Examining Determinant Factors Affecting the Performance of Small and Micro Enterprises: Evidence from Amhara Region, Ethiopia

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Abstract: The purpose of this study is to examine the determinant factors that affects the performance of small and micro enterprises empirical evidence from Amhara Region, Ethiopia. The study used primary and secondary data from manufacturing, construction, urban agriculture, trade, and service entrepreneurs found in Bahirdar, Dessie & Gonder Cities using a purposive sampling technique. It also used the descriptive research design with a self-administered survey questionnaire. The Statistical analysis tools, SPSS, and stata, software were applied to analyze the data. Multiple regression model results revealed that access to credit, initial capital, working premises, industry category, market linkage, ICT adoption have a positive relationship and a major impact on the Amhara region's enterprise performance. Hence, the outcome variable, enterprise performance, is highly affected by all predicted variables. As the study finding shows, a lack of access to credit, market linkage, working premises), initial capital, and information communication Technology problems are critical challenges of SMEs. The Regional Government, TVED Bureau, Micro Finance Institutions, should take corrective action to provide sufficient credit and long-term loans to protect inflation. Moreover, this study proposed a sustainable cluster management approach that solves their challenges in an integrated way.

 Keywords: Enterprise Performance Indicator; Market Linkage; Credit Access; Working Premises; SME

1.1 Introduction

Small and micro-enterprises have a great role to alleviate poverty income generation and source of investment in our world It is also a very vital role for equal economic growth for poor and unemployed people. Ethiopia SME's previous researched paper indicates that small and micro enterprises (SMEs) ' performance is a critical component of sustainable development in developing economies [1,2]. Small and micro enterprises (SMEs) play an essential role in the economy, especially in employment, development, productivity, and poverty alleviation [3]. However, most Ethiopia studies, including the Amhara region, do not provide clear findings or address SMEs' development determinants. Micro and small-scale enterprises play a vital role in the Ethiopian economy. But there is evidence that the sector is less efficient as compared to large enterprises in the country[4]. According to research in Ethiopia [5], the low market climate also affects positively enterprises' performance. Access to credit continues to be the biggest challenge for SMEs, as these enterprises are too large for non-bank financial institutions. According to [25, 26] research gap demonstrates Ethiopia's missing middle phenomenon. It is a common characteristic of many micro-enterprises and some large businesses in many developed countries, but far fewer small and micro-enterprises. SMEs account for more than 50 percent of GDP and more than 60 percent of jobs in high-income countries, but they account for less than half of that in low-income countries: 30 percent of employment and 17 percent of GDP. From the research, we can see the previous study's gaps depend only on profitability and do not explain Enterprise performance. It implies country growth in general.

The Amhara region SME sector has not well researched about determinant factors affecting small and Microenterprises performance, including the level of transition, enterprise formation, and employment creation. According to [8], different challenges have created an obstacle for SMEs in creating job opportunities and expanding their business. The independent variables that determine the performance of enterprise performance selected and analyzed in this research paper. The independent variables are marketing factor, access working premises (location),   initial capital, industry category, ICT adoption, and access credit factor. From the previous studies, the researcher designs hypothesis testing mechanisms to examine the relationship between dependent and outcome variables researched before the initial capital. Access working premises, marketing factor, Ict, and access credit have the relationship between variables revealed that. Correlation coefficients a significant relationship between the factors and growths of MSEs performance,26].

The objective of this research to analyze a driving model of determinant factors that affects the performance of small and micro enterprises empirical evidence from Amhara Region, Ethiopia. It is very important and significant for the improvement of enterprise performance to avert the determinants of SME in the Amhara region. The study questions well designed and constructed that, determinant factors affecting small and micro-enterprise performance, the effects of variables on enterprise performance, the relationship between independent & outcome variables the extent the proposed model fit with the determinant factors on enterprises performance.

The research paper designed 6 variables Initial capital, Access credit, access working premises, industry category, marketing linkage, and information communication technology with 17 questions with a structured questionnaire and the dependent variable enterprise performance have 3 measured indicators were applied in the analysis section. The Research paper addressed the hypothesis development MSE performance associated positively with marketing linkage, access credit, access working premises, initial capital, and information and communication technology listed in the literature part. The major solutions for enterprise performance improvement Amhara regional state take into account solve the credit access problem to design machine lease strategy for SME, design cluster development approach that enables the common challenges SME with an integrated way.

2. Literature review

2.1 Theoretical perspectives

There are currently two dominant theories on SMEs' performance determinants: the model of industrial organization and a view centered on capital. Instead of resources and skills internal to the business, the industrial organization model sees companies' performance from an external viewpoint: environmental/external variables, as a dominant position in its development and strategic behavior [11].

According to this model, a business enterprise must first consider the external environment (the market in which it operates) and look for the most appealing to the company and build a strategy that matches the industry's characteristics. On the other hand, the resource-based viewpoint considers that the specific resources and skills owned and managed by each organization are the sources of capacity to produce an above-average return or higher growth than competitors are. It must then effectively execute the strategy to improve its competitiveness level such that it makes the above average return. The resource-centered view based on the argument that all businesses face the same external climate. However, organizations with good internal potential (tangible and intangible resources) take advantage of environmental possibilities and overcome external risks and challenges. It means that, while companies with unique resources and capabilities gain superior income, companies with marginal resources can only hope to break even [11]

2.2 Empirical perspective

SMEs play an important role in many economies, especially in developing countries. SMEs report on many businesses around the world and make a significant contribution to job creation and economic development around the world by [12]. Small and micro enterprises (SMEs), are considered to significantly impact the social and economic growth and the backbone of each country's economy. Much of today's primary businesses made up of SMEs, as the core of a county's economy, and assist larger companies in the form of subcontractors, manufacturers of natural products, or consumers. Research conducted by [13] small and micro enterprises (SMEs) play an essential and vital role in today's global economy and are recognized as one of the main contributors to economic, national, and job growth. According to [14], small and micro-sized enterprises (SMEs) are 99 percent of all European companies, and 66 percent of the jobs in Europe were generated between 1985 and 1995. According to [16], SMEs are also estimating their work imperfections in Africa. It stands at 50 percent, with a correspondingly high contribution to most African economies' general productivity natural home of entrepreneurship defined as small and micro enterprises (SMEs). The SME sector is believed to be the primary source of employment and income generation for a larger community group, according to Ethiopia's study [16].
The business contributes 3.4 percent of GDP, 33 percent of the industrial sector's contribution, and 52 percent of the manufacturing sector's 2008 Growth and transformation plan(GDP) contribution [14, 15].

However, most Ethiopia studies, including the Amhara region, do not provide clear findings or address SMEs' development determinants. According to research in Ethiopia [5], the low market climate also affects enterprises' performance, in particular, frequent power shortage, lack of access to credit, and water scarcity are inversely correlated with SME's performance. Access to credit continues to be the biggest challenge for SMEs, as these enterprises are too large for non-bank financial institutions. At the same time, commercial banks are too weak, illustrating the lack of intermediate financial intermediation. According to   [19] that descriptively analyzed the difficulties and efficiency of SMEs, neglecting inferential statistics. Secondly, [20] conducted a study that examined the role of financial institutions in the growth of only 57 sampled companies using percentage changes in assets as a growth proxy. Credit lines have been widely adopted by banks to grant credit to small and medium-sized enterprises (SMEs) [21]. Furthermore, this review only included access to credit, enterprise size, and firm age to investigate factors affecting growth, ignoring more variables discussed in the literature of performance constraint variables. In the same vein, empirical studies have carried out in different parts of the world, separately from the Ethiopian background, to identify the factors that affect SMEs' performance. However, the resistance of development, although the effect and magnitude of enterprise performance variables differ From country to country, area to area, and from region to region.

The South Nation National Peoples Region is the leading innovative commercial center for small and micro-enterprises [22]. The Administration of the Government of the South Nation of the National Peoples Region and Hadiya Zone set out areas for job development activities and projects, including external funding for donors, such as small and micro-enterprises. According to [23] Conducted in his research, microfinance institutions' role towards small and micro-enterprise (SME) performance is crucial for economic growth and development. It recognizes that the accessibility of capital is essential for speedy implementation.

Microfinance institutions (MFIs) regarded as financial instruments for reducing poverty, solving the unemployment problem, and stimulating growth and economic development in developing countries. MSEs usually faced with multiple challenges in these Regions. The primary one is access to micro financing, which considered a crucial component of any business. Microfinance has taken an essential part in the growth process in the context of the area of Amhara. Microfinance established to extend access to financial products to micro and small business owners with a low level of revenue. It also provided term loans as well as repayment loans. Credit access has shown to be a major challenge for entrepreneurial growth by helping SMEs, especially small and micro-enterprises that do not have access from traditional sources, notably banks, to tackle funding constraints and lack of access to credit. However, SMEs have an obstacle to access to credit and services from microfinance institutions, particularly in the Amhara region, incapable of collateral and long-term supply processes. Finally, in the Amhara region, microfinance would positively affect such outcomes that its effect exceeds the borrower's economic and social change. However, the country's development affected by socio-cultural and political problems, the lack of enterprise culture, and a positive attitude toward society for small and micro-enterprises. This research will play a determinant factor in evaluating the effect of small and micro-enterprise performance in the Amhara region.

2.2.1 Small and micro-enterprise Definition in Ethiopia

The concept of micro and small enterprises in the past based solely on paid-up money. If its paid-up capital is less than or equivalent to Birr 20,000, an enterprise is classified as micro. Likewise, when its paid-up capital is less than or equal to Birr 500,000, an enterprise is considered small. However, this does not include details on the size of jobs or the number of SMEs' employees. It also did not indicate the SMEs' total asset size and did not distinguish between manufacturing (industry) and services. The new Definition considers human resources and assets as the key steps to overcome the shortcomings of the old Definition of micro and small enterprises [24].

Table 1 Definition of small and micro-enterprise in Ethiopia

Type of the Enterprise	Sector	Number of employees	Total Asset
Microenterprise	Industry	< 5	< 100,000(Birr)
Microenterprise	Service	<5	<50,000(Birr)
Small enterprise	Industry	6-30	< 1.5 million (Birr)
Small enterprise	Service	6-30	<500,000(Birr)

Source: FeMSEDA, 2011

According to [25], microfinance institutions' role showed that the growth rate for small and micro enterprises (SMEs) whose owners were trained and whose initial capital was high was better than those whose owners/operators were not trained. Entrepreneurs who started with low capital, worked in the manufacturing sector, and worked in cooperatives or not trained were better than those whose owners/operators not trained. Consequently, government officials, non-governmental organizations, and other national economic development actors must work hand in hand in small and micro enterprise (SMEs) training, finance accessibility, training, and business sectors. The small business sector is an important part of economic growth and a key factor in lifting nations out of poverty [26]. In developing countries, small and micro enterprises are a driving force for economic development, job creation, and poverty reduction. Besides, small companies have been identified as a feeder operation for large-scale industries [27]. Because of this, Ethiopia's Micro and Small Enterprise Growth Program has received sufficient government attention since 2004/2005. Until 2004/2005, the Federal SMEs Development Agency, structured only at the state level, introduced the national strategy. Thus, it was tough to make the approach realistic, especially in providing MSE operator, business development services. Thus, taking into account the critical position of the sector and the challenges facing MSE operators since 2004/2005, Ethiopia's Government has agreed to set up a regional level coordinating body for SMEs.

2.2.2 Small and micro-enterprise Empirical Evidence in Amhara region

Amhara regional state is one of Ethiopia's biggest regions, located in the northwest, with 22 million. In small and micro enterprises (SMEs), several common determinants affecting enterprise performance were too limited. According to [8], different challenges have created an obstacle for SMEs in creating job opportunities and expanding their business in Debrebrehan Town. These include lack of finance (79.5 percent), marketing issues (75.5 percent), lack of sufficient room for work and sales (75.2 percent), infrastructural challenges (72.9 percent), input challenges (70.7 percent), structural and management challenges (75.2 percent) (68.6 percent), City management challenges (65.4 percent) and technical challenges (61.7 percent).

To SMEs enhancement strategies, it is essential to recognize each organization's problems at various locations. It is because, while MSE has some common challenges, is both company and location-specific. According to [10], micro and small enterprises in furniture production face several factors affecting their success. Some companies struggle to sustain; some remain without transformation for an extended period, and most manufacture identical objective is to enhance SMEs' performance and contribution. A questionnaire, a group discussion with experts, and an interview process used to collect data. Eight randomly selected significant cities in the Amhara area with 120 furniture-manufacturing companies deemed chosen randomly; SPSS tools (correlation, proximity,

and T-test) and impact-effort analysis matrix tools used for data analysis and presentation. Correlation analysis revealed that the variables result in a strong correlation with Pearson correlation values of r= 0.988, 0.983, and r= 0.988 Politico-legal with infrastructure, leadership with entrepreneurial expertise, and marketing considerations for finance and credit.

Marketing and related factors could be related to Politico-legal factors, infrastructure factors, finance and credit factors, working factors areas and associated factors, raw materials and related issues, technology, and related aspects with proximity ranges of 0.914 0.154, 0.278, 0.842, 0.407, and 0.211. Marketing and associated factors almost related to other factors and have very beneficial effects on business performance. The proximity gap shows that the solution of all raw materials, technology, working areas, finance and credit, infrastructure, and politico-legal factors would be a significant factor for market share and related issues. Few initial capitals, company position, sectoral commitment, land access, business experience, owner gender, owner motivation, education, market connection, business to business, consequently.

The above context indicates at least three reasons why additional research in SMEs is required in Ethiopia in general and the Amhara region in particular. First, various factors have persistently challenged SMEs' performance; many companies have collapsed and exited in different parts of the country. Small and micro enterprises (SMEs) in the Amhara region are no exception to this, certainly.

The second, common factors associated with small micro enterprises (SMEs) have established in past empirical studies in different countries. Factors' impact and magnitude vary from one area to another, presenting exact results that cannot be generalized and require more research. Thirdly, current studies on SMEs' determinant factors focus primarily on developed regions in the Amhara region. In addition to mixed findings that leave study gaps, less evidence reported in different study areas. This research's objective was to analyze, against this backdrop, the performance of small and micro enterprises and their driving factors.

This paper's uniqueness is that, unlike the current studies. It integrated demographics, firm details, and external factors to fill the void in the limited SMEs' growth literature as an Amhara region. Most notably, the paper attempted to address determinant factors that affect small and micro-enterprise performance in the Amhara region.

2.3 Measuring Variables

Enterprise performance can be measured by employment growth, market Growth, and Capital Growth [28]. Additionally, the business transition from one step to the next step shows enterprises' performance through job creation and their current capital[29]. The key challenges of internal variables influencing small and micro-enterprise sustainability are independent variables, such as gender, education, initial capital, credit access, industry category, information communication technology, and workplace (location) marketing factors. The country of economic sustainability had to include the goal of export promotion and job creation, while several empirical studies on the effects of firm size on employment show that small- and medium-sized enterprises (SMEs) are an important driving force behind job creation [30], firm profitability is also an important precondition for firm survival and success [31].

2.3.1 Education factor

Training presumably connected to knowledge and skills, inspiration, self-confidence, capacity to solve problems, determination, and discipline. It is anticipated that higher education will increase the ability to cope with challenges and exploit opportunities [32]. The position of growth education is clarified by its effect on exposure to new knowledge and processing that could positively impact the manufacturing and disposal of products and services [33]. Furthermore, it is assumed that operators with higher education qualifications are likely to make better quality decisions to run a business to decrease the probability of failure [34]. Therefore, companies with higher formal education owned and operated by entrepreneurs experience greater development than their counterparts [35].

2.3.2 Working premises (Location)

Relative to those located in rural areas, it suspected that companies located in urban areas tend to expand faster because urban companies have access to a broad consumer market. High buying power compared to companies operating in rural areas [36]. Besides, companies located in urban areas have access to public infrastructure that includes water, electricity, highways, telecommunications, electronic media, and postal services, all of which, regardless of their size, are crucial for business start-ups, development, and growth [36]. In other words, it means that businesses that operate in a world with weak infrastructure that is incapable of accessing markets, communications, power, and water and barriers to entry and impede competition are slowly increasing relative to their counterparts with better infrastructure [38]. Compared to those set up in privately leased premises, companies operating in premises allocated by government agencies had a greater chance of survival [33, 39]. Furthermore, it may be due to customer concentration in small growing Sectors such as exchange and service [40]. Working premises is affected small and micro-enterprise positively [41].

2.3.3 Initial capital Factor

It noted that companies starting their businesses are more likely to expand higher initial capital than their peers who have started their business with a relatively lower initial investment. The research paper shows a positive relationship between initial capital and business performance on the determinants of SME growth in Ethiopia, the case of Bahirdar City. Inadequate access to finance for small and medium-sized enterprises (SMEs) can present a major impediment to SMEs' contribution towards driving sustainable economic [43,42]. Small family-owned companies are the most common type of business structure and are characterized by their

orientation to the long-term [44]. Sources of funds for microfinance institutions (MFIs) and their performance and financial sustainability become an important topic for the MFIs and poverty alleviation initiatives to achieve sustainable development goals of the world [45].

In Ethiopia, it is assumed that the manufacturing and construction sectors are rising faster than other sectors because the country's industrial growth problem is manufacturing [36]Moreover, in the Ethiopian context, production, especially metal and woodwork and construction, tends to be more competitive than other sectors. It may be linked to the sectors' skills and experience [46]. manufacturing or outsourcing decisions are vital to the industrial structure and organization of the prefabricated construction industry, and the company's production and operation decision-making[47]. From the above analysis, initial capital is one of the bottles nack for SME at the foundation stage and fading up towards the performance of entrepreneur.

2.3.4 Marketing factor

In the new global economy, export promotion and job creation have become two central issues for economic sustainability[30]. Companies can have forward ties with consumers or other resellers and backward links with their raw materials suppliers to get the materials required to manufacture products or serve vices [48]. That means that the equal supply of raw materials ensures profitable company growth, and the unavailability of raw materials can be a growth obstacle. Therefore, business linkage and companies' evolution have positive relationships [40].

Combining insights from several research streams including customer relationship management, customer experience, social media, and customer-centric organizations would be key to developing actionable frameworks [49].Marketing factors affecting small and micro-enterprise positively[10]. Marketing linkage is one of the basic and vital issues for entrepreneur sustainability and improvement of job creation, enterprise transition as well as SME performance.

2.3.5 Information and communication technology Factor

Information and Communication Technologies (ICT) can contribute to identifying opportunities to develop sustainable development of SMEs [50]. The implementation of technology for information and communication (ICT) captures the use of electronic products/services such as websites, online sales, and computerized production systems [51]. Accordingly, companies using ICT are believed to develop faster than their counterparts do because using ICT will enhance and deepen customer relationships, improve company image, improve Exchanging knowledge, and compete with other companies [30, 41].

Besides, having a social network is a valuable tool that can help entrepreneurs access data easily and integrated their market with their customers.

Social networks can play a larger role in assisting companies in resolving challenges associated with transaction costs, contract compliance, and regulation [19,31]. According to [29] the real impact of ICT (Information and Communications Technology) skills mismatch on SME's sustainable competitiveness in the presence of a guaranteed minimum wage. Information and communication technology affects small and micro enterprises positively [55] Information communication Technology has a decisive role in enterprise performance in the Amhara region.

2.3.6 Access to credit factor

Credit availability ensures the smooth functioning of businesses as it injects working capital. Therefore, the risk of company failure is low if access to financing is open [34]. Credit is a short-term business financing based on purchases between the retailer and the supplier[56]. SMEs who have access to finance are rising stronger than those with capital shortages [33]. In other words, companies with minimal growth opportunities for debt funding are lower than those that are enterprises. Due to limited resources, the implementation of Industry solutions is a big challenge in small- and micro enterprises (SMEs)[57]. Access credit is positively affected small enterprises [10]. Access credit for SMEs in the Amhara region is highly integrated with job creation and enterprise transition. Poverty alleviation, and transform structural change of regional economy from agriculture lead to industrialization.

2.3.7 Industry category

To maintain sustainable economic growth, most countries created a national innovation system (NIS) and strengthened the central status of firms[58]. With the globalization of the knowledge economy, national economic growth depends ever more on the efficiency of innovation systems in stimulating the creation, dissemination, and use of knowledge. Innovation has become the main motivation for the evolution of economic structures and for promoting economic development around the world[59].

2.3.8 Microfinance Efficiency

According to [40], the width measurements include the number of customers served by the MFI and its portfolio size, the bigger these steps are, the more the MFI generates outreach. But we are also interested in creating these statistics [54] In particular, the loan portfolio, the level of savings, the number of credit customers, and the number of savings customers and their growth rates are analyzed. Based on this empirical evidence, the researcher design the microfinance efficiency can evaluated by loan outreach, borrowers of clients, saving mobilization, repayment of the loan, and loan distribution for SMEs. This micro-finance efficiency to give useful service was very critical for enterprise performance. According to [49] The exponential speed of technological advancements and the ever-changing needs of customers have changed the way enterprises engage with their customers. However, despite the increasing scholarly interest in the enterprise-initiated perspective of customer engagement (CE) in recent years, it remains unclear what drives enterprises to initiate customer engagement towards enterprise performance.

Many discussions of regional economic development have been made to this day, the regional economic development sector is constantly looking for new models to address the many challenges of each region sustainably [61]. The focus of the Amhara regional state enhances economic structural change based on promoting manufacturing enterprises to improve the integration between rural and urban economy.
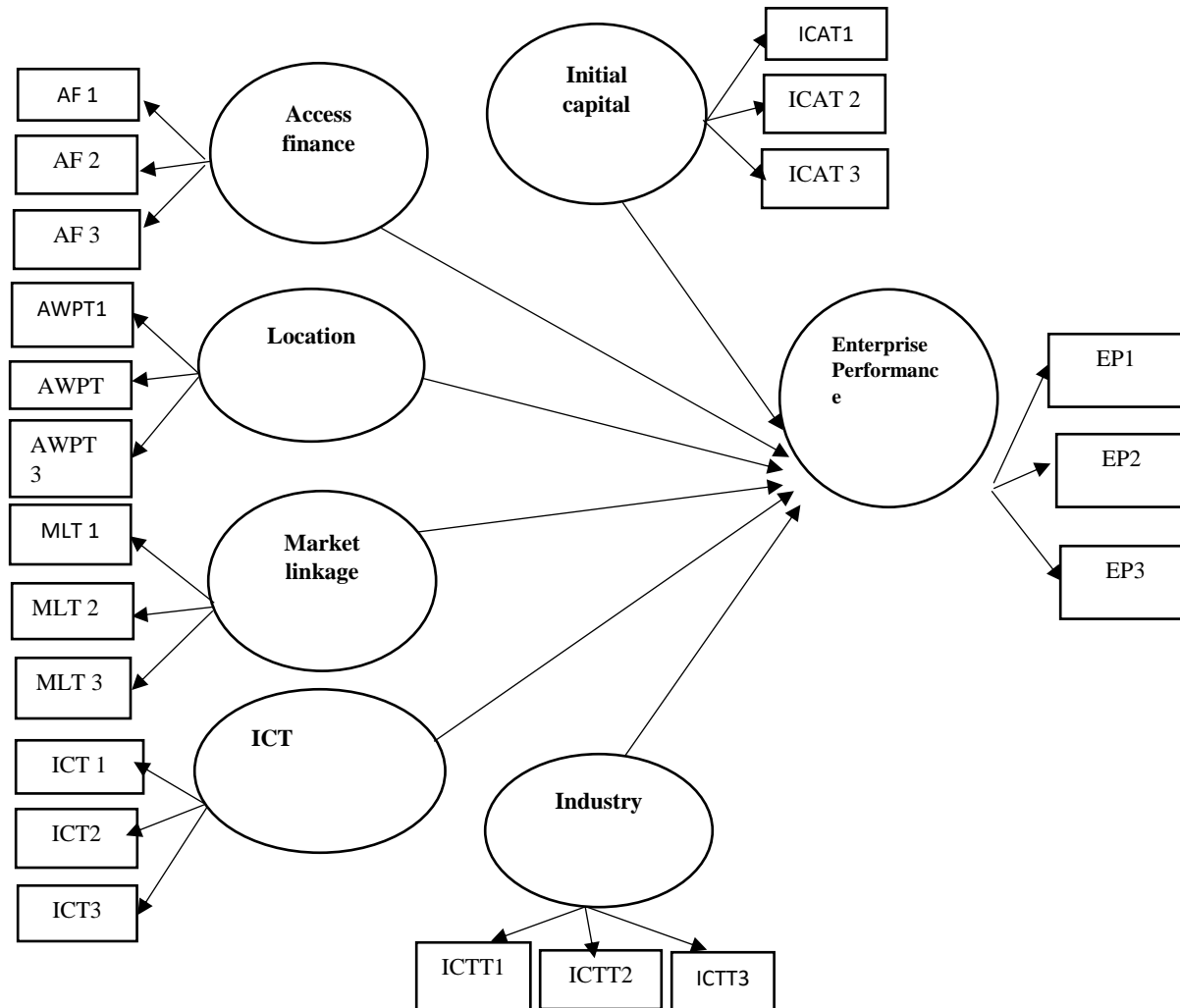

Fig1 Conceptual model

Note; The conceptual model of this research was designed from different kinds of literature. The dependent variable enterprise performance and the independent variables are initial capital, access working premises(location), access credit, market linkage, and ICT adoption.

3. Research methodology

3.1 Research design

Research design is the road map for achieving research objectives and addressing research issues [62]. Researchers may choose between different types of possible research designs, as an architect chooses among the possible construction designs depending on the building's purpose, construction method, construction time, and other relevant factors [63]. Therefore, this study's research design is descriptive and explanatory research methods. The research approach focused upon a quantitative and qualitative research methodology. The research analysis utilized both primary and secondary data. The preliminary data collected and used from the selected small and micro-entrepreneurs respondents, and the secondary data collected from different works of literature, and Amhara TVED 10-year data from 2011-2020. Annual reports are an important source of qualitative information about a company's strategic and GDP plan.

The method of collecting primary data was five-point Likert scale questionnaires. The questionnaire was Closed and open-ended from the available studies [64]. Besides, the instrument's reliability. Validity can evaluated in quantitative testing. Reliability is the

degree to which a construct's measurement is accurate, and validity tests how well a given measurement scale calculates the theoretical construct it is supposed to calculate. [65]. According to [66], the ever-increasing Study demand has generated a need for an effective method of determining the sample size required to choose to represent a given population. The number of enterprises in the Amhara region was more than 99,000. Based on this literature sample size depending on the estimated population 383 by using the purposive sampling method.

3.2 Measurement of variables and model specification

Although defining an empirical model, identified dependent and independent variables with their measurement are no preference. The dependent variable of the current analysis, the performance of SMEs, hence the empirical model's independent variables were initial capital, location, market linkage, industry category, ICT adoption, and access credit. Empirical studies provide various representations for small and micro-enterprise development.

The enterprise performance measured using total assets, revenue, and size of employment, benefit, and capital growth [5]. The interventions rely on the easiness of data availability and the researcher's reasonable judgment. The employment growth is used in the evolution of SMEs in Ethiopia, which looked at work development and employment size data [49, 50, 5]. Furthermore, providing systematic indicators is a safe way of assessing growth rather than relying on a single predictor [64]. Jobs and capital growth rates therefore considered as the best-suited steps for the growth of enterprises to comply with the country's strategic plan for industrial development and the concept criteria of SMEs.

In most growth-related research, both the multiple linear regression and binary logistic regression models applied. For example, in their studies [66] Ethiopia used the binary logistic regression model. Therefore, in growth-related experiments, both logistic and multiple regressions may be used.

The general multiple linear regression model that defined in the current study in line with [50,44,,5] as businesses' growth is regarded as a continuous variable,according to [68], revealed that more than two and three variables multiple linear regression models, the K-variables population function model involving the dependent variable Y and K – 1 explanatory variable $X_2, X_3, ... X_k$ as the following equation.

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + ------ + b_n X_n + e$$

Where

Y = enterprise performance, a = constant (y-intercept), regression coefficient attached to variable X_1, X_2, X_3 and $X_4 .... + b_n X_n + e$. Independent variables that contributed significantly to Variance of enterprise performance.

The dependent variable enterprise performance measures by 3 sub-variables such as Market growth, Job creation growth, and enterprise transition from one step to the next step base on their capital. The independent variables except demographic variables were measured by 17 sub-variables by using the Likert scale (1=strongly disagree 2=disagree 3=neutral 4=agree 5= strongly agree

4. Result
4.1 Demographic Variables Analysis

Analysis of demographic variables from the respondent's sex, age, and education shows 295(77%) of respondents are male, and 88(23%) respondents were female entrepreneurs. Female entrepreneurs are less than male entrepreneurs from the data .According to the entrepreneur age, the outcome also showed that most entrepreneurs are young and a productive labor force; the sector is fulfilling one of the government's goals by generating job opportunities for young people. Such a healthy population assumed an engine for the region's growth and the country. From the findings, 25 years and below 83(22%) from 26 to 35 years 139 (36%) from 36 to 45 years 101(26%) from 46 to 55 years 60 (16%).

This result indicates that most entrepreneurs are between 26 and 35, which implies a more productive age group and a significant workforce for enterprise performance. In addition, education background high school graduates 167(44%) TVET 181 (47%) Degree 29(8%) Master 6(2%). The result may infer from this study that most of the entrepreneurs are TVET graduates and help improve enterprise performance.

4.2 Enterprise transition performance

Figure 2 below the TVED bureau from 2011-2020 Data shows, Enterprise transition performance evaluation trend, the transition of enterprises from one-step to the next step based on enterprise capital growth. . Enterprise transition for industry from 100,000 to 1.5 million, and for service from 50,000 to 500,000 according to Ethiopian Government SME definition explain before in this research. The trend indicates that the actual performance of manufacturing 4580 (93%), Construction 1179 (100%), urban agriculture 805 (120%), trade 3093 (86%), service 2943 (82%), total 12600 (90%).

Based on this outcome, the achievement of enterprise performance was promising and Enterprises due to the growth stage, the sustainability of their business performance was good. However, when we look forward from the number of total

enterprise formation stages in the Amhara region shown in the previous analysis, the whole enterprise formed 267,981 actual performance 13,966 (5.2%) transitioned from one step to the next was deficient performance.

That means many enterprises are fading at the foundation stage due to lack of finance, lack of market factors, lack of working premises, and lack of financial management problems. This argument is supported by previous study Enterprises in foundation stages need close follow-up and support that helps to continuous growth [69]. Factors affecting the financing of manufacturing SMEs, profitability is a challenge for enterprise performance [70].
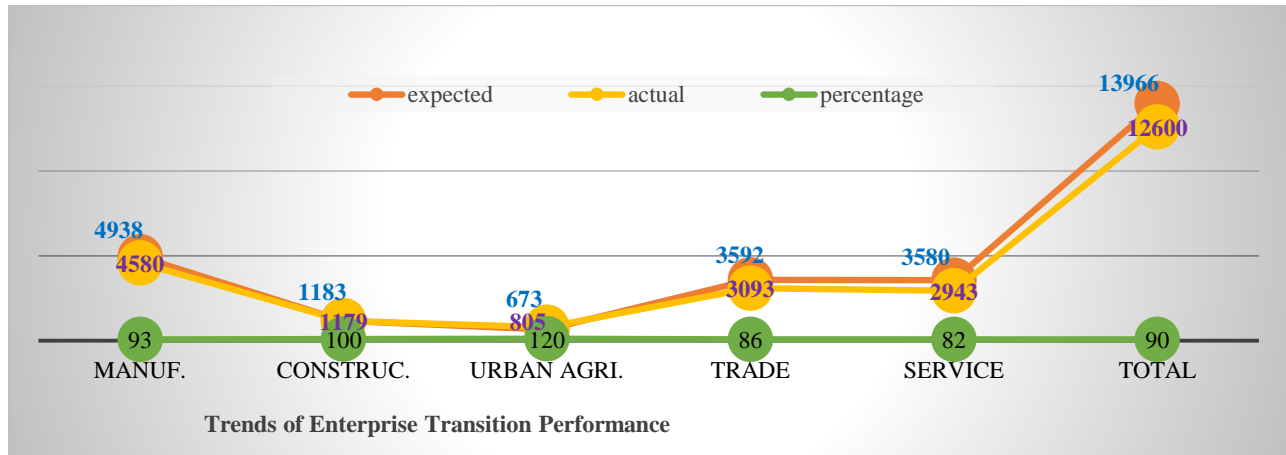

Figure2 Enterprise transition performance

In Figure 3 below, the result shows from 2011-2020 based on five industry category from expected to actual performance such as manufacturing enterprises performance from 154874 to (49%), Construction 91735 to (40%), Urban Agriculture 64334 to (63%), Trade 69622 to (70%), Service 102259 to (68%), Total 482824 to (55%) respectively.

It implies all industries contribute to the formation of enterprises, employment creation, and country economic growth. From the total job creation result, it is possible to conclude that urban agriculture and trade sectors achievement improved performance than manufacturing and construction. Because of the absence of accessibility constraints for finance and technology, construction and manufacturing companies reduced production rather than urban agriculture, trade, and service enterprises. From the respondents' response. Manufacturing and construction industry's need a high amount of initial capital to run their business correctly.
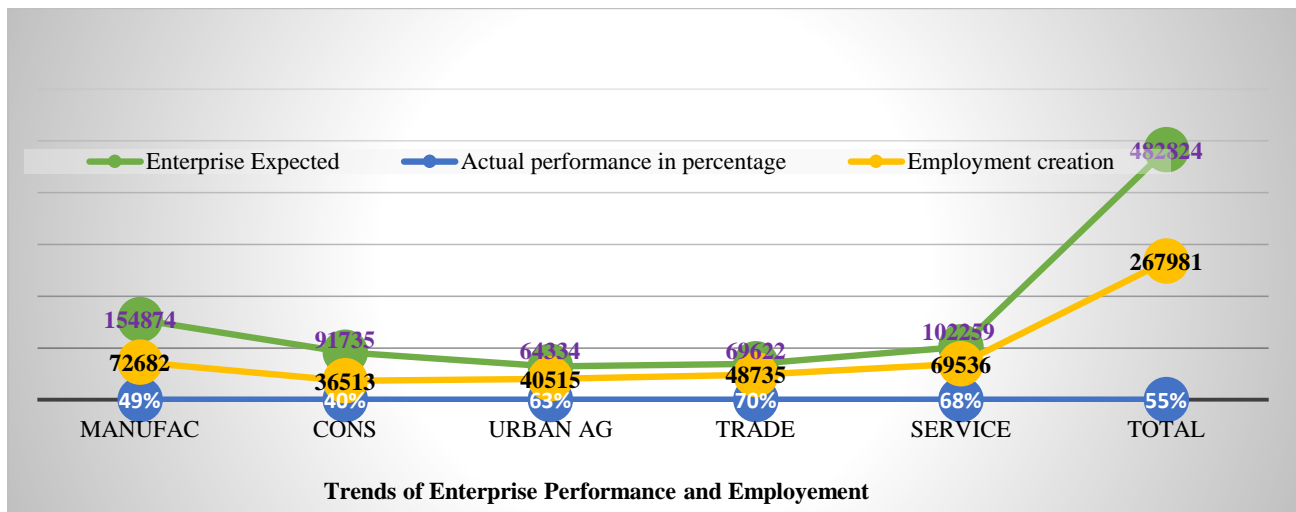

Figure 3: Employment creation

4.2 Level of Respondents Trust

Figure 5 below shows that the descriptive statistics can be summarized below the respondents' trust result. 26 items measured all independent variables by using the Likert scale towards enterprise performance.

Descriptive and multiple regression analysis applied to estimate and analyze data. The research paper supported by statistical treatment, SPSS, and Stata tool, the software used. The information for this analysis was obtained from 2020 small and micro-enterprises. The study's preliminary results analyzed in the form of tables and figures, using straightforward percentages.

The research targeted 383 questionnaires; however, 383 questionnaires were completed and returned (100%). The marketing linkage study measurements depend on government effectiveness due to consumer promotion, market efficiency rules, regulations, and accessibility of raw materials for enterprise performance. The main design of Likert scale, 19(5%) strongly disagree 132(34.5%) disagree 111(29.0%) neutral 35(9.1%) agree 86(22.5%) strongly agree.

Many entrepreneurs formed structured partnerships between themselves and other stakeholders.   Furthermore, the study discussed market linkage with research and training institutions and business connections among themselves, i.e., forward and backward customer connections. Consequently, most of the respondents reported terrible communication with their clients, including forwarding and backlinks. The open-ended question showed that most businesses buy substantial inputs for their production and service and offer their goods and vices to their consumers through their efforts without formal backward and demand for forwarding linkage.

It indicates the role of government support implies gradual improvement in marketing support. But still, there is a gap between developing enterprise performance.

Information communication technology measured with government access ICT for enterprises, other social media opportunities. The respondents response strongly disagree 3 (8%) disagree 101 (26.4%) neutral 35 (9.1%) agree 212 (55.4%) strongly agree 32 (8.4%). The production was good due to service, trade, and urban agriculture, while manufacturing and construction companies faced communication problems to reach their customers. Credit access measured by MFI access efficient amount of initial capital loan for entrepreneur, service delivery on time, and enterprise performance growth. The respondents response, 56(14%) strongly disagree 86(22.5%) disagree 3,(8%) neutral 141(36.8%) agree 97(25.3%) strongly agree. Most entrepreneurs agree with access credit on time and access efficient amount loan from the respondents' responses. However, there is a significant number of entrepreneurs who disagree with service delivery and the amount of accessing loans for their business and positively affect enterprise performance.

Initial capital based on initial capital measured variables depend on microfinance accessing initial capital, loan repayment period. Respondents response based on the given questioners; strongly disagree 21(5.5%) disagree 70 (18.3%) neutral 127 (33.2%) agree 164 (42.8%) strongly agree 1 (3%). This result shows that access to initial capital is questionable for enterprise performance's success with the required amount of credit based on business demand. The result implies that small and micro enterprises have an access credit gap based on the amount required over the time required.

Credit access is an obstacle to enterprise performance. It implies that, even though financing is indispensable for business expansion in any market, the proportion of companies that finance their business by borrowing from financial institutions is not easy to find. It indicates that the availability of credit to these companies is below the demand for them. In reality, as stated by most micro and small business owners, access to finance appears to be a very serious or significant barrier. Those entrepreneurs with access to structured finance did not secure the loan according to their request; instead, institutions offer loans below the entrepreneurial right. Therefore, even for the accepted proposals, which could considered as a difficulty for the businesses. There are problems accessing credit, and inadequacy affects enterprise performance.

Access to working premises (location), measured by the business's appropriate location, the working place near raw material, and the working area (location). Government access infrastructure contributes to enterprise performance; the respondent's response 459 (11.7%) strongly disagree, 104 (27.2%) disagree, 11(2.9%) neutral, 128 (33.4%) agree, and 95(24.8%) strongly agree. From the result, there is a gap between working premises and government access because it is one challenge that enterprise performance positively affected.

Figure 5 Level of Respon
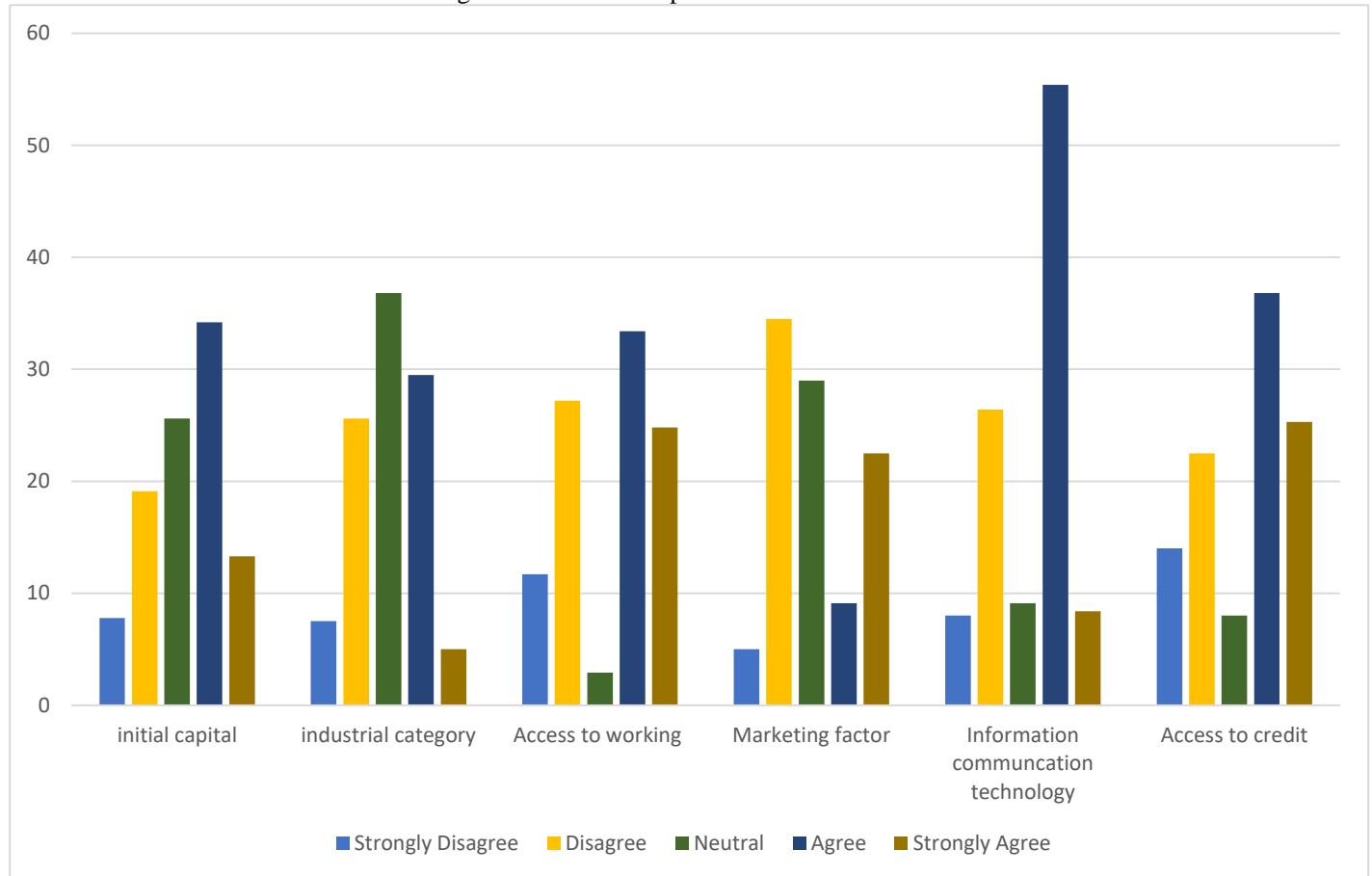
dents Satisfaction

Note; In social science agree to disagree questioners are easy to administer and have many options for respondents.

4.3 **Reliability Test**

The alpha coefficient for the 26 items is .785, which suggests that there is a relatively high internal consistency of the pieces. "(Note that in most social science research circumstances, a reliability coefficient of .70 or higher is deemed "Acceptable"[71].

Table 3 Reliability statistics

Cronbach's Alpha	N of Items	N=sample size	Valid %
.785	26	383	100

The Correlations Matrix analysis, as shown in table 4, there is a strong and positive relationship between Variables (small and micro-enterprise performance with, industry category, and access to working premises, marketing linkage, information, and communication technology, and access to credit) with correlation coefficient value of .716**, .780**, .539**,.706**, .678**, respectively. The p-values of all variables are significant at the p-value(.000)

Table 4 Correlations Matrix

	Ent per		ICAT	AWPT	MLT	ICTT	ACT
Ent_ per	Pearson Correlation	1		.716**			
	Sig. (2-tailed)						

	N	383					
ICAT	Pearson Correlation	.716**	1				
	Sig. (2-tailed)	.000					
	N	383	383				
AWPT	Pearson Correlation	.780**	.822**	1			
	Sig. (2-tailed)	.000	.000				
	N	383	383				
MLT	Pearson Correlation	.539**	.490**	.516**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	383	383	383	383		
ICTT	Pearson Correlation	.706**	.440**	.585**	.453**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
ACT	N	383	383	383	383	383	
	Pearson Correlation	.678**	.380**	.463**	.301**	.647**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	383	383	383	383	383	383

Note; the relationship between all possible pairs of values in a table is defined by a correlation matrix. It's a useful tool for quickly summarizing a large dataset and recognizing and visualizing trends in the data. The variables are represented by, rows and columns in a correlation matrix.

4.4 Hypothesis testing Analysis

From the hypothesis testing point of view, the result implies that all independent variables were positively related to standard P-Value 0.05 and the work between .000, which are listed as follows.

Table 5 Hypothesis testing

List of variables	Stated relationships of variables	Chi-square test results	Standards of p-value	Results of p-values	Accept/reject
ICAT	Positive	+	0.05	.000	Accept
AWPT	Positive	+	0.05	.000	Accept
MLT	Positive	+	0.05	.000	Accept
ICTT	Positive	+	0.05	. 000	Accept
ACT	Positive	+	0.05	.000	Accept

Note here that research hypothesis is critical for making a specific and precise prediction about the likely outcome of a scientific research study based on specific population factors.

Table 6 Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.886a	.785	.782	.402	.785	270.294	6	376	.000	1.892

a. Predictors: (Constant), ACT, MLT, ICAT, ICTT, AWPT

As the model, the Summary result indicated, in Table 6, R Square's Value is .785 (78.5%). The result implies the model is fitted. The dependent variable, enterprise performance, is positively affected by 78.5 % by all variables. The independent variable access to working premises, marketing linkage, information, and communication technology, and access to credit) with a coefficient value of. .716**, 780**, .539**,.706**, and.678**, respectively.

4.5 Regression Coefficients Analysis

Based on the regression table, when one unit of each independent variable increases, the dependent variable increases by the calculated coefficient values. It means assuming all things are constant when the variable enterprise performance increases by one unit, independent variable. The variable Initial capital increases by .166, enterprise performance also increased. The industry category increase by .239, the outcome variable enterprise performance also increases. Access working premises increase by .214, enterprise performance also improved. Increase in marketing factor by 0.65, also increase in enterprise performance. Enterprise

performance has also increased by .180 in information technology. Enterprise performance has also increased access to the credit factor by .115. All variables are significant at a p-value of .000.

From the normal point of view of variance, an inflation factor less than 1 is not correlated; between 1 and 5 are accepted (Michael et al. 2015). The VIF value of this study is between 1.5 to 4.85. So, there is no mu; collinearity problem among variables. It also indicates the independent variables are moderately associated with the dependent enterprise performance.

Table 8 coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	.028	.082		.339	.735		
	ICAT	.166	.030	.221	5.502	.000	.312	3.209
	AWPT	.214	.038	.247	5.596	.000	.257	3.898
1	MLT	.065	.019	.094	3.451	.000	.680	1.472
	ICTT	.180	.029	.208	6.241	.000	.449	2.227
	ACT	.115	.036	.122	3.169	.000	.340	2.939

5. Conclusion

The study examined the determinant factors affecting small and micro enterprises (SMEs) performance using Six predictive variables in the Amhara Region, Ethiopia. Descriptive and explanatory research methods were applied and both primary and secondary data acquired using a linear regression model. Based on the reviewed literature and empirical studies finding, the study concluded the following key points.

The study's findings indicate that the dependent variable enterprise performance and the independent variables have a positive relationship and statistically significant at p-value (.000). The outcome variable enterprise performance is affected by the predictive variable; initial capital, access to credit, Industry category, market linkage, ICT adoption, and access working premises (location).

From the findings of this research, 81.2 percent of determinant factors marketing factor, access working premises(location), initial capital, access credit, and ICT adoption affected positively small and microenterprise performance. But there were 18.8 percent unknown variables that need further research for the future. On the other side, this research data were collected from small and micro-enterprises. It will further research based on enterprise agency employees, leaders, microfinance leaders, and employees. Clusters are very important for poverty reduction.

Economic growth and growing employment income levels lead to poverty reduction through job creation and income generation for the poor, enabling entrepreneurs to mobilize limited resources, increase business productivity, and enter wider markets through collective action opportunities. It is important to conduct further research towards poverty-based consideration of cluster development strategies designed and implemented in the Amhara region.

The regression analysis result revealed that SMEs with access to better initial capital have effective performance. In comparison, those who have no more initial capital faced a sustainability problem in their business performance. The initial capital is not affordable in their operation process due to the influence of inflation. To avert these problems, the government, microfinance institutions, and other responsible bodies should take corrective measures. To improve the performance of job creation should increase the loan amount and long-term loan as well as design a machine lease policy. The Machine Lease Strategy is important for enterprise performance to the sustainability of entrepreneurs. Machine leasing is a very important asset-based financing and allows SMEs to expand their access to short and medium-term funding from an economic perspective.

Further research on machine leasing as a solution for SMEs. While in the Amhara region, there is a shortage to access sufficient technology for small and micro-enterprises. It needs high Government intervention, and additional research will be conducted in the Amhara region

SMEs who have an opportunity for the Market linkage with government and non-governmental organizations grow faster than others with no chance to market association with government and non-government organizations. SMEs in rural areas have a market linkage in exhibitions and bazaars at urban centers to sell and promote their products and service. To strengthening sustainable market linkage at the rural center s, the government should establish connections with cooperatives, unions, and institutions.

Additionally, the government should take corrective action to facilitate entrepreneurial marketing competition, product quality, service delivery, packaging, and leveling their products. The other market linkage analysis findings indicate that; companies with effective loans can sustain the competitive market increase in volume. In contrast, enterprises that have not got loans to decrease market competition and employment growth.

Working premises have a vital role in enterprise performance. Access to working premises by the government and family in line with proximity to customers and raw materials grow easily. Whereas entrepreneurs who used in the rental system and far from customers, raw materials are not successful. To solve the existed problems of working premises, the government should apply a cluster development approach, which solves the supply of land, infrastructure, shed, and power energy.

SMEs who have access to ICT, including the internet, social media, radio, television, printing media, change their business operation in different information dissemination. While entrepreneurs who have no access to ICT exposed to a lack of information. Therefore, government and responsible bodies should solve the ICT limitation of SMEs.

Institutional Review Board Statement

The research uses data collected from primary and secondary data preparing questionnaires randomly with anonymity and the data only used for academic research purposes. The respondents lived in the Amhara Regional state Ethiopia.

Informed Consent Statement

All the respondents who participated in the primary survey questionnaire consented to provide the necessary information. This was vital for them because it is about to improve Enterprise performance. They know that any possible recommendations will forwarded to the appropriate authorities concerned to avert the bottleneck of their business.

Data Availability Statement

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