

Factors Influencing the Performance of Small and Micro Enterprises (SMEs) in Somaliland a Case Study of Hargeisa City

Moukhtar Houssein Robleh

Received: 14 December 2016 Accepted: 4 January 2017 Published: 15 January 2017

Abstract

Governments worldwide have acknowledged the impact of Micro and Small Enterprises (MSEs) on job creation, improvement of people's standards of living and hence an overall impact on the economy. The important role played by the informal sector in most economies in less developed countries is now recognized by governments and international agencies. However, enterprises in the informal sector continue to encounter various barriers that prevent them from attaining their full potential. This study sought to establish the factors that influence the performance of MSEs in Hargeisa city. It attempted to identify the extent to which the socio-cultural background of the entrepreneur influences the performance of an MSE and how performance of MSEs is associated with the characteristics of the business. It also examined the Government Policy and Legislative processes that influence the performance of the MSE sector. A descriptive Survey employing the use of questionnaires, an interview and observation schedules were used to collect data from a sample size of 152 Micro and small enterprises picked from a population of 1500 operating within and around a 400 metre radius of Hargeisa City. They were selected using stratified sampling, and purposive sampling techniques. Data was analysed using descriptive statistics such as frequencies and percentages. Chi Square tests were used to test the significance of associations between selected variables. The findings were displayed in percentages, frequencies, figures and tables. This study revealed that certain characteristics of the enterprise and the socio cultural background of the entrepreneur have an impact on MSE performance; thus given a conducive environment and adequate support, The MSE entrepreneurs in Hargeisa can realise their full potential and maximise their contribution to the country's economic development. The study also demonstrates that with the installation of basic infrastructure, and the elimination of both rig

Index terms— Legislative processes: acquisition of permits, tax procedures.

1 Introduction

a) Background of the study small and Micro Enterprises (SMEs) play an important economic role in many countries of the world. Over the past 10 years, economic planners have realized the importance of the small enterprises in achieving economic development. Many governments and development organizations have focused on the promotion of SMEs as a way of encouraging broader participation in the private sector. Micro, small and medium-sized enterprises (SMEs) play a central role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. In the enlarged European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent 99% of all enterprises (European Commission, 2011). For instance in Britain; SMEs are the backbone of the British economy (Rowe, 2008). According to the Department for Business, Enterprise & Regulatory Reform (BERR)'s Enterprise Directorate Analytical Unit, the UK economy is 99% SMEs, employing 14.23m people, out of a working population of approximately 30 million. In terms of UK turnover and Gross Domestic Product (GDP), UK SMEs account for 1.48 trillion sterling (British

5 E) RESEARCH QUESTIONS

43 Pounds). SMEs (with at least 1employee) outperform the large UK Corporations in terms of productivity
44 despite having minimal resources, little support is largely ignored. Large UK Corporations of 250 employees
45 which account for 52% of employment but less than only 50.8% of UK turnover (ibid),thus the UK economy is
46 supported by SME performance, and improving performance will have a substantially positive effect on the entire
47 UK economy.

48 Small and medium-sized enterprises (SMEs) are the backbone of Singapore's economy, contributing 47% of
49 the country's GDP and generating 62% of available jobs (Allison1984). The promotion of SMEs and, especially,
50 of those in the informal sector is viewed as a viable approach to sustainable development because it suits the
51 resources in Africa. SMEs are the main source of employment in developed and developing countries alike,
52 comprising over 90% of African business operations and contributing to over 50% of African employment and
53 GDP (Okafor2006).

54 However many SMEs remain outside the formal banking sectors yet they play a key role in the economy of
55 many countries. As with many developing countries, there is limited research and scholarly studies about the
56 SMEs sector in Somaliland particularly SMEs in Hargeisa town. According to National Baseline Survey. (1999),
57 fifty six per cent of formal businesses are located in the Hargeisa region. On the other hand, informal sector
58 enterprises are more widely distributed, with the majority found in the rural areas. This survey highlights the
59 regional distribution of enterprises Somaliland.

60 Given the importance of SMEs to the Somaliland economy and the exposure to risks owing to their location,
61 there is need to conduct this study to investigate the factors influencing the Success or failure of SMEs in Hergiesia
62 City and to understand how they can be well.

2 b) Statement of the Problem

64 Small and medium enterprises are the major agents of economic growth and Employment. In Somaliland, over
65 seventy percent of small businesses are estimated to fail each year(National Baseline Survey, 1999). Amoud
66 (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature
67 of SMEs. However, despite government efforts in Somaliland to promote SMEs activity, less progress seems to
68 have been achieved, judging by the performance of the informal sector. When the state of the macro economy
69 is less favourable; by contrast, the opportunities for profitable employment expansion in SMEs are limited.
70 Unfortunately, there is very little information on how the small business sector is structured. Because of their
71 small size and the exposure to risks owing to their location, a simple management mistake is likely to lead to
72 sure death of a small enterprise hence no opportunity to learn from its past mistakes.

73 This study seeks to investigate the factors that affect the performance of small businesses in order to develop
74 an understanding of the dynamics of SMEs not only for the development of support programmes and growth
75 strategies for SMEs, but also for the growth of the economy as a whole. Factors affecting the success or failure
76 of SMEs in Hergiesia City will be explored to better understand why they fail or succeed and how they can be
77 improved.

3 c) Main Objective of the Study

79 The main objective of this study was to investigate factors affecting the performance of SMEs in Hergiesia
80 Somaliland.

81 i. Specific Objectives of the Study Specifically, the following objectives shall be tackled.

82 ? To investigate the socio-cultural background of entrepreneurs that influences the performance of their
83 businesses. ? To examine the business related Government policies and how they influence the performance of
84 SMEs in Hergiesia city. ? To identify the challenges facing SMEs in Hargeisa City and how these challenges
85 influence their performance. ? To suggest ways of sustaining SMEs

4 d) Significance of the Study

87 It is hoped that the study results would be used by the Government through the Ministries of Culture and
88 Youth Affairs (MOCYA), Gender and social services in developing policies for the disbursement of the Youth and
89 Women funds to the small businesses. It is also hoped that Municipal Council of Hargeisa would use the findings
90 of this study to develop the findings of the study to design appropriate policies and strategies that could guide the
91 planning for and location of SMES within Hargeisa city and other urban areas in Somaliland. Non-Governmental
92 Organizations (NGOs) and other Development Partners dealing with poverty eradication will also find the report
93 useful. The results of this study would be disseminated in workshops, published and shared in libraries thus the
94 study will contribute to the stock of knowledge from which societies and institutions depend for problem solving.

5 e) Research Questions

96 The study shall be guided by the following research questions: 1. What is the relationship between the
97 characteristics of a business enterprise in Hergiesia City and its performance? 2. To what extent does the
98 socio-cultural background of an entrepreneur affect the performance of the business enterprise in Hergiesia City?
99 3. How does Government Policy and legislative processes impact on the performance of SMEs in Hergiesia City?
100 4. What challenges do entrepreneurs operating SMEs in Hargeisa face? 5. What strategies are employed by

101 small and microenterprises in countering the challenges that they face? 6. What do you think could be done to
102 prevent these challenges

103 **6 f) The Scope of the Study**

104 The study focuses on SMEs operating in the context of Hargeisa as it has a collection of many SMES of different
105 types. Hargeisa, which is the capital city of Soma liland is located 110km East of Borama, 150km West of
106 Berbera. Various types of small businesses were studied. The researcher took two weeks collecting data.

107 **7 g) Limitations of the Study**

108 The researcher faced a number of challenges at the time of data collection and they included the following:

109 The researcher faced financial constraints as much money may be required to meet the cost of transportation
110 and meals. This challenge was overcome by seeking financial support from financial institutions. The researcher
111 also had limited time to cover all the small businesses in Hargeisa. In order to overcome this problem, he
112 concentrated on his selected sample of the SMEs in Hargeisa.

113 There was a challenge of haphazard and disorganized nature of the businesses operating within and around
114 mini and super markets that may hamper the collection of data. The researcher addressed this challenge by
115 getting more organised in terms of time management and presenting himself well at the area of stud

116 **8 h) Conceptual Framework**

117 This study was guided by the following conceptual framework:

118 **9 LITERATURE REVIEW a) Introduction**

119 This chapter focuses on the evaluation of the existing literature. The research identifies gaps in what other
120 researchers have written about the topic he is researching about. The researcher mainly takes the initiative to
121 critic the secondary information by filling the gaps with new knowledge based on his own opinions.

122 **10 b) Characteristics of SMEs**

123 According to Perry and Pendleton (1983) many typical characteristics of SMEs are determined by factors like size
124 of organization or independent ownership. This is supported by empirical findings by compiled by (Wagner1992)
125 who found out that SMs in Japan are characterised by smaller numbers of employees that are more involved
126 in retail. The same study reveals how Nigerian SMEs entail smaller ownership such as one-man business or in
127 partnership while others were family business or private limited company.

128 It is important to mention that SMEs are operated by more women than men in many countries of the world,
129 also backed by the (International Labour Organization, 1989) which reveals that the sector accounts for 41 percent
130 of women-owned and 30 percent men owned enterprises around the world. This fact is not far from reality in
131 Somaliland case.

132 Usually, SMEs are more operated by every person both the educated and non-educated ones but the latter are
133 more in this business. As if this is not enough, SMEs require smaller amounts of capital to begin the business.
134 This could probably be one of the reasons why many uneducated entrepreneurs Hargeisa city are involved in the
135 sector.

136 **11 c) SMEs Performance Management**

137 Management and skills are needed to run micro and small enterprises. Research shows that majority of micro
138 and small enterprises are not well equipped in terms of Management skills. Majority of those who run SMEs
139 are the ordinary people whose management background is wanting. Hence they may not be well equipped to
140 carry out managerial routines for their enterprises. King and McGrath (2002) suggest that those with more
141 managerial skills and training are more likely to be successful in the SME sector. As such, for small businesses
142 to do well, entrepreneurs need to be well informed in terms of technical skills and management to remain players
143 in a competitive business economy.

144 However, (Holt, 1992) acknowledged that managerial skills play a subsidiary role in promoting entrepreneur-
145 ship, because entrepreneurs are born. It is often articulated that the number of entrepreneurs will ultimately be
146 increased more if awareness of the feasibility and desirability of starting a business is established at a young age.

147 **12 d) Factors that determine success and failure of SMEs**

148 Sutton (1997) noted that, most of the successful entrepreneurs in Sri Lanka have not gone through higher
149 education or formal courses in entrepreneurship. Lack of formal education may not block their desire to operate
150 SMEs. They could use indigenous knowledge and become more successful than those other entrepreneurs that
151 went through formal system of education. In another study conducted by ??Meng and Liang, 1996) regarding
152 entrepreneurs in Singapore disclosed that successful entrepreneurs have higher managerial skills compared to that
153 of unsuccessful entrepreneurs. Ninety percent of business failures are associated with "management inadequacy"
154 according to (Perry and Pendleton, 1983).

15 G) AGE OF THE FIRM ON BUSINESS PERFORMANCE

155 One could also point out that experience may determine business success, especially when the new business
156 is related to previous business knowledge and experiences. Entrepreneurs with vast experiences in managing
157 business are more capable of finding ways to The independent variables in this frame work are small and micro
158 enterprises with underlying success factors. These include factors that are inclined towards the business owner
159 such as age, gender, education, training and experience. These coupled with characteristics of the business
160 enterprise such as size, source of capital, number of employees can impact on the performance of the business
161 (dependent variable).

162 The business owner or entrepreneur may possess certain inherent knowledge, skills and practices which may
163 influence a business enterprise either negatively or positively as this study shall find out. These include knowledge
164 of the markets, management, and the trends in the particular type of business. These factors moderate the
165 performance of the enterprise. And thus, the moderating factors that may vary with characteristics in the
166 business or business owner.

167 Performance of the business which reflects in terms of high profit turnover, quality of products, customer
168 service and business growth are dependent on factors in business or it's owner. How the business owner uses
169 the knowlege, skills, manage and what they practice in business will give them either high or low business
170 performance.

171 However, government policies on the ground and legislative processes, taxes, licensing and permits, registration
172 and access to credit also have a direct impact on the SMEs and moderating variables which in turn affect business
173 performance.

174 This study seek to determine how all these factors interplay among themselves and how they affect the
175 performance of the SMEs in Hargeisa.

176 open new business compared to those without any experience. The importance of experience for smallscale
177 business success is also underscored by other experts like (Zimmerer and Scarborough, (1998) note that prominent
178 reasons behind business failures are related with managerial and experiential capabilities.

179 13 e) Sources of Finance for SMEs

180 Support services to SMEs cover both financial and non-financial interventions provided enhance the development
181 and sustainability of the sector. The Baseline Survey of 1999estimated that 260 organizations (private and
182 public, national and international) entrepreneurs had support programmes. In an attempt to understand the
183 scope of these organizations, the 2009 MSE Survey enquired into the different types of assistance received by
184 MSE operators who discovered that their operations depended on both formal and informal assistance as well as
185 financial and non-financial assistance.

186 Wanjohi and Mugure (2008) acknowledges that4 per cent of accessed credit was obtained from formal financial
187 channels, such as NGOs, micro-finance schemes, commercial banks and Savings and Credit Cooperative Societies
188 (SACCOS). In Somaliland's case, small scale entrepreneurs are supported by the Islamic financial institutions
189 through borrowing and paying back after an agreed period of time but still others may be facilitated by support
190 from relatives in diaspora who send them remittances.

191 14 f) How SMEs Promote the Economy of the country

192 According to (Hisrich, 2000.), Sub-Saharan African countries report a high number of SMEs contributing to
193 economic growth in the economy. There is a large difference between regions and countries in regard to the number
194 of SMEs. The variation between countries in the region of Sub Saharan Africa is large and data uncertainty is
195 high. The number of SMEs is highly dependent on how you define them and whether or not you include the
196 informal part of the economy. The reason behind this pattern is probably due to smaller economies of scale on
197 the national level in smaller domestic markets.

198 According to Ayyagari (Weitzel, and Jonsson, 1989), SME sector's contribution to both employment and GDP
199 shows a strong positive correlation with GDP per capita. Consequently, the wealthier a country is, the more
200 important are the SMEs in the overall economy. More recently the Executive Vice president of the Development
201 Bank of Southern Africa by the name of (Thapa., 2007), stated that "in most African countries SMEs in the
202 formal sector contribute less than 20% to gross GDP Lucas (1978) show that shift towards services has been broad
203 based, registering substantial growth in several service sectors in most countries in the region. This supports the
204 perspective that SMEs play a pivotal role in the formation of a stronger service sector.

205 In this way, the role of SMEs in economic growth and development should not be underestimated.

206 15 g) Age of the Firm on Business Performance

207 According to many sources and daily observation, the age of an entrepreneur may affect firm survival and growth
208 and/or organizational decline or death. What makes new SMEs face a greater risk of survival than older firms
209 is that new firms do not have experience, access to resources, networking skills(see, Amyx, 2005). In some
210 instances, age of an entrepreneur goes with trust. In some countries of East Africa, youths are more engaged in
211 SMEs according to a previous conversations with a Ugandan professor. In Somaliland, old people are trusted
212 with the exchange of goods and services than young people.

213 16 h) Location of the Business on its Performance

214 Geographic location has its implications on access to markets and other resources like finance, skilled labour,
215 subcontractors, infrastructure, distribution and transport logistics and other facilities. SME success also depends
216 on neighbourhood appearance and continued or maintained future business operations in that location. According
217 to Orthodox regional development theory by (Row, 2008), urban areas have favourable supply-side conditions for
218 firm development. SMEs located in urban areas typically have a relative ease of access to customers and the
219 inputs required (i.e. finance, premises and technology) to produce goods or services. SMEs located in urban
220 areas may benefit from "agglomeration economies" and spatial externalities such as specialized infrastructures,
221 information, network of suppliers, specialized labour, specialized knowledge, concentration of existing exporters
222 (Bonte, 2009). Ronge and Nyangito (2002) found that firms in remote rural areas were less active in various
223 dimensions of innovation. This may be influenced by the fact that most rural areas have less and reliable financial
224 and business service sectors than urban areas. Further, limited awareness and usage of external business advice
225 have been reported by firms located in rural areas (Keeble, 1997). This study seeks to find out whether the location
226 of a business has any influence on the performance of the SMEs located at Hargeisa.

227 17 i) Challenges Facing SMEs

228 It is generally recognized that SMEs face unique challenges, which affect their growth and profitability and hence,
229 diminish their ability to contribute effectively to sustainable development these include: lack of managerial
230 training and experience, inadequate education and skills, lack of credit, National Policy and Regulatory
231 Environment, technological change, poor infrastructure and scanty markets information (Hall, 1987).

232 There are various other financial challenges that face small enterprises. They Include the high cost of credit,
233 lack bank charges and fees. The scenario witnessed in Somaliland particularly during the climaxing period of the
234 year 2012 testifies the need for credit among the common and low earning entrepreneurs. Numerous money lenders
235 in the name of Pyramid schemes came up, promising hope among the 'little investors,' which they can make it to
236 the financial freedom through soft borrowing. The rationale behind turning to these schemes among most African
237 nations, Somaliland inclusive, the challenge of connecting indigenous small enterprises with foreign investors and
238 speeding up technological upgrading still persists (McPherson, 1995). There is digital divide between the rural
239 and urban Somaliland. With no power supply in most of the rural areas, it is next to impossible to have internet
240 connectivity and access to information and networks that are core in any enterprise. Thus technological change,
241 though meant to bring about economic change does not appear to answer to the plight of the rural entrepreneurs
242 except in the case of urban SMEs.

243 18 j) Sustainability of SMEs

244 According (Evans1987), maintaining social acceptance is crucial in doing business. Companies need to be
245 perceived positively by stakeholders. Sustainability means maintaining strong relationships according to (Raman,
246 2004). Treating employees well increases their job satisfaction and makes them more likely to stay with the
247 company as well as marketing it to attract more customers and profit. SMEs contribute significantly to economic
248 growth, employment and national development.

249 Their contribution is commensurate with the level of economic development and diversification of their
250 respective countries. Business sustainability makes firms resilient so they are able to adapt to change and
251 create long-term financial value. Sustainability and the legacy of the firm are part of SMEs' day-to-day activities
252 (Weber 1930).

253 Sustainable SMEs aims at finding a balance between social-wellbeing, ecological quality and economic
254 prosperity (Gakure 2006). Sustainable SME scan get ahead of supply chain pressure and everstricter regulation
255 (see, ??cClintock, 2009). Firms adopting sustainable practices early could avoid unnecessary costs. The
256 reputation of an entrepreneur could build community connections to capture multiple benefits. For example,
257 keeping customers informed about cost effective quality goods and services may make projects advance to a
258 better position. Sustainable practices help companies meet legal requirements such as permits more quickly and
259 this could guarantee their competitive advantage.

260 Chapter Three III.

261 19 Methodology a) Introduction

262 This chapter articulates the research designs through which data was be collected. The sampling frame was
263 employed to focus on the procedure, size and techniques. The chapter presents research methods and instruments
264 such as observation and its check list, key informant interview with its guide, questionnaires and their guides as
265 well as focus group discussions. Ethical considerations were also discussed.

266 20 b) Research Design

267 Longenecker and Palich(2006) assert that research design refers to the master plan that will be used in the study
268 in order to answer the research questions. Qualitative techniques shall dominate the data collection which was
269 descriptive in nature and explanatory. Quantitative techniques were used in order to find out factors influencing
270 the performance of SMEs in Hargeisa City.

21 c) Target Population

271

272 In this study, the target population included small scale business owners such as those operating the mini and
273 super market in Hargeisa City due to their concentration of various SME types and can thus be representative
274 of most enterprise sectors in Somaliland. The study also targeted the daily customers who buy the products and
275 receive the services of the entrepreneurs. Lastly, some policy makers in the ministry of commerce who regulate
276 SMEs were also involved in order to capture reliable and valid information.

22 d) Sampling

277

23 i. Sampling Procedure

278

279 The researcher applied the Morgan Table to determine the sample size from the target population. This is because
280 the Morgan table clearly illustrates various population sizes together with their proposed samples (Morgan and
281 Krejcie, 1970).

282 ii. Sample Size According to ??Meng, 1996), survey is a method that studies large population by selecting
283 and studying the samples from the population to discover the relative incidence, distribution and interrelations
284 of sociological and psychological variables. In this respect the researcher had previously intended to interview
285 152 respondents as guided by the Morgan table. However, due to challenges encountered in the field indicated
286 in chapter one above, he accessed only 120 respondents. This sample included SMEs, some members of the
287 community who are the buyers of the products as well as some key policy makers in the ministry of commerce
288 that regulate SMEs.

289 iii. Sampling Techniques Kothari (1990) recommends stratified sampling because it is accurate, easily
290 accessible, divisible into relevant strata and it enhances better comparison; hence representation across strata.
291 The respondents were selected from the Hargeisa communities which are divided into strata based on one or
292 more attributes (see also Staw, 1991). The researcher gave each stratum an equal chance of being sampled to
293 take part in the study.

294 Purposive sampling was used to select the key informants in the Ministry of Commerce because the researcher
295 believes they have information regarding regulation of SMEs in Somaliland and Hargeisa city in particular.
296 Ainebyona (2011) acknowledges that "people who have experience of particular issues can provide relevant
297 information about them." People who are responsible for regulating business could be more knowledgeable in
298 giving out information from their field of work.

299 The researcher also used random sampling technique to collect information from some of the community
300 members who are also the daily customers of SMEs in their locality. These people shared their experiences about
301 the small and medium businesses communities.

24 e) Data collection methods

302

303 The study used questionnaires, key informant interviews, observation and document analysis as the main tools
304 for collecting data.

25 i. Questionnaires

305

306 Hart and Paris (1956) explains that descriptive data are usually collected using questionnaires. Others like
307 Cochran (1981) have also identified questionnaires and interviews as crucial instruments of data collection in
308 descriptive research. The researcher adopted both the open ended and closed type of questionnaires because it
309 saves time.

26 ii. Interviews

310

311 Key informant interviews shall also be conducted during data collection. Kothari (1990) points out that "interview
312 method of collecting data involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses."
313 Such kind of interaction with the SMEs and other participants helped the researcher to capture first-hand
314 information regarding the study. The researcher meanwhile noted all the information in his notebook that
315 enabled him present reliable information in his dissertation.

27 iii. Observation

316

317 Direct observation method was applied in this study to capture pertinent information regarding the location
318 and organization of the market. This research tool was guided by a structured protocol to ensure gathering of
319 pertinent information only. Scientific evidence emphasises that researchers shall conduct focussed observations
320 in order to understand the relationships between the entrepreneurs and the customers (see, Ainebyona, 2011).
321 It could be a wise step for a researcher to capture nonverbal information regarding the size of the business, its
322 location, type of products and type of business, customer care and the emotions of customers in relation to the
323 quality of service. The researcher in this case used the data collected by use of naked eyes to supplement the
324 data obtained by use of other tools and techniques.

325 **28 f) Validity and Reliability of data**

326 Validity of research instruments ensure scientific usefulness of the findings arising thereof (ecchetti, and Trovato,
327 (2003). Validity is the extent to which the instruments will capture what they purport to measure (Allison,
328 1984) since it is critical in all forms of researches and acceptable level is largely dependent on logical reasoning,
329 experience and professionalism of the researcher (Cortes, 1987). The reliability of a research instrument concerns
330 the extent to which the instrument yields the same results on repeated trials. In order to come up with reliable
331 data, the researcher discussed the contents of the questionnaires and interview guides with his supervisor before
332 going to the field to avoid vague and unclear questions and responses.

333 **29 g) Data Processing and Analysis**

334 Qualitative data which was gathered from the field, was summarised and interpreted to get meaning out of it.
335 Quantitative findings were outlined and analysed using SPSS in chapter four below ensure accuracy.

336 **30 h) Ethical Considerations**

337 According to Gene and Davis (1996), researchers conducting business research should be concerned about ethical
338 issues ? because "unethical research can lead to poor quality data" and eventually affect the decisions at the
339 later stages of implementation.

340 The researcher obtained an introduction letter from his institution of learning in this case, School of Graduate
341 Studies and Research of Gollis University. This helped him in identifying himself to the SMEs and other
342 respondents that participated in the study.

343 Before interacting with the community members and entrepreneurs, the researcher sought informed consent
344 from both the Municipal Council of Hargeisa to allow him permission to interact with the relevant research
345 participants. It is important to note that "society has the right to expect that personal information gained
346 through research will not be disclosed" (Gene and Davis. 1996). In this case, the researcher respected the
347 confidentiality and anonymity of respondents in order to ensure their safety and privacy.

348 **31 Chapter Four**

349 IV.

350 **32 Data Presentation and Analysis a) Introduction**

351 This chapter presents the findings, analyses the responses the primary sources. The field experiences of the
352 entrepreneurs operating businesses within the Hargeisa have been discussed and where possible gaps have been
353 identified and filled combining them with secondary sources.

354 **33 b) Research Area**

355 Data were collected from Hargeisa city specifically among the sampled small and medium entrepreneurs finding
356 them at their supermarkets. The Ministry of Commerce/ Finance and local government or municipal council was
357 also involved in the study to capture related information from government officials responsible for tax regulation
358 because it was expected that they knew how the SMEs operate and had good or bad experiences dealing with
359 this responsibility. Customers in the community who were/are not part of the SMEs were visited from their
360 communities. The latter were also important in the study because they interact with SMEs on daily basis.

361 **34 c) Research findings**

362 This section outlines the findings about small and medium enterprises. a) The study found out that rent in
363 some of the supermarkets that were located in the city center was too expensive for most small and medium
364 entrepreneurs. b) This research study found out that most of the SMEs operating in Hargeisa have very low or
365 no education background.

366 c) The study also found out that most of the entrepreneurs were not aware of the feelings of their customers
367 towards their business making it difficult to convince them to buy their products. d) The study also discovered
368 that most of the small and medium entrepreneurs lack customer care. So, they were most likely to lose customers
369 every day. e) The study also found out that SME's create employment, enhance capacity building for manpower
370 and skills development, promote growth, reduce poverty, and facilitate industrial development among other. f)
371 Practical evidence from respondents revealed that the rise in creation of SMEs came with reduction in the cost
372 of transportation of goods and services in Hargeisa and Somaliland in general. g) The study found that the
373 majority of SME's are constrained by lack of financing because small micro enterprises typically have no access
374 to commercial banks because they do not exist in this country. This implies that lack of credit facilities make it
375 difficult for small and medium entrepreneurs facilitate their businesses. h) The study also found out that SME's
376 are also lacking adequate marketing skills to operate the business perfectly well.

35 d) Quantitative findings

Quantitative data has been presentation tables below. After every table is an interpretation of statistical information to bring out the clarity of the report.

36 Table 1: Gender of the entrepreneurs

It is clear the number of males (73%) outweigh that of females represented by (27%) in the sampled wards. This implies that males in Hargeisa constitute of the highest number of small and medium entrepreneurs than that of females. This could partly explain that women are have limited capacity to start small scale businesses. SMEs are dominated by people who are not yet married according to table 2 above that represented 55.8% followed by those who were reported married. The latter were 49 people that equaled 40.8%. The study indicated that the separated and widowed were very few in the business activity. The widowed or the separated owning children may have more financial challenges especially if they are women finding it difficult to get starting capital. This does not mean that men who have lost their wives or separated with them cannot be in this category.

On the other hand, married and single young men may find it easier to start up an SME on the basis of cooperating with each other to achieve common goals.

The age of the respondents was sought in order to establish the level of awareness due to their age. The figure above shows that 36.67% of target population were between 14-25 years old while 38.33% were between 26-34 years. The respondents between 35-44 years old were represented by 25%. Lastly, 4.17% represented those who were between 45-55 years old and were very few in SME operations in Hargeisa. SMEs are operated by citizens of relevant ages including teenagers and those who are older. Having teenagers in the business could mean that the level of school going children are more in business or other activities than education. Respondents were asked if they are employed in any other sector and the table above shows 101 (84%) of respondents are employed in other sectors while 26% are not as indicated in the table above. Operating two businesses a common feature among the citizens of Somaliland. It may be perceived as prestigious to have formal and informal employment but could also mean that those who have such chances may have additional income to advance in line with entrepreneurship. Respondents were asked if they are comfortable with the place where you are located and the table above shows (89.2%) of respondents are comfortable in their location while 10.8% of the respondents are not comfortable with their location.

Being comfortable with the business location could imply that the SME gets more customers every day or their businesses are doing very well and appreciate to be there despite the likelihood of high rent that may be required by the landlords. The table above shows the common SME's in Hargeisa and this means that supermarkets are the common type of SME's. Like in any other city in Somaliland, SMEs sell a variety of products. Some small number of entrepreneurs may specialize such as those in transport that represented 6.7%, electronics (14%). However, the majority of SMEs were boutiques, supermarkets or retail businesses with a mixture of different products. The table above revealed that those who had stayed in the area for below 1 year formed 10.8% of the total number of respondents. Those who had stayed in the area for between 2 years and 3 years formed 11.5% of the total number of respondents while the majority (42.5%) had been staying in the area for over 10 years. Overstaying in one business might mean that SMEs are successfully meeting their basic needs out of operating those businesses. It could also indicate that the majority of the respondents understood the needs of the community.

37 Type of enterprise

Count Table ?? % An overwhelming 47.50% of the respondents that they would have sole proprietorship while 41% had partnership and the rest 10% had other forms of business like family business. Sole proprietors were found to be the majority which implied that many people prefer to be their own bosses. Partnerships are also very common as in the Somaliland's case. Family or nonfamily members are most likely to combine efforts and incomes as well as sharing costs and expenses to minimize any likely business shocks. An overwhelming majority of respondents that represented 87% disclosed that they had registered their business while 13% had not registered them. This shows that registered property rights are necessary to support investment, productivity and growth. Lack of registration could mean that the few SMEs experience financial challenges making it difficult to raise the taxes as well as paying other associated costs especially if they do not own the shop or business space. e) Qualitative Findings i. Sustaining small and Medium Enterprises (SMEs)

Director of commerce in the ministry of the finance when we asked how to sustain the small and medium enterprises of Somaliland was said "reduction in the number of foreign licenses, and enforcement of SME's regulations for registration property; establishing immediately a force to eliminate illegal business in Somaliland and a review of the assessments of the evidence of Taxes that SME's paid to government." Other important factors that also found during interview to the director of inland revenue in the ministry of finance showed that is protect basic rights of SME's owners and building up Trade and Investment Capacity of SMEs Developing capacity building programs that include supply chain and cluster initiatives, which recognize the potential for developing tiers of suppliers to maximize trickle down effects, including to micro enterprises as lower tier suppliers.

ii. SMEs Contribution to Economic Development "SME's are contributing value to country's economy by creating jobs, enhancing income, strengthen purchasing power, lowering costs and adding business convenience.

436 There is no doubt that small and medium scale enterprises are essential for rapid and sustained economic growth
437 and development. They create employment, enhance capacity building for manpower and skills development,
438 promote growth, reduce poverty, and facilitate industrial development among other” said by the director of
439 commerce in Somaliland SME’s contributes in economic development in the country, also creates opportunities
440 of employments, they participate 50% of the market employment, support regional supply and access to service
441 delivery SME’S contribute the economy of the country to the market economy system, as known, relies on four
442 pillars: private property, free price system, competition and entrepreneurial ability. Market economy is considered
443 as the economy of free initiative and according to this free initiative is private property. The development of free
444 enterprise combined with efforts to create an institutional market, with clear rules of the game for all, constitute
445 a guarantee for the development of rapid and sustainable economic development. It is recognized, theoretically
446 and practically, that sustainable economic growth also improves the social and political stability and in terms
447 of the transition period which is Somaliland currently situated guarantees reform system. Sustainable growth is
448 achieved when in the country is created a safe environment and sustainable private sector.

449 iii. Main Challenges of SMEs Most challenges that SME’s face are more but I can tell you some of them
450 which are Lack of financing because small micro enterprises typically have little to access to commercial banks or
451 Islamic banks and also they face lack of creditor SMEs are working in this Country and competitive environment
452 as a result SMEs are affected by factors within their boundary. Organizational problems grouped into five areas
453 which are human relations, accounting, marketing; internal management and external management. Although,
454 they have generally concluded that the most prevalent areas in which SME have problems are sales or marketing,
455 human resource management, and general management, they specifically reported promotion, marketing research
456 and training as the most frequently encountered problems such as public relations and lack of adequate marketing
457 skills that could be minimized through mass sanitization of SMEs using local and international media in form of
458 local newspaper, radios, direct mails, among others.

459 **38 Chapter Five**

460 V.

461 **39 Summeries, Conclusions and Recommendations a) Introduction**

462
463 The chapter presents a summary, conclusions and recommendations on the specific Factors affecting the
464 performance of Based on the findings in chapter four, the study gives a Summary, recommendations and
465 suggestions for further research. The recommendations are based on the objective of the study.

466 **40 b) Summaries**

467 From the findings of the study discussed in chapter four above, the study established in some of the supermarkets
468 that were located in the city center was too expensive for most small and medium entrepreneurs. The study
469 found out that most of the SMEs operating in Hargeis a have very low or no education background. The study
470 also found out that most of the entrepreneurs were not aware of the feelings of their customers towards their
471 business making it difficult to convince them to buy their products. The study also discovered that most of the
472 small and medium entrepreneurs lack customer care. So, they were most likely to lose customers every day. The
473 study found that the majority of SME’s are constrained by lack of financing because small micro enterprises
474 typically have no access to commercial banks because they do not exist in this country. This implies that lack of
475 credit facilities make it difficult for small and medium entrepreneurs facilitate their businesses.

476 The study also found out that SME’s are also lacking adequate marketing skills to operate the business perfectly
477 well

478 **41 c) Conclusions**

479 From the presentation of chapter four and summary above the study concludes that access to business location
480 affected the performance of the business to a great extent. The study further concludes that accessibility to
481 business location affected the performance of SMEs. The location of business was readily available to them to
482 entrepreneurs hence were able to make timely and quality decision to propel their business operations forward.

483 If the location is available was relevant for their business as it informed them of the changes in the business
484 environment and business registration requirements. The information available to the entrepreneurs in this
485 market was necessary for their business growth.

486 The study further concludes that access to finance affected performance of SMEs. It affected performance to
487 a great extent because it limited the entrepreneurs’ ability to take advantage of opportunity as and when they
488 arose. The sources of capital for SMEs differed ranging from own savings, bank loans, and donations from family
489 and friends among other sources. The entrepreneurs in this market were found not to have enough capital to
490 finance their business operations.

491 The study further concludes that education of manager of SME’s affected the businesses to a very great extent
492 by facilitating communication with both the supplier and customers, by easing the transportation of goods and by

493 easing the marketing of our products. Technology provided payment options to entrepreneurs thereby expanding
494 their payment options.

495 Finally the study concludes that most of the respondents measured the performance of the business the number
496 of customers and that the government policy and regulations affect the performance of the business to a very great
497 extent through taxation, licenses, through creation of support funds and through liberalization of the economy.

498 The availability of managerial experience affected the performance of SMEs of SMEs to a great extent. The
499 entrepreneurs were well prepared to face changes in the business environment and to plan appropriate changes in
500 technology. Managerial skills were found to be the most important constraint faced the respondent. Managerial
501 experience is important in any business because it determines the quality of decisions made and how they impact
502 on the performance of an organization. d) Recommendation 1. From the above presentations of summary and
503 conclusion, the study makes the following recommendations on the specific factors affecting the performance of
504 SMEs in Hargeisa. The study recommends that business location need to be made accessible to all business people
505 in the market. Although the entrepreneurs accessed necessary business location, the location was limited and
506 was only available to a limited number of entrepreneurs. This study therefore recommends that infrastructure
507 be put in place to increase the location among entrepreneurs to promote the growth and performance of such
508 enterprises. 2. On access to Finance, the study recommends that the Government of Somaliland works out
509 modalities on how to finance SMEs. This has been promoted to some extent by the creation of several funds like
510 the Youth Development Fund and Women Development Fund. This would promote accessibility to pre-requisite
511 capital necessary for the growth and development of SMEs in Soma lil and. 3. It further recommends that
512 technology be included in aspects of the business to facilitate communication with both the various stakeholders
513 in business. By doing this, the SMEs will benefit from the ease of transportation of goods, marketing and pricing
514 of their commodities. 4. Finally the study recommends that the government policy and regulations that affect
515 the business should be looked into so that to ensure they do not affect the performance of the business in a
516 negative way.

517 1. In the name of Allah, Most Gracious, Most Merciful 2. All praise and glory to Almighty Allah (Subhanahu
518 Wa Taalaa) who gave me courage and patience to carry out this work. Peace and blessing of Allah be upon last
519 Prophet Muhammad (Peace Be upon Him).

520 3. Pursuing a master degree is a both painful and enjoyable experience. It's just like climbing a high peak
521 , step by step, accompanied with bittiness, hardships, frustration encouragement and trust and with so many
522 people's kind help after Allah, When I found myself at top enjoying the beautiful scenery, I realized that it was,
523 in fact, teamwork that got me there. Though it will not be enough to express my gratitude in words to all those
524 people who helped me, I would still like to give my many, many thanks to all these people. ^{1 2 3 4 5}

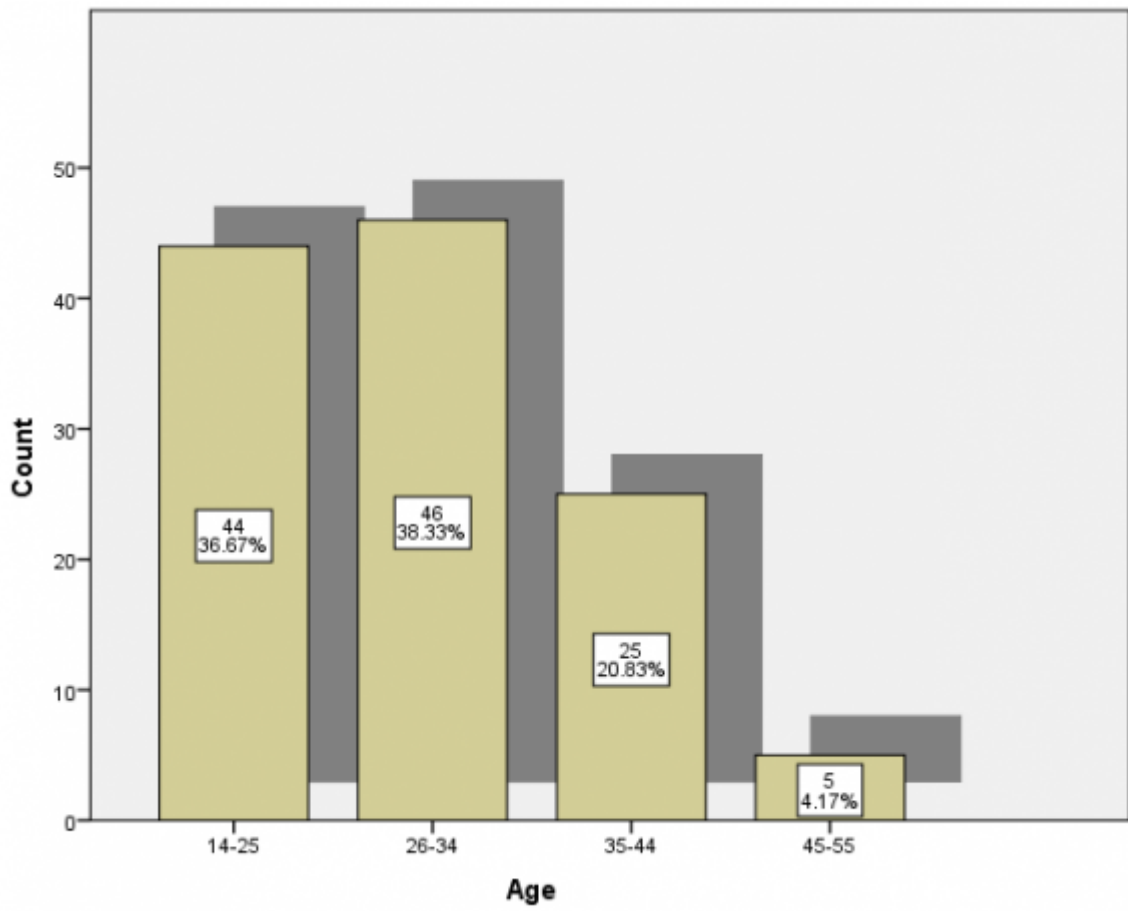
¹© 2017 Global Journals Inc. (US)

²Factors Influencing the Performance of Small and Micro Enterprises (SMEs) in Somaliland a Case Study of Hargeisa City

³© 2017 Global Journals Inc. (US) 1

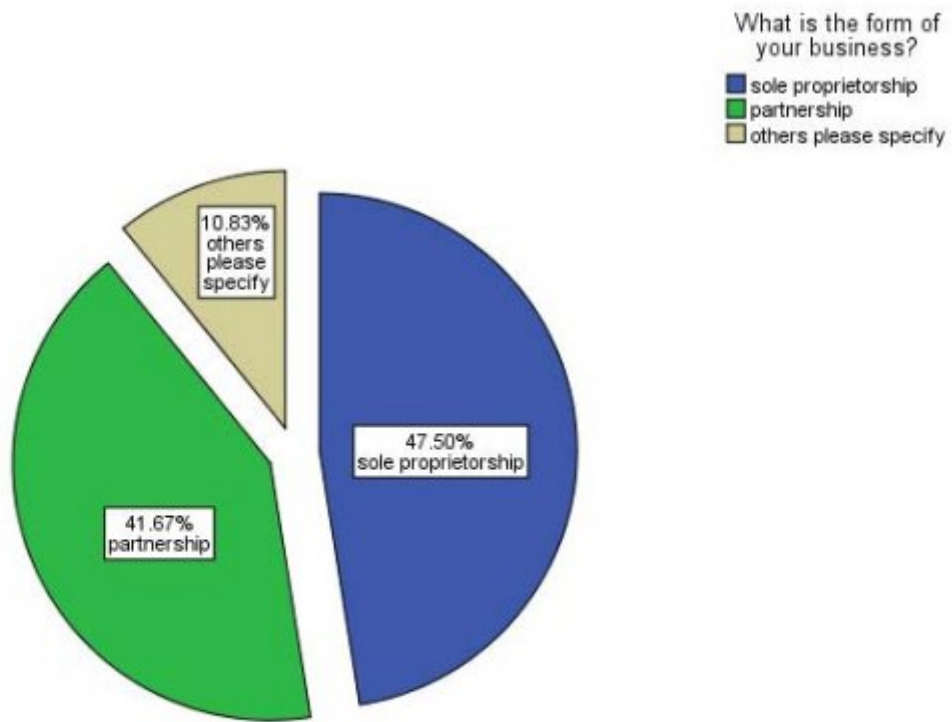
⁴© 2017 Global Journals Inc. (US) 1Factors Influencing the Performance of Small and Micro Enterprises (SMEs) in Somaliland a Case Study of Hargeisa City

⁵Factors Influencing the Performance of Small and Micro Enterprises (SMEs) in Somaliland a Case Study of Hargeisa City VI.



21

Figure 1: Figure 2 . 1 :



1

Figure 2: FactorsFigure 1 :



2

Figure 3: Figure 2 :

2

Year
22
Volume XVII Issue V Ver-
sion I
() A
Global Journal of Man-
agement and Business Re-
search

Marital status	Gender	Frequency	Table N %	Percent-
Male	female	Total	73%	27%
		88	32	120
Single		67		55.8%
Married		49		40.8%
Separated		2		1.7%
Widowed		1		0.8%
Missing		1		0.8%
Total		120		100.0%

Figure 4: Table 2 :

3

	Employment in other sector or not					Percent
	Private	Civil service	NGO	Others	Total	
Employed in other sector	Count	Count	Count	Count	Count	Percent
Yes	76	7	9	9	101	84.1
No	0	0	0	0	19	15.9
Total	76	7	9	9	120	100
	63.3	5.7	7.5			

Figure 5: Table 3 :

4

SME location	Count	Table N %
Comfortable	107	89.2%
uncomfortable	13	10.8%
Total	120	100.0%

Figure 6: Table 4 :

5

Transport	8	6.7%
Grocery	4	3.3%
Boutiques/clothes shop/tailoring	17	14.2%
Supermarket	36	30.0%
Electronics	14	11.7%
Retail shop	27	22.5%
Service (shoeshine/barbershop/s alon)	14	11.7%
NA	0	0.0%
Total	120	100.0%

Figure 7: Table 5 :

6

Time of Business being operating	Count	Table N %
less than 1year	13	10.8%
2-3 years	14	11.7%
4-7 years	41	34.2%
8-10 years	1	0.8%
over 10 years	51	42.5%
Total	120	100.0%

Figure 8: Table 6 :

7

Business Registration	Frequency	Percent
Registered	104	87%
Not registered	16	13%

Figure 9: Table 7 :

Year
 Volume XVII Issue V Version I
 () A
 Global Journal of Management and Business Research

Figure 10:

.1 Acknowledgements

Establishment Data for Lower ??axony, 1978 ??axony, -1989 You have been selected to participate in this study to obtain your perceptions and views regarding various aspects of the SME sector. There are no good or wrong answers but your honest participation in answering the questions will assist in establishing the factors influencing performance of the small businesses in Hargeisa town. The information provided will be treated confidentially.

.2 Appendix iii

Questionnaire: for the Entrepreneurs

[Washington Business Journal] , *Washington Business Journal*

[Manufacturing Sector. The Empirical Renaissance in Industrial Economics] , *Manufacturing Sector. The Empirical Renaissance in Industrial Economics* 35 (4) p. .

[Perry and Pendleton ()] , C Perry , W Pendleton . *Successful Small Business Management* 1983. Pitman Publishing.

[Hargeisa: ICEG and K-REP ()] , *Hargeisa: ICEG and K-REP* 1999. National Baseline Survey ; National Micro and Small Enterprise Baseline Survey

[Okafore ()] , Okafore . <http://. Africa Unchained> 2006.

[Bonte ()] , Worner Bonte . *Economic Geography* 2009. 85 p. .

[Gene and Davis ()] *Business Research for Decision Making*, Loren Gene , Lillian Davis , Gladys . 1996. London: Duxbury Press.

[Weitzel ()] *Decline in Organizations: A Literature Integration” in Zimmerer, entrepreneurship and small business management*, W Weitzel , Jonsson , E . 1989. New York: Prentice Hall.

[Krejcie and Morgan ()] ‘Determining the Sample Size for Research Activities’. Robert Krejcie , Daryle Morgan . *Educational and Psychological Measurement* 1970. 30 p. .

[Hisrich ()] ‘Entrepreneurial dimensions: The relationship of individual, venture, and environmental factors to success’. R Hisrich . *Entrepreneurship Theory and Practice* 2000. 24 (4) p. .

[Holt ()] *Entrepreneurship: New venture creation*, D H Holt . 1992. New York: Prentice Hall.

[Allison ()] *Event History Analysis: Regression for Longitudinal Even Data*, P Allison . 1984. Beverly Hills: Sage Publications.

[Wanjohi and Mugure (2008)] ‘Factors affecting the growth of MSEs in rural areas of Kenya: A case of ICT firms in Kiserian Township, Kajiado District of Kenya’. A Wanjohi , A Mugure . *Administrative Science Quarterly* 2008. March. 34 p. .

[Gakure ()] *Factors Affecting WEs’ Growth prospects in Kenya. Prepared for the International Labour Organization (ILO)*, R Gakure . 2006. November 2003. Geneva.

[Wagner ()] *Firm Size, Firm Growth and Persistence of Chance: Testing Gibrat’s Law with*, J Wagner . 1992.

[Mccormick ()] *Gender in small Enterprise in Kenya: an institutional Analysis*, D Mccormick . 2009.

[King and Mcgrath ()] ‘Globalisation, Enterprise and Knowledge: Educational Training and Development’. K King , S Mcgrath . *International Review of Education* 2002. 50 (1) p. .

[International Labour Organization-ILO (1989)]A strategy for small enterprise development towards the year 2000] *International Labour Organization-ILO (1989)A strategy for small enterprise development towards the year 2000*, Nairobi, Kenya.

[Thapa ()] ‘Micro-enterprises and House hold Income’. A Thapa . *The Journal of Nepalese Business Studies* 2007. 4 (1) p. .

[Raman ()] ‘Motivating Factor of Educated Self Employed in Kerala: A Case Study of Mulanthuruthy Block Ernakulum. Discussion Paper No. 90’. R Raman . *Kerala Research Programme on Local Development Center for Development Studies* 2004.

[Lucas ()] ‘On the Size Distribution of Business Firms’. R E LucasJr . *The Bell Journal of Economics* 1978. 9 (2) p. .

[Staw ()] ‘Psychological dimensions of organizational behaviour’. B Staw . *Journal of Economic Literature* MacMillan. Sutton, J (ed.) 1991. 1997. 35 (1) p. . (Gibrat’s Legacy)

[Kothari ()] ‘Research methodology: Methods and Techniques’. C Kothari . *New Age International (P) Limited, Publishers*, (New Delhi) 1990.

[Ronge et al. ()] *Review of government policies for the promotion of Micro and small scale enterprises in Kenya*, E Ronge , Ndirangu , H Nyangito . 2002. (KIPPRA Discussion paper)

[Amyx ()] *Small Business Challenges -The Perception Problem: Size Doesn’t Matter*, C Amyx . 2005.

- 578 [Longenecker et al. ()] *Small Business Management, An entrepreneurial emphasis*, J Longenecker , C W Petty ,
579 J W Moore , L E Palich . 2006. London: Thomson South Western.
- 580 [Cochran ()] ‘Small Business Mortality Rates, A Review of the literature’. A Cochran . *Journal of Small Business*
581 *Management* 1981. 19 (4) p. .
- 582 [Keeble ()] ‘Small firms, innovation and regional development in Britain in the 1990s’. D Keeble . *Regional Studies*
583 1997. 31 (3) p. .
- 584 [Rowe ()] *SMEin Britain*, J Rowe . 2008. (Published in Knowled at SMU. [[http://knowledge@SMU.edu](http://knowledge@SMU.edu.sg/artice)
585 [sg/artice](http://knowledge@SMU.edu.sg/artice)])
- 586 [Cortes ()] *Success in Small and Medium Scale Enterprises: The Evidence from Colombia*, M Cortes . 1987. New
587 York: Oxford University Press.
- 588 [Almus and Nerlinger ()] ‘Testing ”Gibrat’s Law” for Young Firms Empirical Results for West Germany’.
589 Matthias Almus , Eric A Nerlinger . *Small Business Economics* 2000. 15 p. .
- 590 [Evans ()] ‘Tests of Alternative Theories of Firm Growth’. D Evans . *Journal of Political Economy* 1987b. 95 (4)
591 p. .
- 592 [Hart and Paris ()] ‘The Analysis of Business Concentration: A Statistical Approach’. P Hart , S Paris . *Journal*
593 *of the Royal Statistical Society* 1956. 119 (2) p. .
- 594 [Becchetti and Trovato ()] ‘The Determinants of Growth for Small and Medium Sized Firms. The Role of the
595 Availability of External Finance’. L Becchetti , G Trovato . *Small Business Economics* 2002. 19 p. .
- 596 [Mcperson ()] ‘The Hazards of Small Firms in Southern Africa’. M Mcpherson . *The Journal of Development*
597 *Studies* 1995. 32 (1) p. .
- 598 [The New SME Definition ()] *The New SME Definition*, 2011. User Guide.
- 599 [Weber ()] *The Protestant Ethic and the Spirit of Capitalism*, M Weber . 1930. New York: Charles Scribner’s
600 Sons.
- 601 [Ainebyona ()] *The Reintegration of the Female Ex-Abductees of the Lord’s Resistance Army: A Case of Gulu*
602 *District*, Gerald Ainebyona . 2011. Saarbrucken: Lap Lambert Academic Publishing.
- 603 [Hall ()] *The Relationship between Firm Size and Firm Growth in the US*, B Hall . 1987.
- 604 [Meng and Liang] *W (1996) Entrepreneurs, entrepreneurship and enterprising culture*, L Meng , T Liang . Paris:
605 Addison-Wesley.