiveness and productivity. Moreover, more networked and organised conditions have impact in promoting effectiveness and positive contribution of BDS.

However, the provided BDS has not enabled them to solve their capacity problem in order to take advantage of collective efficiency; to increase their market share beyond the local; to overcome totally unfair relationship with middle men; and to improve business administration. In addition to that, in practice the approach used to provide the service was not in accordance with the existing guideline which requires being more demand driven and participatory. As a result there are some failures in addressing constraining factors in operators business and building trust between facilitators and operators that in turn influences usage of a given service. Compared to the two groups, there is no improvement or change in business performance in terms of productivity and competitiveness among BDS non users. The following chapter will provide general conclusions from the study.

# **Chapter 5**

## **Conclusions of the Study**

### **5.1 Introduction**

This paper was started having objective from which the main research question was drawn that is exploring to what extent business development services impact development of handlooms sector by taking Gullele sub city of Addis Ababa as case study area. In order to answer the main research question, the paper was also started with specific question that seek to find out BDS approach used by providers, what are the combination and who have access of the service; what are those success or improvement achieved after using the service; what are the challenges in usage of the service; and to draw some lesson learnt from the process. In the following section we conclude the study by answering each of the questions and drawing general conclusion from the study.

### **5.2 Conclusions**

In order to achieve the final objective we were started with reviewing literatures about definitions, concepts, theories, and approach related with our work. Accordingly, literatures have revealed that in order to achieve the central aim of LED- employment creation and expanding economic base-involvements of different actor are important. Local actors have principal role in their local development (Blakely 1994, A.H.J. Helmsing 2003). Helmsing has briefly explained the new LED promotion approach as multi actor, multi sector and multi level. He mentioned enterprise development as one intervention instrument for LED along with other two instruments-locality economic development and community economic development. The paper's focus has been on the former intervention instrument. From the work of Guimaraes (1998) we have seen two ways of enterprise development promotion: by attracting out side investors and/or from within by developing endogenous enterprises on which the paper has focused. Even though there are different levels of enterprises, from large to the micro level, in this paper we have limited the study on micro and small enterprises.

Farbman & Lessik (1989) shown us role of MSE as source of employment and income as well as an “engine of economic growth”. Moreover, we have seen their assumption behind the need of classifying enterprises in to different categories –survival, micro and small- based on different contribution and intervention policy needed. According to their classification survivalist business characterised as economic activity in which the poorest of the poor engaged to fulfil their basic needs or to escape from unforeseen socio-economic shocks. Work of Berner et al. (2008) and Gomez (2008) have described in the same line. Berner and his collaborates (2008) have shown us the reason why

acknowledging the logic of survivalist is important and how it save people from deeper poverty, finally their argument on the need of appropriate policy intervention. Given important roles of survivalist business for many poor but not in economic growth, literatures have described micro enterprise as the most important means of employment creation for larger segments of local people due to its most characteristics that easy entering into such type of business associated with much dependency on local resource, less skill demanding, and more traditional technology; while small enterprise contribute relatively small employment due to its distinct natures but more relevant for further economic expansion (Berner et al. 2008, Farman and Lessik 1989, Gomez 2008). Except the bottom line of micro enterprises which have the characteristics of survivalist, MSE can be classified as growth oriented enterprises(Gomez 2008).

Beside these classification and argument about roles of enterprises, these authors argue that the need of appropriate policy intervention. From macro to the micro level (Berner et al. 2008). The micro level intervention includes promoting market of financial and non financial services (BDS). BDS includes different type of services (Dawson et al. 2002). From Guiding principle of Committee of Donor Agencies for small enterprises development (2001) we have also seen further classification of BDS into: strategic and operational services and their criticise on the old approach to BDS (more supply driven one), assumption about the new approach as BDS to be treated in market economy framework- as private goods so that the service should be provided in a demand driven approach in order to promote positive impact on business performance, high outreach and sustainability of the service.

Having concepts and theories given by the above mentioned and other authors, we have tried to use them in the case analysis of the paper. Adding to what mentioned by Farbman & Lessik (1989) we have seen from different statistical survey study on Ethiopian MSE and Cottage/handcraft industries similar contribution of MSE sector and their major problems. Moreover, in line with what was stated by Berner et al (2008) in the paper different policy actions taken by Ethiopian government to create an enabling environment and address problem of MSE sector were explained- from establishing national MSE development strategy and integrating in different sector development strategies to the micro level policy that promote availability of financial and BDS for MSE sectors. Such actions and the involvement of NGOs and private sectors as well as direct activity of operators have indicated Helmsing's (2003) explanation for the new LED promotion approach: multi actor, multi sector, and multi level approach.

The analysis of the study has revealed that handloom sector has significant role in employment creation and income generation for the people and potential means of expanding local economic bases. The existing attempts toward increasing share in international market through local trader involved in export market have depicted the same. Based on enterprise classification criteria of Berner et al (2008), in the case area, there are both survivalist and growth oriented enterprises. But as the study has revealed majority of the operators can be classified into the later category.

In addition, these handloom enterprises have different organisational structures. regardless of being weavers cooperative member or not, majority of weavers act as micro enterprises with employees number mostly range from one to five and administer their own business individually; while small number of weavers work jointly in cooperative common place as small enterprises with average 28 employees (members) under common administration. However, the surprising thing observed from the later type of enterprise was that the joint action of member was only limited to when there is bulk order accepted from contractors due to lack of capacity by the existing cooperatives to run their business through using collective effort and resources of their members for common asset and productivity. Therefore, in the absence of order, each member runs his/her own business for individual benefit. This shows the presence of flexibility and some challenges to take advantage of collective efficiency. In the following section we directly conclude on the specific research questions and pass to final conclusion.

#### ***BDS approaches, type, and accessibility***

With regard to BDS for different type of handlooms enterprises, in principle, it was based on guideline and toolkit which prepared by Ethiopian BDS Network in collaboration with GTZ to enhance BDS market promotion in accordance with the underlined guideline principles of Committee of Donors' Agency for Small Enterprise Development. It requires undertaking situational analysis, principal role of users in problem identification and alternative solutions setting with the help of facilitators; and facilitators' role in connecting to BDS providers for problems unsolved by users in order to make the service more demand driven way. But, in practice, the analysis has shown us these procedures have been followed rarely and the service provisions were mostly based on government agencies' or NGOs' plans. Some of most commonly provided services by governments and NGOs' sectors included: short term training, credit facilitation, product design and technology, marketing, counselling and information, production and working premises and networking services. Large private firms and small traders have also significant role in providing BDS like embedded services through their business relation with weavers' enterprises. Even though the intention by the government is to develop market for BDS, the service provided by government agency is too much subsidised and mostly funded by NGOs. As a result, the outreach of the services was very limited and mostly focused on enterprises organised in the form of cooperative small enterprises so that the large segments of enterprises –micro enterprises are either totally ignored or only have access for limited type of services.

### ***Success or improvement obtained from BDS***

Given the presence of difference in accessing the service and limited outreach, those who have got BDS service have been gaining some positive changes in their business performance. Particularly, the analysis has shown positive change in product development and technology; production process; improved network and trust between trader/contractors and weavers; decrease cost by reducing cost of workshop rent through creating an opportunity to work in common workshops; and positive attitudinal change for working together toward collective efficiency and productivity. These improvements have led to increased demand for weavers' product and relatively improvement in income and profitability. Moreover, in line with the argument of Nadvi and Barrientos (2004: 1) about positive advantage of firm in clustered form, organising weavers with weaving skill and knowledge into cooperatives small enterprise has created capacity for individual to be employed and have ownership of asset as compared to micro enterprises of individual weavers which mostly create employment for owners and their family. Not only this, but also the presence of collective action by weavers in small enterprises that have capacity to subcontracting works and improved trust with contractors have been encouraging large contractor to accept bulk orders. This in turn may have positive contribution in expanding economic base of the locality and the associated multipliers effect on the community.

### ***Challenges faced by enterprises in usage of the service***

There are different challenges faced by the user of BDS regard to some services. Some of the provided services were incapable to solve or address users' problems. Lack of raw material, adequate capitals for business expansion as well as working capital through credit facilities, inconsistent demand for their product by contractors are some of continued problems which have been forcing weavers suffer from high input cost and to generate low value for their product by selling at lower price through unfair relationship with middle men and at saturated local open market. In addition, the provided short term training had not been fruit full in addressing entrepreneurship and business administration problems of weavers due to lack of preparation, technical knowledge required in existing situation of weavers, and providing less relevant services by the trainers or facilitators. All these problems may related with not giving priority for weavers demand for a given service and less attempts to address their critical problems that are forced weavers to perform under capacity and to be exposed to unfair business relations and costs that in turn led to less profitability and competitiveness.

Overall, this paper has presented the impact of BDS on handloom sector development. The analysis has shown that BDS has positive contribution in the sectors performance improvement and local economic dynamism. This is clear from change obtained in product and process development, market development, and establishment of horizontal and vertical networks that can improve further productivity and competitiveness of the sector. Moreover, we have seen in the paper that the general positive contribution of BDS and its capacity in addressing operators' problem can be influenced by the combination, quality and adequacy of different services and way of provision. The paper presents this through showing how lack of services which can solve

input supply and financial capacity problems; and less participatory approach used in some service provision affected positive performance obtained from other services. Generally, from the analysis we can conclude that BDS have contributed to positive performance and development of handlooms sector. Thus, addressing problems in the provision process and expanding the combination and outreach of the service can lead to positive change in productivity and competitiveness of the sector and its role in economic dynamism.

Finally, we recommend two important points that need to be given attention of different actors involved in the sectors development process in order to promote the potential advantage obtained from BDS. First we recommend that the need of addressing critical problems of the sector that identified through principal participation of operators themselves. Our second recommendation is that, in addition to the current focus on small enterprise development in the sector, it is important to determine appropriate means that can improve access of large segments of micro enterprises for the service so as to enhance their development and contribution in local economic dynamism.

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# APPENDICES

## Annex 1

### Questionnaire for Primary Data Collection

This questionnaire material is administered to collect data from both BDS users and non users for comparison purpose about impact of BDS services on handlooms sector development. The respondents' information will only be used for undertaking my MA Thesis on Local and Regional Development.

#### Part One: General information

1. Age ..... 2. Sex (F/M): .....
  
3. Marital status:
  - a. Married.....
  - b. Single.....
  - c. Widowed (er).....
  - d. Divorced .....
  
4. Educational level of operator:

Rank	Education level	response
1	Illiterate	
2	Read and write	
3	1-4 grade	
4	5-8 grade	
5	910 grade	
6	TVET graduate	
7	College diploma	
8	Above college diploma	

5. For how long you engaged in the handloom sector business?

1	One year
2	Less than five years
3	Less than ten years
4	Above ten years

6. What are the factors that initiated you to involve in this business?

Inheritance	Lack of alternatives	Opportunity from the sector
1	2	3

7. How many people in your family depend on your business income

.....

**Part Two: Business Development Service related**

**Q. 8-10 are for both BDS users and non users**

8. Which of the following business development service have you heard or know about?

	Type of services		Type of services	
1	Short term training	5	Counselling and information	
2	Credit facilitation	6	Production and working premises	
3	Product design and technology dev't	7	Raw material provision	
4	Marketing and networking	8	Others (specify)	

9. Are you aware of where you could buy the service that you have mentioned for the above question? 1 => Yes 2 => No

	Type of services	1/2		Type of services	1/2
1	Short term training		5	Counselling and information	
2	Credit facilitation		6	Production and working premises	
3	Product design and technology dev't		7	Raw material provision	
4	Marketing and networking		8	Others (specify)	

10. Have you been using any of the service in the past three years?

1 => Yes 2 => No

	Type of services	1/2		Type of services	1/2
1	Short term training		5	Counselling and information	
2	Credit		6	Production and working	

	facilitation			premises	
3	Product design and technology dev't		7	Raw material provision	
4	Marketing and networking		8	Others (specify)	

**Q. 11- 13 are For BDS users only:**

11. If your response for Q10 is yes, who was/are your source of BDS provider in the past three years?

Government	
Donors/NGO	
Business partners (exporters, traders etc.)	
Friends or family	
Private commercial provider	
Others(specify)	

12. Compared to your expectation, how satisfied are you with the service used in the past three years?

Type of services	Extremely dissatisfied = 1	Some what dissatisfied = 2	Some what satisfied = 3	Extremely satisfied = 4
Short term training				
Credit facilitation				
Product design and technology dev't				
Marketing and networking				
Counselling and information				
Production and working premises				
Raw material provision				
Others (specify)				

13. Have you been getting the BDS for free or with payment? If you have paid, please specify how you paid. ....

.....  
.....

**Question 14& 15 are for BDS non users:**

14. If your response for Q 10 is no, please mention your reasons.

.....

.....

15. If you are not users of any of the service, have you been using other alternative source? ..... If yes please specify.

.....

.....

### **Employment Related (for both groups)**

16. How many people are involved in this business, including family members and employees who really work at this establishment? \_\_\_\_\_

1 only	2-5	6-10	11-15	16-20	21 or more
1	2	3	4	5	6

17. How many of your employees are:

Worker	Male	Female
Permanent paid		
Temporary paid		
Unpaid Family member		

18. What is/are the source of skill and knowledge for your employee?

- a. On job training
- b. Self-experience
- c. Training from BDS providers
- d. Other (specify if any).....

19. The number of employees in your business;

- a. Constantly increasing
- b. Constantly Declining
- c. Remain the same
- d. Increase/decreased seasonally

If there was change in the past three years, please specify the change in number and type of employees skill

.....

.....

20. What is the range of time per day you have been allocating for this business? .....

#### **Income Related (for both groups)**

21. What is/are your sources of Investment capital for the enterprises?

	Source	Mark
1	Own capital	
2	Formal financial institutions(CB/Coop Bank/MF/other)	
3	Iquia	
4	NGOs/Donor	
5	Relatives	
6	Other	

22. Have you been generating your monthly income?

- a. Solely from handloom business?
- b. Significantly from handloom business but not the only source?
- c. Significantly from other business but handloom business as complement?

Please, explain your other means of income, if any.

.....

.....

23. Income generated from the enterprise,

- a. Significantly increasing
- b. Slightly increasing
- c. Remain the same (no change)
- d. Decreasing
- e. I haven't realized the change in my income

24. Please, justify your answer for question number three in the above;

.....

.....

.....

25. Do you believe that the revenues generate from this business allow you to finance all costs of the business?

- a. Yes, most of the time
- b. Sometimes
- c. Rarely
- d. No

26. In periods when your revenues are higher, do you invest more in this business?

- a. Yes, most of the times
- b. Some times
- c. Rarely
- d. No

27. If you win lottery money, what would you do?

- a. Expand the business
- b. Repay debts
- c. Change the business location

- d. Start another business
- e. Use on expenses unrelated to the business

**Market characteristics and related information**

**(For both groups)**

28. Does your business enterprise located in good market site?

- a. Yes
- b. No

If not, what have been your actions to solve the problem?

- a. Opening at different place
- b. Advertising/promoting/ business card
- c. Common market premises
- d. I haven't been taking any action
- e. Other (specify if any).....

29. Do you feel that the demand for your product have changed in the past three year?

- a. Yes, significantly increasing
- b. Yes, slightly increasing
- c. Yes, but seasonal
- d. No, significantly declining
- e. No, slightly declining

Please, explain your answer.

.....  
.....

30. Is there any change in the number of buyers of your product?

- a. Yes, in local market
- b. Yes, in external market
- c. Yes, in both market
- d. No, change in number of buyers

31. For which market have you been producing your product(s)?

- a. For local market
- b. External market inside the country
- c. External market outside the country

32. Is there any significant change in your product outreach in the past three years?

Explain.....  
.....

33. Do you have market linkage with external firms who engage in the same or related business?      a. Yes      b. No.

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

- a. Sub-contracting
- b. Out-sourcing
- c. Other (specify if any) .....

34. Do you feel that you benefited from the market linkage you have with outside firms?

a. Yes      b. No.

Please, explain your answer

.....  
.....

**Innovation, product development and technology related questions  
(for both group)**

35. Have you been attempting to improve your product and technology in the past?

1 => yes 2 => No

36. If yes, what were your tactics?

.....  
.....

37. Is there one or more of the following change in your business since the last three years?

- a. Product quality
- b. Input combination
- c. Product combination
- d. Input purchase
- e. Product design

If your answer for this question is No, please explain the challenge you faced in this regard.

.....  
.....  
.....

**For BDS users only: If yes;**

Please, rank the contribution of BDS to:

Role of BDS	Not significant (1)	Less significant (2)	Significant (3)	Some what significant (4)	Extremely significant (5)
product quality improvement					
Add new product					
Change input combination					
Change design					
For bulk input purchase					
To share information, knowledge and tools					
Get/use new or improved equipments and Technology					

38. Do you have business plan? ..... If yes, to what extent it helps you to undertake your activities effectively?

.....  
.....  
.....

39. Do you keep written business records (e.g. revenue, costs)?

- a. Yes, regularly
- b. Yes, partially (e.g. Sales or expense)
- c. Yes, but not regularly
- d. Not at all

### **Networking related questions**

40. Do you have business relationship with other handloom product producing enterprises, vertically and horizontally related enterprises? .....
41. If yes, to what extent the networks improve to build trust within and between other firms?  
.....
42. Have you been sharing knowledge, skills and production tools with horizontally related firms? .....
43. Do you feel that you have benefited or lost from your vertical networking?  
.... If so, how?  
.....

### **General information about the process of BDS provision**

#### **(For BDS users only)**

44. Do you think that BDS provision is after participatory analysis of your individual or group demand/problem?..... Please, elaborate your answer.  
.....
45. Have the service been effective in addressing your identified problems?  
If not, please give your comment  
.....  
.....

#### **Suggestion:**

Please, add your suggestion that you thought as relevant for the sectors and BDS provision improvement.

.....  
.....  
.....  
.....

## **Annex 2**

### **Questioners for BDS Providers**

#### **General**

1. Name of the organisation .....  
.....
2. Date of registration .....
3. Type of organization (private/ public, etc) .....
4. What is you organisation Objective?  
.....  
.....  
.....

5. What types of activities your organisation has been undertaking regard to MSE?  
.....  
.....  
.....

6. Do you have network with other partners? If yes, with whom and how?  
.....  
.....  
.....

#### **BDS offered by the organisation**

1. How does the organisation know its customers demand?  
.....  
.....  
.....
2. Is here any criteria that required from customers to acquire service from your organisation?  
.....  
.....  
.....
3. Which Business Development Services are delivered by your organisation?  
.....  
.....  
.....

4. How are these services delivered? .....

.....

.....

5. What is the amount of money you charge for your service?

.....

6. How do you explain the challenge and successes you faced so far?

.....

.....

.....

.....

.....