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COLLEGE OF BUSINESS AND ECONOMICS
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**The Contribution of Micro and Small Enterprises to Local Economic
Development: Evidence from Coffee Houses of Mekelle City**

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Contents

| | |
|---|------|
| CERTIFICATION | v |
| Acknowledgements..... | vi |
| List of tables | vii |
| List of figures..... | viii |
| Acronyms | ix |
| ABSTRACT | x |
| CHAPTER ONE..... | 1 |
| INTRODUCTION | 1 |
| 1.1 Background of the study | 1 |
| 1.2 Statement of the problem | 3 |
| 1.3 Research questions..... | 4 |
| 1.4 Objective of the study | 4 |
| 1.4.1 General Objective | 4 |
| 1.4.2 Specific Objectives | 4 |
| 1.5 Significance of the Study | 5 |
| 1.6 Scope of the Study | 5 |
| 1.7 Organization of the study | 5 |
| CHAPTER TWO | 6 |
| LITERATURE REVIEW..... | 6 |
| 2.1. Theoretical Literature..... | 6 |
| 2.2. Definitions and concepts of MSEs | 7 |
| 2.2.1. Meaning and Concepts of LED | 8 |
| 2.2.2. Dimensions of LED | 9 |
| 2.2.2.1. The territorial dimension..... | 9 |

| | |
|---|-----------|
| 2.2.2.2. The governance dimension..... | 9 |
| 2.2.2.3. The integrated dimension | 10 |
| 2.2.2.4. The sustainability dimension | 10 |
| 2.3. Contribution of MSEs to LED..... | 11 |
| 2.4. Empirical Literature..... | 12 |
| 2.5. Contribution of MSEs to LED in developing countries..... | 14 |
| 2.5.1 Contribution to employment creation | 15 |
| 2.5.2. Contribution to wealth creation/capital formation | 16 |
| 2.5.3. Contribution to tax revenue generation | 16 |
| 2.6.4. Contribution to market creation to retailers and wholesalers..... | 17 |
| 2.6. Contribution of MSEs to LED in Ethiopia..... | 17 |
| 2.7. Coffee houses as emerging business ventures in Urban Ethiopia..... | 18 |
| 2.8Theoretical and conceptual Framework..... | 19 |
| CHAPTER THREE..... | 22 |
| RESEARCH METHODOLOGY..... | 22 |
| 3.1. Description of the Study Area | 22 |
| 3.2. Type and Sources of Data | 22 |
| 3.2.1. Types of data..... | 22 |
| 3.2.2. Source of data | 23 |
| 3.3. Target Population..... | 23 |
| 3.4. Sampling Design and Procedures | 23 |
| 3.5. Data Collection..... | 25 |
| 3.5.1. Primary data collection instruments | 25 |
| 3.5.2. Key informant interview | 25 |
| 3.6. Data Analysis..... | 25 |
| 3.7. Ethical Considerations | 25 |

| | |
|---|----|
| CHAPTER FOUR..... | 27 |
| RESULTS AND DISCUSSION..... | 27 |
| 4.1. Demographic Features | 27 |
| 4.2. Commencement of the Business and Prior Business History | 29 |
| 4.3. Source and Amount of Initial Capital to Run the Business | 32 |
| 4.4. Employees and Employment Benefits of the Business..... | 34 |
| 4.5. Operators Perception on the Business..... | 37 |
| 4.6. Average Sales Volume | 39 |
| 4.7. Advantages of Engaging in the Business | 42 |
| 4.8. Support Needs from Stakeholders to the Business Endeavors..... | 51 |
| 4.9. Internal and External Challenges of the Business | 53 |
| CHAPTER FIVE | 58 |
| SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION..... | 58 |
| 5.1 Summary of the Findings | 58 |
| 5.2 Conclusion..... | 62 |
| 5.3 Recommendations..... | 63 |
| BIBLIOGRAPHY | 64 |
| APPENDIXES | 70 |

Declaration

The thesis entitled “ **The Contribution of Micro and Small Enterprises to Local Economic Development: Evidences from Coffee Houses of Mekelle City**” is my original work and has not been presented for a degree, diploma or fellowship to any other university and that all the sources of materials used for the thesis have been dully acknowledged.

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CERTIFICATION

This is to certify that this thesis entitled “**The Contribution of Micro and Small Enterprises to Local Economic Development: Evidences from Coffee Houses of Mekelle City**” Submitted in partial fulfillment of the requirement for the award of the degree of MA, in Development studies of the college of Business and Economics, Mekelle University, through the Department of Management, done by Mr. Tekle Hiluf Abrha, ID. No: CBE/PE046/04 is carried out by him under our guidance..

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List of tables

| | |
|--|----|
| Table 2.1: Micro and Small Enterprises definition in Ethiopia..... | 8 |
| Table 3.1: Proportionate sampling of primary data sources..... | 24 |
| Table 4.1: Demographic indicators of the sampled population..... | 28 |
| Table 4.2: Prior engagement of interviewed operators..... | 30 |
| Table 4.3: Main reasons to engage in this business..... | 31 |
| Table 4.4: Major source of initial capital (in Birr)..... | 32 |
| Table 4.5: Ownership of the house of the business..... | 34 |
| Table 4.6: Average rent pay per month..... | 34 |
| Table 4.7: Availability and type of employee in the business..... | 35 |
| Table 4.8: Average wage paid per individual worker per month (ETB)..... | 36 |
| Table 4.9: Average time (estimated in hours) spent by workers in the business per day..... | 36 |
| Table 4.10: Perception of operators' future business in the coming five years..... | 38 |
| Table 4.11: Perception of operators' business preference to other business (job) type..... | 38 |
| Table 4.12: Average Sales of Coffee, Tea and <i>Keshir</i> | 39 |
| Table 4.13: Expected daily average sale of small, medium and large bottled water..... | 41 |
| Table 4.14: Advantages of involving in coffee house business..... | 42 |
| Table 4.15: Saving patterns of the business..... | 43 |
| Table 4.16: Alternate saving options..... | 44 |
| Table 4.17: Types of fixed asset attained from the business..... | 46 |
| Table 4.18: Estimated value of the assets..... | 46 |
| Table 4.19: Dependants on the coffeehouse owner..... | 47 |
| Table 4.20: Tax registration, contribution to development and taxation period..... | 48 |
| Table 4.21: Do you pay on time..... | 48 |
| Table 4.22: Fairness of annual taxation payment..... | 49 |
| Table 4.23: Major supporters (stakeholders) of the business..... | 51 |
| Table 4.24: Do you believe that the support given by these authorities were very helpful..... | 52 |
| Table 4.25: Types of support attained from stakeholders to the business..... | 52 |
| Table 4.26: Main challenges (internal) faced while starting the business..... | 53 |
| Table 4.27: Main challenges (internal) faced after starting the business..... | 54 |
| Table 4.28: Major challenges (external) faced while initially engaged in the business..... | 54 |
| Table 4.29: Profitability of Coffee and Tea sales..... | 56 |
| Table 4.30: Average daily sells of small, medium and large bottled water..... | 57 |

List of figures

| | |
|--|----|
| Figure 3.1. Map of the study area, Mekelle | 22 |
| Figure 4.1. Commencement of business..... | 29 |
| Figure 4.2. Amount of initial capital (in Birr)..... | 33 |
| Figure 4.3. Number of employee employed in the business..... | 35 |
| Figure 4.4. Perception on successfulness in your business..... | 37 |
| Figure 4.5. Daily Average Savings..... | 45 |
| Figure 4.6. Results on fixed assets gained from profits generated from coffee houses..... | 45 |
| Figure 4.7. Estimated amount of annual taxation payment..... | 49 |
| Figure 4.8. Support to start the coffee house business..... | 51 |

Acronyms

| | |
|------------|---|
| BoFED | Bureau of Finance and Economic Development |
| CIAT | Centro Internacional de Agricultural Tropical |
| CSA | Central statistics Agency |
| ETB | Ethiopian Birr |
| FAO | Food and Agricultural Organization |
| FDRGE | Federal Democratic Republic Government of Ethiopia |
| FUPI | Federal Urban Planning Institute |
| GDP | Gross Domestic Product |
| HCIDC | House of Commons International Development Committee |
| ICC | International Coffee Council |
| IFC | International Finance Cooperation |
| IHDP | Integrated Housing Development Program |
| ILO | International Labor Organization |
| LED | Local economic Development |
| MoFeD | Ministry of Finance and Economic Development |
| MoTI | Ministry of Trade and Industry |
| MoUDC | Ministry of Urban Development and Construction |
| MSEDS | Micro and Small Enterprise Development Strategy |
| MSEs | Micro and Small Enterprises |
| NCR | National Credit Regulator |
| OECD | Organization for the Economic Cooperation and Development |
| SSA | Sub Saharan Africa |
| STATA | Statistical and Econometric Software Package |
| TVET | Technical and Vocational Education and Training |
| UCH | Urban Coffee House |
| UN-Habitat | United Nations for Human Settlement |
| USD | United States Dollar |
| WFP | World Food Program |

ABSTRACT

The study was carried on “The contribution of micro and small enterprises to local economic development. Conducting this study was timely since there was no such research focusing on the contribution of coffee house businesses despite the emergence of vibrant coffee businesses in Mekelle. Accordingly, evidences from coffee houses of Mekelle city was collected from August 2013 to June 2014 with the objectives of exploring the contribution of coffee houses in creating employment opportunity, in income generation/capital creation, to tax revenue of the city, and assessing the opportunities and challenges of running a coffee house business using a standardized questionnaire survey administered to a total of 107 respondents of which only 102 respondents were interviewed. Descriptive analysis was employed to analyze the data collected from these 102 respondents. The result indicated that the coffee house business is the domain of female entrepreneurs and majority of these women have managed to generate sizable amount of income and improve their household welfare through coffee sales. In addition, the coffee house businesses have created job opportunities to others while also contributing to local economy and communities through income tax payment and business premises run. However, many of the coffee house business owners or managers have to deal with several challenges such as lack of entrepreneurial and business management knowledge, interpersonal skills, working premises, access to credit, and other support services Hence, pertinent bodies need to intervene in order to address these challenges and ensure sustainability of these businesses as an alternative livelihood and development strategy.

Key words: Coffee, Income, Local development, Mekelle, SMEs

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

According to (Gwen, 2006) The principle of local economic development (LED) is building the capacity of local economic to empower the coming economic prospect to strengthen and improve the quality of living standard for the whole population and it is process by which business, non-governmental organizations and the public work jointly to bring or to create better conditions for economic growth in addition to employment creation every city, town and community has unique local conditions that either hinder or help its economic development with the participation of private firms or enterprises to generate jobs, wealth and better living standard in local people. However, the private enterprise depends on favorable local business conditions to achieve prosperity. The local governments have also a crucial role in creating suitable condition for job creation and business success

Infrastructure and services improvement are essential elements of urban development, and can result in more equitable access, more efficient and widespread coverage and improved environment and health (Jonathan R., 2004). In Mekelle city Coffee house are increased their number in relation with the pavement of Cobble stone. Thus, results in motivating in employment creation and revenue collection of the city administration.

Globally, the largest share of women entrepreneurs both in growing and established businesses are active in consumer oriented activities, Among low and middle income countries, women's largest share is in consumer oriented businesses, These include services and traditional lower value added sectors such as garments and food processing, restaurants, wholesale and retail trade (World Bank Group, 2011).

Ethiopia with population of 82,101,998 (CSA, 2011) is the second populated country in SSA with total area of 1.1 million square kilometer. Of the total population, 83 percent were living in rural areas, while the remaining 17 percent were living in urban areas. (MoFED) indicates that

nearly 26 percent of the nation's urban dwellers in Ethiopia live below the poverty line. Ethiopia is poor agrarian nation and the per capital income is USD 350 (World Bank, 2011). Despite such improvements, unemployment is still high and there are different socio economic problems in the country. The general unemployment rate (as % of the total labor force) was 18.0% in 2009. It was higher for female 25.3% compared to male 11.4% (CSA, 2011).

Tigray region, which is found in the northern part, is one of the regions in Ethiopia. It has a total population of around 4.8 million with the majority that is 80.05% are living in rural areas and the remaining 19.5% resides in urban areas and Mekelle city is one of the ancient cities which were established in the 14th century by reign of Atse Seife Racadand (Federal Housing Policy, 2005/6). Mekelle is the sixth largest city in Ethiopia, Located in the northern part of the country, it was established as an urban center in 1869-1873 and is capital of Tigray region since, its establishment, the city has expanded tremendously by engulfing many small villages and towns. In 2005 the city covered an area of 28 square kilometers. In 2006, small towns of Quiha and Aynalem were incorporated within Mekelle city. At present Mekelle city covers an area of 109.36 square kilometers (BoFED, 2009 cited in Jessica, 2009). According to CSA (2011), the city has a population of 261,177 with population density of 405.1 per square kilometer and the unemployment rate for male was 14.5% while for female 29.4% (CSA, 2007).

Ethiopia is well-known, and the origin of coffee in addition is the main producer in Africa. Ethiopia is the sixth potential producer of Arabica coffee in the world. About 15 million people (almost 20 percent of the total population) directly or indirectly depend on coffee for their living. Ethiopians consume about half of all coffee produced in the country. Ethiopian family unit usually set up and drinking coffee more than two times a day, and the traditional coffee ceremony is away to welcome guests to one's shop (Merritt and Abu, 2012). This study looks the recent flourishing and the popularity of Coffee houses in Mekelle City motivates the local economy by creating employment opportunity, value add to the real estate rent, residents changed to commercial blocks, advantageous to the city administration in tax collection and if any its social problems Contribution of Micro and Small Enterprises to Local Economic Development: Evidences from Coffee Houses of Mekelle City.

1.2 Statement of the problem

Currently, there is fast expansion of Mekelle city and there also expansion of coffee houses in the city but they are not supported through researches and the Contribution of Micro and Small Enterprises to Local Economic Development in relation with Coffee Houses were not clearly indicated previously.

Cities with their respective urban areas are expanding with a population which is expected to exceed 60% by the year 2030 from the existing population, where 90% of the projected increment will be in low-income countries, growing at five times compared to the rate of urban areas in the developed countries (United Nations, 2005). Besides, significant amount of urban population growth will take over in those in small towns and cities (Nigussie *et al*, 2012 and Cohen, 2004). The expansion of cities and urban areas requires the supply of land, infrastructure, utilities, employment and social services. According to recent literature, the allocation of public capital in Ethiopia is said to favor urban areas. For instance, rural areas constitute 85% of the population but are recipients of only 81.4 per cent of public investment. In contrary, cities contain 5% of the population but receive 9% of public investment (Dorosh and Thurlow, 2012).

As of 2012, urban Ethiopia's constitutes a population of about 13 million (which is 16.5% of the country's overall population) (Ejigayehu and Edriss, 2012). In comparison to other African countries, albeit the level of urbanization of Ethiopia is low, the urban population is increasing speedily with a mean growth rate of 4% per annum. With the stated growth rate, Ethiopia's urban population will be expected to exceed 50 million in 2050 (*ibid*). Urbanization unemployment accompanied with price inflation has been one key elements resulting in augmented food insecurity in urban areas of the country (WFP, 2009). Yet little is known about the role of urban coffee houses in terms of employment, income generation, and tax contribution, making it difficult for both regional development practitioners and policy designers to determine the potentials and challenge so as to proactively plan for sound local development.

Mekelle is a fast growing city; the expansion of coffee house is a recent incident. Therefore, the research will mainly explore to understand the obliged and motivations of flourishing of Coffee houses in relation with the pavement of cobble stone. The service industry is an important component of any nation's economy and it has a direct significant influence to GDP and job opportunity, and provides essential inputs for the rest of the economy, consequently having a

considerable result on the overall business and investment climate, which is a crucial component of growth and development of a nation. The service sector registers a considerable proportion of GDP in most nations, addition to the low income nations, where often generates over 50percent of GDP. The services sectors constitute a growing percentage of GDP in almost all developing nations. The Services sector contributed 47 percent of growth in Sub-Saharan Africa over the period 2000-2005, though industry contributed 37 percent and agriculture 16 percent. (OECD, 2008). Therefore, from the stand point of local economic development, urban areas constitute particular importance. Given the significance importance of cities for development in general, this study investigates the role of urban coffee houses for local development in particular in the context of Mekelle City.

1.3 Research questions

This study has tried to address the following research questions

- What is the contribution of Coffee houses to Local Economic Development (i.e., employment, tax contribution, and asset/capital creation)?
- What determines the establishment and success of coffee houses in the study areas?
- What are the challenges and opportunities of Coffee houses?

1.4 Objective of the study

1.4.1 General Objective

The general objective of this paper is to assess the Contribution of Micro and Small Enterprises with major focus on coffee houses to Local Economic Development

1.4.2 Specific Objectives

The specific objectives of the study are:

- To determine the expansion and growth of coffee houses Mekelle city.
- To explore the role of coffee houses in creating employment opportunity, to examine the contribution of coffee houses in income generation/capital creation and to determine the tax contribution of urban coffee houses
- To assess the opportunities and challenges of running a Coffee house business.

1.5 Significance of the Study

In this area no study was done on the contribution of Coffee houses to local economic development. therefore this research has tried to analyze on the contribution of Coffee houses to local economic development in addition the study will contribute to policy makers and implementers by identifying the major advantages and draw back. The study will serve as a reference material for further study in this area. The findings will also help for various governmental and non-governmental organizations as a means of intervention in creating job opportunity in order to strengthen the positive impacts.

1.6 Scope of the Study

The study has focused in terms of geographical area only in Mekelle city because now days the flourishing of Coffee houses is anew fashion in the city and it is very simple to start the business. No such high expansion of Coffee house business is registered in other areas of the region and the country at large so that this is the main justification for limitation of the study. Even if due to lack of prior study experience and the nature of the business formation it is very difficult to know the real income of the Coffee house operators

1.7 Organization of the study

Generally, this study organized in to five chapters. Chapter one deals with back ground of the study, statement of problem, research questions, objective of the study, Significance of the study and limitation of the study. The second chapter a review of literature that discusses some earlier and recent empirical literatures related to the both LED and Coffee houses. Chapter three provides description of the study area, types and source of data, target population, sampling design and procedures, data collection and methods of data analysis. The fourth chapter Provides with the result and associate discussions obtained from the questionnaire and key informants interview of the study area. The last chapter provides Findings, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Literature

Literature on MSEs shows that the promotion of MSEs is one of the policy strategies for achieving national development goals such as poverty alleviation, economic growth increasing People's participation in economic activities, employment creation and income generation (Raymond, 2009). People, especially in the developing parts of the world, establish and run MSEs mainly to earn income and consequently bear up poverty, which can be explained in both income and non income based aspects. Although people's ultimate goal in undertaking any livelihood activity is to escape poverty by enhancing their status of wellbeing (Rigg, 2007).

The MSE sector everywhere is characterized by highly diversified activities which can create employment opportunities for a substantial segment of the population. This implies that the sector is a quick remedy for unemployment and poverty problem. The realization of a modest standard of living through curbing unemployment and facilitating the environment for new job seekers and self-employment requires a direct intervention and support of the government and other concerned stakeholders (Mulugeta, 2011).

The importance of the micro and small enterprises sector in Ethiopia, particularly for the low income, poor and women groups, is evident from their relatively large presence, share in employment and small capital requirement. These are sufficient reason for governments and other stakeholders in development to be interested in micro and small enterprises. However, in the context of many developing countries, countries in transition in particular including Ethiopia, MSEs are also seen as an emerging private sector, forming the basis for private sector led growth. In Ethiopia, at the level of strategy and policy, these roles of MSEs have received recognition. They are seen as means of providing employment, alleviating poverty, ensuring food security, and private sector development (Gebrehiwot and Wolday, 2006).

2.2. Definitions and concepts of MSEs

In legal terms distinctions are only made between sole traders, partners and companies with no formal definition of what constitutes a micro and small businesses. And there is no single definition of what constitutes a micro and small firm, which can be useful for all purposes (Lettice, 2004). Firms differ in their levels of capitalization, sales and employment. Hence, definitions which employ measures of size (number of employees, turnover, profitability, net worth, etc.) when applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to a different result (Dalitso and Peter, 2000).

According to OECD (2006) there is no universal definition of Micro and Small Enterprises (MSEs) because the classification of business in to large scale or small scale is subject and qualitative judgment. Accordingly different nations such as Britain, Canada and USA small scale are defined in terms of annual turnover and the number of paid employees. In addition, OECD (Ibid) small scale business is defined as industry with an annual turnover of two million pounds or less with fewer than 200 paid employees.

In China, enterprises employing less than 100 workers are referred as ‘small scale sector with no sub classification of the very small family businesses. European commission defines MSEs based on turnover, balance sheet and number of employees, accordingly a micro enterprise is one with less than 2 million turnover and less than 10 employees. Whereas, a small enterprise is one with less than 10 million turnover and has not more than 50 employees. World Bank since 1976 Firms with fixed assets (excluding land) less than USD 250,000 in value are Small Scale Enterprises (Yordanos, 2006). In case of Ethiopia, in the Micro and Small enterprises sector are defined both in terms of capital and number of employees.

Table 2.1: Micro and Small Enterprises definition in Ethiopia

| S.No | Level of Enterprise | Sector | Human power | Paid up capital (total asset) |
|------|---------------------|----------|-------------|---------------------------------------|
| 1 | Micro Enterprise | Industry | ≤5 | ≤ Birr 100,000 (\$6,000 or 4500) |
| | | Service | ≤5 | ≤ Birr 50,000 (\$3,000 or 2,200) |
| 2 | Small Enterprise | Industry | 6-30 | ≤ Birr 1,500.000 (\$90,000 or 70,000) |
| | | Service | 6-30 | ≤ 500,000 (\$30,000 or 23,000) |

Source: Ethiopia, Micro and Small Enterprise Development Strategy, 2011

From the above various discussions it can be conclude that there is no unique definition for micro and small enterprises. However, many countries commonly used number of employees as the dominant criteria to define micro and small enterprises because of comparatively ease of collecting information and here again there is variation in defining the upper and lower size limit of micro and small enterprise (Rosemary, 2009). So that in this survey the definition of Federal Democratic Republic Government of Ethiopia, MSEDs (2011) has been applied

2.2.1. Meaning and Concepts of LED

Local development represents only one element of LED. To compare business enabling and LED as approaches, it is therefore necessary to take a more comprehensive look at LED. What then is LED? A widely accepted definition is that it is a process in which partnerships between the private sector, local government, and the communities are established to control local, and possess external, resources that can be used to stimulate the economy of a well defined territory. In its former incarnations, the goal of LED was generally restricted to growing the economic and tax base of a location. Further newly, in the perspective of the Millennium Development Goals, a distinction has been made between economic growth as the “ultimate goal”, and poverty elimination as the “the main goal” of LED (Doug, 2007).

Local economic development is a participatory practice wherever neighboring people from all sectors work together to stimulate local commercial activity resulting in a resilient and sustainability of the economy. It is a means to help generate decent jobs and improve the quality of life for everyone, including the poor and marginalized (Shawn and Jorg, 2005)

2.2.2. Dimensions of LED

In an era of decentralization and globalization, local economic development has become a chosen development approach both in developed and developing countries. By strengthening their economies and improving their competitiveness, local economic development enables local authorities to contribute to overall national growth, poverty reduction and local employment generation. The particular attraction of local economic development is that it is multi actor, multi sector, territory based and endogenous development approach. As such it complements sectoral and macro economy development approaches in the fight against poverty and unemployment and aspires to bring sustainable and inclusive local economic growth (Tegegne *et al*, 2011).

2.2.2.1. The territorial dimension

The territorial focus of LED can be very attractive since it allows for a more efficient use of public funding. This could create income source through different mechanisms namely increased competition and autonomy can encourage governments to find more efficient and cost effective ways of providing duce goods and services, thus enhancing producer or x-efficiency (Lever and Turok 1999 Martínez-Vázquez and McNab 2003 cited in Andres and Sylvia, 2005).

Secondly, it can be argued that policies that are formulated by local governments tend to be more responsive to local needs and preferences in the allocation of resources, leading to consumer or a locative efficiency gains (Lever and Turok 1999 Martínez-Vázquez and McNab 2003 cited in Andres and Sylvia, 2005). Local governments are in general better suited to the task of tailoring policies to local needs, since they have better access to local information and can more easily identify and liaise with representatives of other local stakeholders (Musgrave 1959; Oates 1999 cited in Andres and Sylvia, 2005).

2.2.2.2. The governance dimension

Good governance in this context involves both the provision of adequate voice and exit options and the capability to successfully manage the social and economic development challenges within the territory (Huther and Shah, 1998 Cited in Andres and Sylvia, 2005).the context of

globalization and localization; these issues are no longer purely national. The importance of the locality in development and the resulting increasing reliance on LED strategies has augmented the need for good governance at all governmental levels (Ibid).

The success of LED strategies depends, to a large degree, on the existence of appropriate local and regional institutional systems and on the availability of the necessary frameworks and skill-levels at all government tiers. Good governance can stimulate the need of the society, communication of different stakeholders and provide power to the civil society within the population in general and facilitate spillovers into other policy areas. However, the level of cooperation and co-ordination needed can be difficult to achieve and costly to maintain, especially in the context of low and middle income countries (Andres and Sylvia, 2005).

2.2.2.3. The integrated dimension

In areas having diversified population in different areas top down national development policies are designed to fit the needs of the entire country and therefore run the risk of not being able to respond to the needs and priorities of (Tiebout, 1956; Oates Cited in Andres and Sylvia, 2005). If the growth of one region/country have an effect (trickledown effect) on the benefit of all regions geographic variation should not be considered rarely occur and are often outweighed by backwash effects (Hanson, 1998; Hanson and Harrison, 1999; Puga, 2002; Persky, Felsenstein, Carlson, 2004 Cited in Andres and Sylvia, 2005).

2.2.2.4. The sustainability dimension

LED strategies are particularly well placed to address sustainability issues for several reasons. Economic globalizations have created different effects on the social value. Firstly it affects the distribution of the society which has environmental related problems particularly in the developing countries (Kajumulo Tibaijuka 2004 Cited in Andres and Sylvia, 2005). Secondly, the multidimensional character of the sustainability concept presents a range of difficult tradeoffs. In this context, an LED approach offers an opportunity for residents and other local stakeholders to express their opinion and devise a strategy that fits the particular needs of the society. Particularly this is more important for the low income developing countries where environmental degradation often has a greater and more immediate effect on health and general well being (Kumar Duraiappah 2004 Cited in Andres and Sylvia, 2005). The local economic

development is enhancing through the buy-in of the policy maker involved in different sectors of higher officials. Similarly, these issues should be supported by policy makers in order to be sustainable (Andres and Sylvia, 2005).

2.3. Contribution of MSEs to LED

Microenterprises has emerged as promising opportunities to eliminate poverty and create jobs in Africa. The steady growth of microenterprises that has been witnessed globally and its role as an engine of growth and poverty alleviation is undisputable (Pisaniet, 2002 Cited in Adebayo *et.al*, 2011). It is particularly important to developing countries where no other options are available (Otero and Rhyne, 1994 Cited in Adebayo *et.al*, 2011). Sustainable way of reducing poverty in developing countries were practiced through creation of job for unemployed people, establishment of micro and small enterprises and skilled people about entrepreneurs . (UNIDO, WSIS report 2003 Cited in Adebayo *et.al*, 2011).

MSEs were among the programs the Government of Ethiopia has recognized and paid due attention to address the challenges of unemployment and expedite economic growth across the country. MSEs in Ethiopia have been making a significant contribution in the overall development and in the efforts geared towards reducing unemployment rate. In recognition of the economic and social role of MSEs in creating employment opportunities and generating income, the Government of Ethiopia, specifically Ministry of Trade and Industry formulated a strategy known as Micro and Small Enterprises Development Strategy in 2004 (Martha, 2012).

Micro enterprise contributes to African economy (GDP) ranges from about 15% to as high as 70%. Micro enterprises in Kenya 70% of business do not employ outside labor the owners are the sole owner and employee (Ray D., 2010). Currently, the micro and small enterprises are benefiting million of un employed youths of Ethiopia. Based on the statistics the sector has employed 1.15 million people in the year 2011/12 (Martha, 2012).

Micro and small enterprises (MSEs) provide income and employment for significant proportions of workers in rural and urban areas by producing basic goods and services for rapidly growing populations. SMEs play an important role in Ethiopian economy, typically contributing over

99% of all enterprises, over 60% of private sector employment, and about 30% or so of exports (Mulat and Tadele, 2006).

2.4. Empirical Literature

Enterprise development is the basic entry point of the LED program in Ethiopia. The establishment of the micro and small enterprises in Ethiopia gave particular attention to the people at a risk such as women, youth and disabled people. The enterprise development has been able to create employment for 9281 beneficiaries of the targeted groups (unemployed women, men, youth and vulnerable groups) and established or expanded 675 micro small enterprises with a total budget of Birr 88 831 664 (UNDP Birr 72 696 514 the local budget allocated for the past two years i.e 17,134,408 was considered as in kind such as land and premises (Tegegne *et al*, 2011).

With regard to the empirical research of the Contribution of Micro and Small Enterprises to Local Economic Development, For instance the study made by Hibret (2009) which focuses on the Impact of Business Development Services in Local Economic Development: The Case of Gullele Handloom MSE in City place Addis Ababa. Therefore, the paper concludes that the BDS have positively impacted business performance of handloom enterprise. Through this support the people are working for the improvement on the way through which some services have been provided and the accessibility of individual enterprises in order to gain the potential benefit from the service. Another study by Endalsasa (2012) mainly focused on The Contribution of Group Based Micro and Small Enterprises to the Local Economy and Social Development in the Arada Sub City Addis Ababa: A Case Study on Metal and Wood Work Enterprises. The findings of the study indicated that MSEs have great influential nature in the locality in terms of economic (be good source of income for local individuals) as well as non economic (for the development social capital/resource). The limited resources in the area such as lack of budget, small working space and shortage of raw materials, mistreatment among enterprises by the government and, absence of demonstration centers, difficult guarantee to get loan from financial institutions are some of the constraints that hinder operation of MSEs. The research has also recommended, there is a need for strengthening the growth of MSEs and thereby enhancing their socio

economic contributions by through encouragement to get credits, giving adequate working space in the proper places, and improving the business service

In addition to this a comprehensive study on the Performance of Micro and Small Enterprises and their Role in Enhancing Local Economic Development: A Case Study in Gullele Sub City of Addis Ababa was made by Munira in 2012 and the result shows that their contribution to local economic development is encouraging. Most of the workers perform their activity without prior training even if training is provided by the government. Nonetheless, the standard of the living condition of the operator's better as a result they have a plan to expand the business either in the same line or to have a branch and diversify the business which has a greater impact to the local economic development. However, there is still much untouched potential for improvements in this respect beyond what has been succeed previously. The most important challenges include lack of technical and entrepreneurial skills, shortage of budget, access to raw material and input and lack of market to their product.

Kidanemariam (2010) conducted another study on Target Groups and Location Factors of Local Economic Development: A Case Study of Mekelle City. The study result displayed that Mekelle city has favorable environment of LED interventions. Besides, the proportion of employment opportunities created from expansion of investment was found greater than new investment strategy in the city. The findings also indicated that Mekelle own basic capacity level of economic activity and strong local economic base in most of the economic sectors. Investors and small business were concerned significantly more to location factors related with some elements of production cost factors (geographical location with respect to market, incentives, cost of labor, availability and cost of real estate, cost of energy) and quality of life. The study concludes that balanced growth of target groups of LED is one of viable solutions to unemployment and other social ills of the city. The study accentuate that investing more on local factors especially in the area of cost factors and quality of life are timely response to maintain comparative and competitive advantage of the locality.

Kumeshe (2013) studied the Contribution of Community Based Development for Local Economic Development: Infrastructure, A case study of Yeka Sub-city Addis Ababa. The findings revealed that the contribution of community based development for Local Economic Development CBID is constructed based on the interest of community and most of them have

participated in raising resources. Meetings and social associations have also contribution in promotion of CBID. In addition CBID were contributing to LED in creating employment, income generation and better access of services of the CBID projects. Besides the above advantage, community mentioned that emphasis must be given to public toilet, green development, cobble stone and police station. However, some critical challenges like lack of start up and follow up support, lack of project quality; undedicated committees and un-coordination of other government offices are challenging the projects. Likewise, the regression result shows that in strong communities' infrastructure like safe drinking water and level of peace and security has progressed. However, strong CBID is observed to have relatively negative effects on house rent (measure of house value), level of economic activity and employment benefits. The benefit of the CBID in those dimensions (house rent, economic development and employment) has increased in the less CBID community.

In summary, there are no as such remarkable researches made to assess “The Contribution of Micro and Small Enterprises to Local Economic Development” in the country especially in Tigray /Mekelle/. But almost none the researches done in the country have The Contribution of Micro and Small Enterprises to Local Economic Development in relation with Coffee Houses. The pervious researches made on Local Economic Development in the country focused in the capital City Addis Ababa without the consideration of other regions of the country. Understanding this research gap this study is aimed at identifying the Contribution of Micro and Small Enterprises to Local Economic Development: with special focus on Coffee Houses of Mekelle City. However, to the best of my knowledge, there is no researched document to be used as reference about The Contribution of Micro and Small Enterprises of Coffee Houses in the city

2.5. Contribution of MSEs to LED in developing countries

This proves that MSEs have the potential to alleviate poverty and generate employment opportunities for unemployed people. At the same time, the sector plays significant role for the national economy and will have a major role to play in the future (Martha K., 2012). The Ethiopian private sector similar to other developing countries and the MSEs in particular face a number of constraining variables that hamper their growth. The common problems include consultancy, working premises, credit, infrastructure, extension service, information provision,

prototype development, preferential treatment, and many others, have yet to be addressed (Martha, 2012).

Creation of job opportunities and expansion of economic activities are considered important development strategies in response to the impact of financial crisis of the developing countries. Around the world, MEs are increasingly seen as the creators of new jobs (Amir, 2012). The contributions of MEs to the national economy can be measured in terms of some inter related issues: economic (income generation), social (poverty reduction) and political (wealth redistribution). MEs contribute to the economy of developing countries in various ways. They provide 71% in Sri Lanka and 87% in Bangladesh (Ibid).

In Kenya, the MSE sector is considered as one of the major contributors to the economy by providing income and employment to a significant proportion of the population. The data of 2003 revealed that the total people involved in MSE were 5.5 million compared with that of 2000 with the rate of increment 4.2 million. The income generated from this sector support 18.4% of the country's GDP (CBS, K-REP and ICEG, 1999 Cited in Eliud, 2006). The MSE sector should, therefore, not only be seen as a provider of goods services, but also as a driver of competition and innovation, attractive the enterprise culture necessary for private sector development and industrialization (Government of Kenya, 2005 Cited in Eliud, 2006).

2.5.1 Contribution to employment creation

According to Mulu (2007) in Ethiopia the average annual employment growth rates of the enterprises was 9.1% per year. The annual average growth for the one worker establishments is 19% tripled of the next size class (with 2-4 workers) and above 12 times than the enterprises with 5-10 workers. The establishment of the MSE within the past 5 years is responsible for 14% growth which is almost double compared to the 6-12 age group and more than four-times compared age group 13-29. This shows that the smaller and younger firms grow faster than their counterpart. The rate of growth of the sector operates in the system also differ. Manufacturing shows higher growth rate (13%) followed by service (11%) in contrast to trade (6.2%). Male headed firms' growth (10.6%) is more than double that of female headed firms (4.5%) annual average.

2.5.2. Contribution to wealth creation/capital formation

MSEs have significant roles in the Ethiopian economy. Their role is immense in terms of employment generation, powerful instrument in economic growth, source of income, quick production response, their adaptation to weak infrastructure and use of local resources, a means of realizing equitable income distribution and injecting a feeling of competition (Diriba, 2013).

MSEs also have great value in Ethiopian socio economic growth as it requires small capital, promote inter linkages as it is a base for medium and large scale enterprises, increased domestic saving and investment to get profit which lead them to save some of their income for economic growth (Ibid).

According to Diriba (2013) conducted a research in Jimma City, Socio-economic contribution of Micro and small enterprises result shows that, the operators of MSEs were not only getting income for current purpose but also or saving some of their income either for future consumption or further investment. About 86.8% of the operators responded that they have saving account, while 23.2% of them have no saving account. MSEs are sectors that initiate most people to develop businesses and accumulate capital. This result indicated that MSE activities make operators.

2.5.3. Contribution to tax revenue generation

Governments' revenue is boasted through the activities of Micro, Small and Medium Enterprises by way taxes. Governments can persuade their revenue if they are able to support more people to engage in Micro, small and medium enterprise businesses. The more Micro, small and medium enterprises there are in the community, the more revenues that the government could generate through taxes. Society will also be able to generate income thereby reducing poverty levels in the country (Daniel, 2010).

One of the ways to unleash the growth potential of a locality is to enhance its revenue generation capability. There has to be a continuous flow of revenue to support economic and other activities in the locality. Expanding existing revenue base and introducing new sources of income should therefore be seen as key areas of local development (Tegegne *et.al*, 2011).

Locally generated municipal revenues fall into three broad categories: taxes on property and on economic activities; levying user fees for the delivery of services and the improvement of infrastructure; borrowing to finance long-lived investments, generally infrastructure. Increasing the yield of locally generated taxes is therefore the key challenge faced by all emerging economies (Mona, 2006)

2.6.4. Contribution to market creation to retailers and wholesalers

Marketing of a product or service is a central activity for a successful business requires recognizing the interest of customers and identifying and prioritized it so as to make a profit for the business. Business would not be generated without having access to market t (Tora, 2009). Coffee exports comprise some 70% of foreign currency earnings. At the same time local consumer demand for the higher quality export beans has created an illicit market that yields higher profits than exporting, albeit in local currency (African group, 2009).

In order to get maximum benefit from the market there should be close collaboration among the different sectors or organizations value chains are also collaborations among firms in order to achieve better value from the market. This could be facilitated through the support of MSE value chain development which is responsible for reducing urban poverty through promoting high value products and linking MSEs with national and international markets. LEDS through sub sector strategies and value chains could enhance urban rural interdependence through accessing national and international market opportunities for MSEs including for poor farmers. Since experience also shows that harnessing national market is a prelude to enter export markets, increased as part of making LED strategy, a value chain could be developed including for agricultural product supply chains (FUPI, 2006)

2.6. Contribution of MSEs to LED in Ethiopia

In Ethiopia the MSE plays great role through supporting the poor people with particular attention for women having low income and other unemployed people. This enabled them to share in employment and small capital requirement. These are sufficient reasons for governments and other stakeholders in development to be interested in micro and small enterprises. However, in the context of many developing countries, countries in transition in particular including Ethiopia,

MSEs are also seen as an emerging private sector, forming the basis for private sector led growth. In Ethiopia, at the level of strategy and policy, these roles of MSEs have received recognition. They are seen as means of providing employment, alleviating poverty, ensuring food security, and private sector development (Gebrehiwot, 2006)

LED strategy is a key tool in addressing one of the four pillars of PASDEP (i.e. support for MSE and job creation) and to support the implementation of MDGs. As emphasized in the 5 years (2005/6 – 2009/10) PASDEP, the aim of this particular pillar is to reduce urban unemployment to below 20 % through MSEs and accelerated urban based employment in linkages with rural development and delivery of housing and basic services. In those particular years the MSE were improved and 96,000 MSEs were supported and around 280,000 employments have been created. The objective of the MDG under targets 1 and 2 is to halve the proportion of people on income of less than USD 1.0 a day and who suffer from hunger (FUPI, 2006).

The coffee ceremony of Ethiopians which is one of the most important and distinguished traditional ceremony brings social rituals, gives the local people both a frivolous entertainment and congenial atmosphere to get together and discuss about various issues ranging from politics to minor personal issues. As an essential and an integral part of almost all Ethiopian social life coffee is drunk not only for its stimulating effect but also for getting together and having conversations. While the coffee ceremony is liked and cherished by all people regardless of differences in culture, social class, age and sex, in many cases it is women who spend much of their time on it. Many women make coffee and call each other turn by turn and exchange information. In the Ethiopian society, where male chauvinism seems to exist, coffee ceremonies give women the chance of discussing issues with men relatively on equal basis (Anteneh, 2011).

2.7. Coffee houses as emerging business ventures in Urban Ethiopia

Ethiopians have been drinking coffee longer and more consistently than any other people on the planet. There are various legends about how coffee cultivation came about, but what we know for certain is that coffee drinking goes back at least 500 years, and most likely much longer. Coffee drinking is a deep part of Ethiopian culture, and a big part of the identity of the people

there. From modern roasteries and coffee houses in the capital of Addis Ababa, to the simplest pan roasted coffee ceremony in a small rural hamlet, Ethiopians of all classes and ethnicities enjoy coffee. As a result, a very large portion of national production ends up on the local market. Unlike the situation in many commercially productive countries, it is often possible to get a cup of top quality coffee on the local market in Ethiopia. This gives the people who grow, buy, and sell coffee powerful insight into what makes for a delicious cup (Willem, 2011).

Almost half of the coffee products in Ethiopia were consumed locally due to the habit of the people which was associated with different coffee ceremony which was practiced by most of the Ethiopian people compared to Kenya and Uganda which consumes 5% of the production (East Africa, 2010)

2.8 Theoretical and conceptual Framework

Local economic development theory is defined here as a branch of regional development theory that has an intra-area focus. It looks at actors, structures, and processes of local regional growth as these exist and take place within a particular defined territory. Local economic development theories can be divided into three broadly constituted, and partially overlapping sets. The first one consists of theories framed in market-driven development in which firms are the central object of analysis. The local, constituted in various ways, is one of the factors, which enhances the performance of firms. The attractiveness of a locality becomes the object of public policy and/or local social action. Firms are the central actor, while others play secondary but variable roles. (Georgina and A.h.j. helmsing, 2008)

A second set of theories looks at the other side of the coin of market-driven development and recognizes that its selective and cumulative character implies that other localities are increasingly unable to reach or stay in the fast lane of economic growth. These theories focus on how to minimize falling behind and whether and how the economic regeneration of these localities can be achieved by mobilizing local entrepreneurship, development by raising the capabilities of citizens and promoting inclusive economic organization. The focus is on small enterprises, local governments, and community-based organizations. This set can be labeled as theories of local economic regeneration (Ibid)

A third rather heterogeneous set of theories focuses on alternative local development, which exists side-by-side or parallel to the market-driven development. The basic idea behind these is that there is a growing number of people and localities unable (due to severe market failure) or unwilling to participate in (capitalist) market-driven development, either because they lack essential capabilities and assets or because people are motivated by a search for different humane, socially or environmentally responsible lifestyles. In the past, the focus was on community level basic needs economies in which the state plays a key role. More recently, it has become formulated as a civil society driven or social economy (Ibid)

Now days to tackle poverty and to improve the living standard of their nations they tried to follow different developmental strategies. Among them market driven developmental strategies helps to mobilize the local resource in a sustainable way.

Finally, from the three regional/local economic development theories, the second theory market driven and localities can be achieved by mobilizing local people and entrepreneurship, development by raising the capabilities of citizens and promoting inclusive economic organization is the relevant theory in relation with the contribution of local economic development.

As it is indicate in the conceptual schematic diagram (figure 2.1) there are factors which are believed to affect the establishment and source of coffee house. Demographic factors such as gender, age, marital status, education, family size and occupation could have their own barriers, on success of coffee houses. On the other hand, there are factors that could determine the existence and performance of coffee houses such as location, infrastructure, business knowledge, finance and competitiveness.

Regarding to the contribution of coffee houses create employment opportunity, wealth distribution, developing saving culture, promoting re-investment, taxation to the city administration and in strengthening the social capital of the community. The product and services such as coffee and tea are provided to customers. Coffee houses have look being challenges with consequential matters like alcohol, chat, drug and commercial sex.

Finally, small business enterprises like coffee houses seems undermined in the development agenda of local economy but even they are small they have their own contribution in local

economic development by providing different service by affordable price to their customers and to the operators are also contribute in developing business mentality. Hence, policy makers ignore them. If their contribution to local economy is known and emphasized they will get attention in the identification of development agenda. Broadly, they will have opportunity to be emphasized, in regional policy development to consider in the policy issues needs detailed investigation about Coffee houses in cities such as Mekelle.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Description of the Study Area

Mekelle, is located in northern Ethiopia at a distance of 783 Km from the capital city, Addis Ababa. Specifically, it is located between 13^o24'30" to 13^o36'52" Latitude to 39^o25'30" to 39^o38'33" Longitude (Figure 1). Mekelle has an average altitude of 2,200 meters above sea level with a mean minimum temperature of 8.7 °C, mean maximum and mean average monthly temperatures of 26.8 and 17.6 °C, respectively. The amount of rainfall is variable with an average of about 600 mm, and more than 70% of it falls between July and August, followed by a long dry season (Kibrom, 2005). Mekelle has a total population of 261,177 (CSA, 2011).

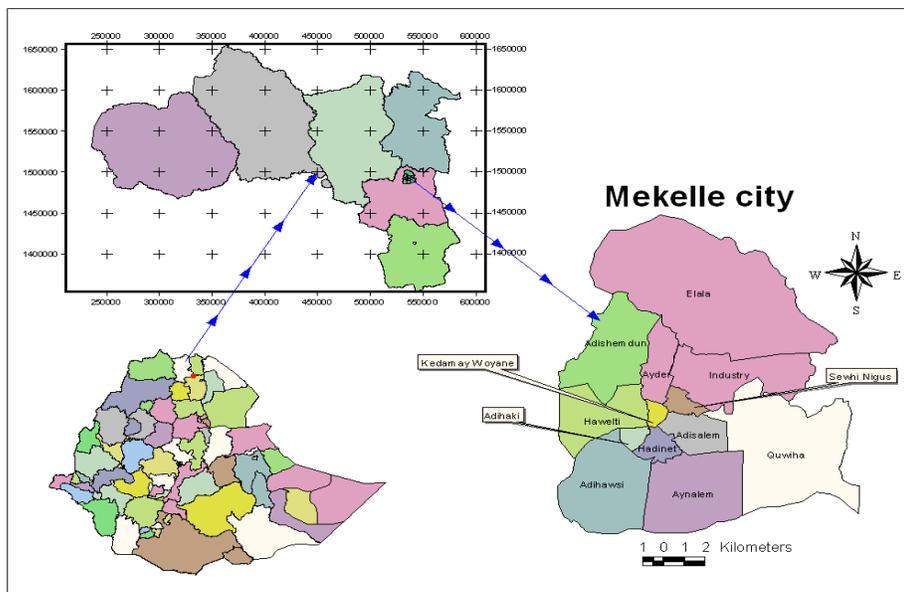


Figure 3.1. Map of the study area, Mekelle (BoFED, 2009)

3.2. Type and Sources of Data

3.2.1. Types of data

Both qualitative and quantitative data were used in the study. Qualitative data mainly focused on the role of assessed urban coffee houses to the local economic development. The quantitative data in this study have been collected so as to indicate the trend of coffee houses in the city,

search out for factors that determine the establishment and growth of the urban coffee houses in the context of Mekelle city as a whole.

3.2.2. Source of data

The intended sources of data for the current study include both primary and secondary data sources.

Primary data sources: primary data for this study have been obtained from coffee house business owners of Mekelle city, and relevant sub-city offices of Mekelle. Data were collected from coffee houses located in the following sub-cities: Ayder, Hadenet, Kedamay Weyane, and Semen sub-cities. To conduct the study, semi-structured questionnaires were employed to obtain the required data from selected sample respondents. The questionnaires were prepared in English language and to ensure clarity and understandability it was translated into a local Tigrigna language. On the other hand, interview were also conducted with Mekelle Trade and industry, TVET, Micro and small enterprise, Tourism, Ayder, Hadnet, Kedamay weyane and Semen sub-city officials and with coffee house operators which were not part of the pre- test and questionnaire respondents.

Secondary data sources: secondary data were obtained from different published and unpublished trusted documents which were compiled by different researchers, reports, journals, statistical bulletins, government publications and trusted web sites as well.

3.3. Target Population

The study was conducted in seven urban sub-cities coffee houses of Mekelle city. In addition, the Trade and Industry, TVET, Micro and small enterprise, Tourism officials of Mekelle city were included in the interview.

3.4. Sampling Design and Procedures

Normally, accurate information about a given population was expected to be obtained from a census study. However, due to large number of population size, in many of the cases, a complete coverage of a population is not possible. Thus, sampling is one of the methods, which allows the

researcher to study a relatively small number of units representing the whole population (Saratnakos, 1998).

A purposive random sampling method was used in the current study. Hence, four sub-cities out of the seven sub-cities of Mekelle were considered for the study. Accordingly, Ayder, Hadnet, Kedamay weyane and Semen were the purposely selected sub-cities due to the reason that these sub-cities are places where primary data sources (i.e., coffee houses) can be found and render services compared to the other sub-cities. As indicated in the Table, a 50 % proportionate sample of coffee houses were consider for the study and, hence, a total of 102 coffee house owners or their representatives were considered as a sources of the primary data.

Table 3.1: Proportionate sampling of primary data sources

| No. | Sub-city | Total number of coffee houses (Nx) | Sampled coffee houses (50 % of Nx) |
|--------------|-----------------|---|---|
| 1 | Kedamay Weyane | 82 | 41 |
| 2 | Semien | 51 | 26 |
| 3 | Hadnet | 61 | 31 |
| 4 | Ayder | 18 | 9 |
| Total | | 212 | 107 |

Once the number of coffee houses was determined for each sub-city, selections of each coffee house in each stated sub-city were made on simple random basis. First, the name of each coffee house was listed from 1 to n for every sub-city considered for the study. Second, the first two coffee houses were considered and one of them has been selected randomly. Third, if the selected coffee houses were in number 1, then all coffee houses with an odd numbered list were considered in the specific sub-city under consideration. However, if the selected coffee house is the second one (that is number 2), then all coffee houses with an even numbered list were considered in the specific sub-city under consideration.

3.5. Data Collection

3.5.1. Primary data collection instruments

A pre-tested semi-structured questionnaire survey was administered for data collection. In addition in-depth interviews were also used to obtain necessary information.

3.5.2. Key informant interview

The type of interview that was employed in this study is semi-structured and was conducted by the researcher. It helps the researcher to know specific information. The researcher undertook an interview with 8 individuals by preparing list of specific questions and an interview schedule. The prepared question was asked to all interviewees to ensure continuity. This were done purposefully in individuals working in coffee houses in consultation with Mekelle city Trade and industry, TVET, Micro and small enterprise and Tourism , Ayder, Hadene, Kedamay Weyane and semen sub-cities Trade and Industry officials.

3.6. Data Analysis

The data that were collected from data sources were organized and following this, statistical computations were made to explore the inherent relationships among the different variables. The qualitative data that was obtained through in-depth interview were stated qualitatively in the form of statements. Responses from the coffee house survey were processed and analyzed using statistical STATA statistical package version 11. Descriptive techniques such as percentage, frequency and mean were made to draw implication and conclusion employed. Finally, the results were summarized into simple tabulations and cross tabulations, and the analysis and meaningful interpretation of results were made to draw implication and conclusion.

3.7. Ethical Considerations

The researcher places a due care in collecting and analyzing data as a means to assure the accuracy of results. Additionally, the researcher also keeps the confidentiality of the respondents. In line with this, the researcher does not analyze the data's that contradicts to the reflection of the respondents.

Recruitment of data enumerators was based on their communication skill, ability to speak local language. Training of data enumerators was given more emphasis to the issue of informed consent, privacy and confidentiality. Informed consent was sought from all study participants at all levels. Moreover, the researcher maintained the rights of the respondents like privacy, to be informed regarding to the aspects of the research, not to misrepresent their views and dissemination of faulty conclusions and other related concerns.

All the study respondents were reassured that they would be anonymous; Names or any personal identity of enumerators and supervisors was recorded. Respondents were told about the study and the variety of information needed from them. They were given the chance to ask any thing about the study and informed and made free to refuse or stop the interview at any moment they want if that was their choice.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter analyzes results and discusses of the research based on the survey conducted in the study area. It presents using tables and percentages to show the main role of coffee houses in the study area. Thus, to obtain the contribution of coffee houses to local economic development interims of expansion and growth, in creating employment opportunity, in income generation/capital creation, in tax contribution and to assess the opportunities and challenges of running a Coffee house business. The field work was administered with a close supervision of the researcher while the enumerator was making an interview with each respondent. As a result, there were no any non-responded questionnaires. From 107 sampled representative respondents 102 respondents have responded the questionnaires critically with necessary information. Hence, the paper analyzed data from all the respondents of four sub-cites Ayder, Hadnet, Kedamay weyane and Semen. In the study area using statistical STATA statistical package version 11 descriptive techniques such as percentage, frequency, mean were employed.

4.1. Demographic Features

Demographic features such as age, gender, ownership status, marital status, education background and family size were collected from the sampled population in order to help analyze the business profitability and assess whether these features are relevant indicators for the business. In order to properly understand the business, the questionnaire is distributed to business operators in four sub cities of Mekelle administration which is believed to have adequate coverage of the city. This is because businesses in a given city may not distribute evenly due to location advantages to marketers (traders and consumers). Therefore, for the coffee house business study purpose most of the respondents are selected from Ayder, Hadnet, kedamay Weyane and semen sub city where most of coffee house business is concentrated. In a similar way respondent's understanding of the interview will have impact on the quality of the study and therefore selecting the appropriate respondent is an important task in this regard. Hence, most of the respondents in this study are the owners of the business where they have clear understanding on the business and they can provide the correct information.

Table 4.1: Demographic indicators of the sampled population

| Location of the sampled population | | |
|---|------------|---------------|
| Sub-city | Frequency | Percentage |
| Ayder | 9 | 8.82 |
| Hadenet | 30 | 29.41 |
| Kedamay weyane | 39 | 38.24 |
| Semen | 24 | 23.53 |
| Total | 102 | 100.00 |
| Ownership status of sampled population | | |
| Owner | 85 | 83.33 |
| Co-owner | 3 | 2.94 |
| Custodian | 14 | 13.73 |
| Total | 102 | 100.00 |
| Gender of sampled population | | |
| Male | 15 | 14.71 |
| Female | 87 | 85.29 |
| Total | 102 | 100.00 |
| Age category of the sampled population | | |
| 18-30 | 95 | 93.14 |
| 31-45 | 6 | 5.88 |
| >45 | 1 | 0.98 |
| Total | 102 | 100.00 |
| Marital status of sampled population | | |
| Single | 71 | 69.61 |
| Married | 22 | 21.57 |
| Divorced | 7 | 6.86 |
| Widowed | 2 | 1.96 |
| Total | 102 | 100.00 |
| Educational back ground of sampled population | | |
| Grade 1-4 | 2 | 1.96 |
| Grade 5-8 | 9 | 8.82 |
| Grade 9-10 | 40 | 39.22 |
| Grade 11-12 | 9 | 8.82 |
| TVET | 33 | 32.35 |
| Degree and above | 9 | 8.82 |
| Total | 102 | 100.00 |
| Family size of sampled population | | |
| 1 | 72 | 70.59 |
| 2 | 11 | 10.78 |
| 3 | 9 | 8.82 |
| 4 | 8 | 7.84 |
| 5 | 2 | 1.96 |
| Total | 102 | 100.00 |

Source: Author's survey data, 2013

The coffee house business in Mekelle is mostly operated by young people in the age category of 18 to 30, this reveals that the business is new to the area and the younger generation has the courage to start such new business. At the same time the business is run by females, where

almost 87 % of the coffee house owners constitute the female population. This mainly spills from the fact that traditionally coffee is prepared and served by female while as a business everybody can do it and the trend in Mekelle town seems promising that even male can run the business. Similarly, the marital status of sampled population was assessed and results portray that mostly the operators of the business are single (with about 71 %) which indicates that it has contribution to the job creation for unemployed youngsters. And 22 % of the coffee house operators are married which indicates that it has contribution to the livelihood of households. This is because majority or more than 90 % of the respondents have family members of 1 to 3. Educational background of the study population revealed that most operators are in the range of high school to TVET. Therefore, the coffee house business is employing people who completed grade eight and it has great importance in reducing unemployment in the region.

4.2. Commencement of the Business and Prior Business History

Prior business histories of business operators have its own effect for the startup and operation of businesses. As indicated in figure 4.1, most of the coffee house business is started in recent years, which are in these two or three years period. Though the exact starting period of the business is not studied, most of respondents agree that the business is started after the Ethiopian Millennium in the region and the country at large. Therefore, most of the operators, that is about 82 %, stated that they commenced the business before two/three years.

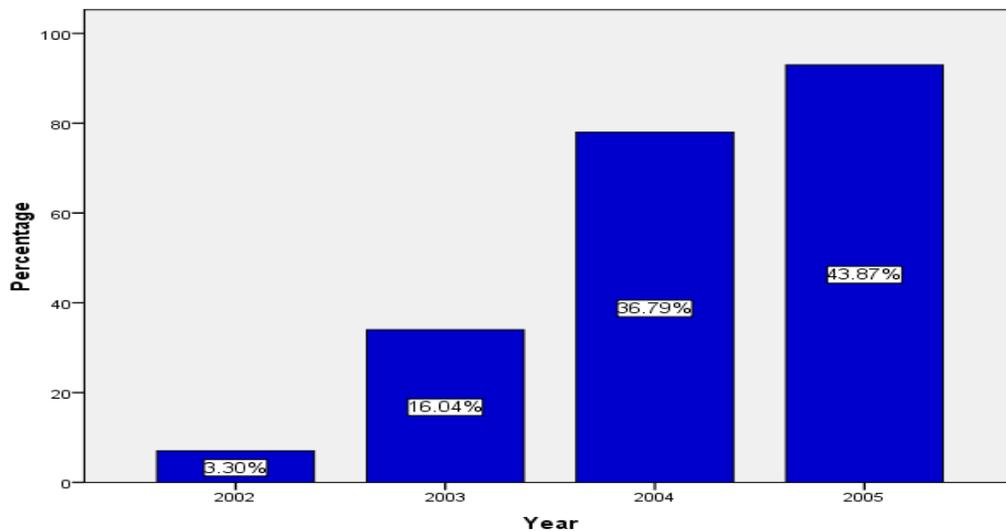


Figure 4.1.: Growth trend of coffee house businesses in Mekelle

Source: own survey data, 2013

Table 4.2: Prior engagement of interviewed operators

| Former occupation | Frequency | Percentage |
|--------------------------|------------------|-------------------|
| Unemployed | 5 | 4.90 |
| Student | 38 | 37.25 |
| House wife | 16 | 15.69 |
| Private employee | 16 | 15.69 |
| Trader | 14 | 13.73 |
| Government employee | 13 | 12.75 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

As it is shown in **Table 4.2** above, prior engagement of the business operators is somewhat mixed and variety. As the business by its very nature did not require any field of specialization, the operators' prior engagements are wide ranging from unemployed to government employee. The highest proportion of prior engagement of the business operators in priority were: students (37.25 %) followed by housewife (15.69 %) and equally private employee (15.69 %), traders (13.73 %), government employee (12.75 %) and the least being for unemployed operators (4.90 %). This shows that coffee house business is not only a job opportunity for jobless individuals but also an alternative type of business for about 95 percent of the respondents even for government employee. In agreement to this finding, a study carried by Gebrehiwot and Wolday (2006) in Ethiopia, as a whole, have expressed the fact that 14 % of the micro- and small enterprise operators were retrenched/laid-off from a public sector job (i.e. retrenched/laid-off former state owned enterprises and government civil servants).

Table 4.3: Main reasons to engage in this business

| Reason to engage in coffee house | | Frequency | Percentage |
|---|-----|------------------|-------------------|
| Profitability of the business | Yes | 70 | 68.63 |
| | No | 32 | 31.37 |
| Lack of other employment alternatives | Yes | 13 | 12.75 |
| | No | 89 | 87.63 |
| Previous experience | Yes | 7 | 6.86 |
| | No | 95 | 93.14 |
| I observe livelihood change after being engaged | Yes | 64 | 62.75 |
| | No | 48 | 37.25 |
| In adequate capital to start other business | Yes | 20 | 19.61 |
| | No | 82 | 80.39 |

Source: own survey data, 2013

The coffee house business as an alternative business has attracted many people even shifting from their government employment. The major reason observed from the operators' response is that there is free (easy) entry business type. This means that the business did not require more capital and hence entry in to the business is easy. Another major reason to shift to this business is its profitability, most of the operators responded that the business is profitable and witnessed from other operators who changed (improved) their livelihood after being engaged in the coffee house business (Table 4.3). Likewise, Tora, (2009) has stated that marketing of a service or a product is an essential activity for a successful business, and it is concerned with the identification, anticipation and satisfaction of the needs of customers in such a way as to make a profit for the business. He, further, have concluded that 'without a market, no business would exist' (Tora, 2009).

4.3. Source and Amount of Initial Capital to Run the Business

There are different sources of capital for coffee house business owners to run their business. These sources of capital are determined by different internal and external factors. It is clear that diversified source of capital for the operators is better for strengthening the business.

Table 4.4: Major source of initial capital (in Birr)

| Source of initial capital | | Frequency | Percentage |
|---|-----|-----------|------------|
| Own saving | Yes | 45 | 44.12 |
| | No | 57 | 55.88 |
| Loan from Micro finance | Yes | 13 | 12.75 |
| | No | 89 | 87.25 |
| Credit from family | Yes | 47 | 46.08 |
| | No | 55 | 53.92 |
| <i>Equib</i> | Yes | 3 | 2.94 |
| | No | 99 | 97.06 |
| Assistance (humanitarian organizations) | Yes | 1 | 0.98 |
| | No | 101 | 99.02 |

Source: own survey data, 2013

As indicated in Table 4.4, respondents showed that the amount of start-up capital for 46 percent of Coffee house businesses is brought from credit; about 44 percent of start-up capital is from own savings; 13 percent of start-up capital is loan from micro finance institution (DEDEBIT micro finance); 3 percent of start-up capital is from “*Equib*” and 1 percent of start-up capital is assistance from humanitarian organizations. Lack of sufficient start-up capital is the major problem faced by coffee house businesses owners. The coffee house business is an emerging business for young females. However, the financial institutions are not willing to give them credit for those owners. Now a days the creditors are preparing new packages among them 20 by 80 credit mechanism means 20 percent of the amount credit should have to be ready by the young borrowers and the 80 percent of the amount credit provided by the lender micro finance and government. The package is very important for those they haven’t enough start-up capital or business expansion capital but, this package is not included for those coffee house owners. Coffee house owners should not be treated as all the same like other business owners in getting credit in order to survive.

In summary, the main source of initial capital in Mekelle city is credit from family and own savings of the coffee house owners. This result shows the coffee house owners are out of focus of the financial institutions; they are marginalized by those creditors. The share of microfinance institutions in providing credit is negligible.

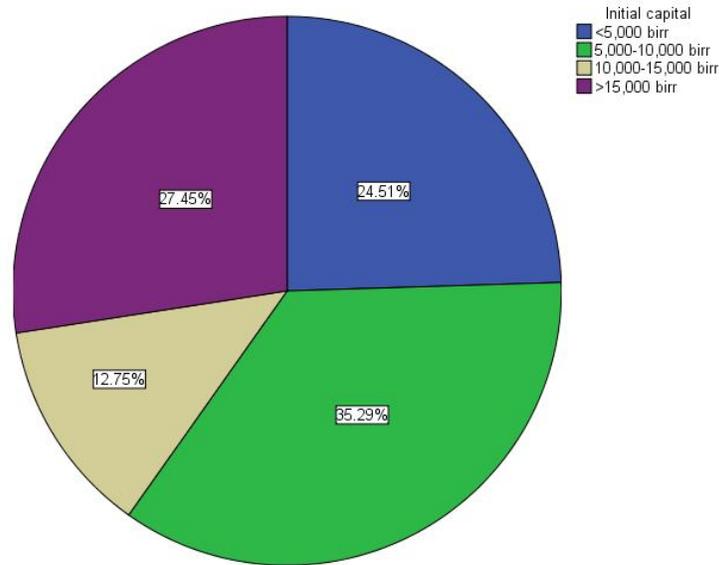


Figure 4.2. Amount of initial capital (in Birr)
Source: own survey data, 2013

According to the data in Figure 4.2, out of the total respondents 27.45 % of the respondents replied that start their business with initial capital of greater than 15,000 birr. 24.51 % respondents replied that start their business with initial capital less than 5,000 birr. 12.75 % respondents replied that start their business with initial capital of 15,000 birr.. The majority of the coffee house owners in Mekelle city start the business with initial capital from 5000-10,000 birr. This expresses that coffee house business needs small amount of capital. Similarly, the importance of micro and small enterprise sectors in Ethiopia, and particularly for the low income, poor and women groups, was found to be evident due to their relatively large presence, share in employment and small capital requirement (Gebrehiwot, 20 06).

4.4. Employees and Employment Benefits of the Business

Table 4.5: Ownership of the house of the business

| Owner of the house | Frequency | Percentage |
|--------------------|------------|---------------|
| Own house | 3 | 2.94 |
| Rented house | 92 | 90.20 |
| Family owned house | 7 | 6.86 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.5: reveals that majority 90.20 % of the business is operated in a rented house. 6.86 % of the business is operated in a family owned house and 2.94 percent of the business is operated in their own house of the operators. This is mainly spills from the fact that the business should be located in accessible and main roads. Therefore, the business operators prefer to locate in main roads.

Table 4.6: Average rent pay per month.

| Monthly house rent payment | Frequency | Percentage |
|----------------------------|------------|---------------|
| No rent | 10 | 9.80 |
| < 1,000.00 | 14 | 13.75 |
| 1,000.00 - 2,000.00 | 45 | 44.12 |
| 2,001 – 3,000.00 | 21 | 20.59 |
| > 3,001 | 12 | 11.76 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.6: In terms of rent pays nearly 44 % of the respondents' monthly rent pay is in the range of 1000 to 2000 ETB. About 20 % of the respondents' monthly house rent is between 2001-3000 ET birr. Nearly 14 % of the respondent monthly house rent is less than 1000 while 12 % of the respondents monthly house rent is greater than 3001 and 10 % of the respondents are use own family house. Hence, the coffee house owners of Mekelle city confirmed that they pay their monthly house rent regularly in order to assure the business stability.

Table 4.7: Availability and type of employee in the business

| Employee category | Frequency | Percentage |
|-------------------|------------|---------------|
| Paid employee | 66 | 64.71 |
| Non-employee | 36 | 35.29 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Regarding the availability and type of employee in the coffee house business 64.71 % of the operators replied that paid employee and 35.29 % of the operators replied that work in their business without being paid (Table 4.7). This implies that urban coffee houses are the source of job for the jobless and an alternate source of job. That is, those business operators who do not employee will run the business as own employed or engaging unpaid family member, while those engaged as unpaid family members are few in number as compared to none paid members. In agreement with the current study, Gebrehiwot and Wolday, (2006) have documented that the importance of the MSEs sector in Ethiopia, mainly for the low income, women and poor groups, is evident from their relatively large presence, share in employment and small capital requirement, and these are ample reasons for governments and other stakeholders in development to be interested in.

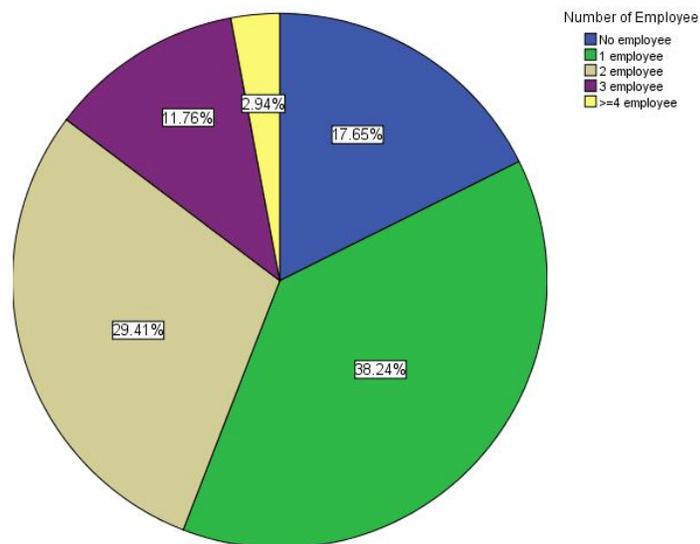


Figure 4.3. Number of employee employed in the business.
Source: own survey data, 2013

With regard to the quantity of employee in individual business, majority of the respondents of the business operators reveal that 77.27 % 1-2 paid workers and 22.73 % of the operators replied that 3-4 paid workers (Figure 4.3). From this, we can see that coffee house businesses are playing their own role in reducing unemployment. Similarly, Tom (2010) has stated that such a business seemed like the ideal business to operate. The idea of a coffee house appeared to be so simple. He added that in a restaurant he visited, he had a staff of about 75; and there were never more than two people working at a time. While my restaurant had a large menu that took hours to prepare, this place had only a few simple items made by a local bakery. ‘I was hooked! My goal was to run a coffee house of my own’, concluded Tom, (2010).

Table 4.8: Average wage paid per individual worker per month (ET birr).

| Monthly wage (ETB) | Frequency | Percentage |
|--------------------|-----------|---------------|
| 350.00 | 4 | 6.06 |
| 400.00 | 28 | 42.42 |
| 450.00 | 19 | 28.79 |
| > 450.00 | 15 | 22.73 |
| Total | 66 | 100.00 |

Source: own survey data, 2013

Table 4.8: The majority more than 60 % of coffee house business operators pay on average monthly wage of 400 to 450 ETB while insignificant number about 22 % of business operators pay more than 450 ETB monthly wage.

Table 4.9: Average time (estimated in hours) spent by workers in the business per day

| Estimated working hours | Frequency | Percentage |
|-------------------------|------------|---------------|
| 8- 10 hrs | 8 | 7.84 |
| 11 – 13 hrs | 90 | 88.24 |
| >14 hrs | 4 | 3.92 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.9: reveals that the time spent (number of working hours) by employees in relation to the standard working hour of the country are high and this should be encouraged if the payment also considers the extra time spent in the business. Significant number of employees (more than 88

%) spent 11 to 13 hours per day in the business which is remarkably high from the normal eight hours working time. About 8 % of employees spent 8 to 10 hours per day while insignificant number of employees spent more than 14 hours per day in the business.

4.5. Operators Perception on the Business

86 % of the coffee house business operators in Mekelle city believed that they are successful in their current business (figure 4.4). This might be the reason why the number of people attracted to the business is increasing from time to time. As mentioned above, although there were 3 operators in 2002 Ethiopian calendar, the number of coffeehouse operators has increased to 55 by 2005 EC. This clearly shows that operators involving in the business are showing success.

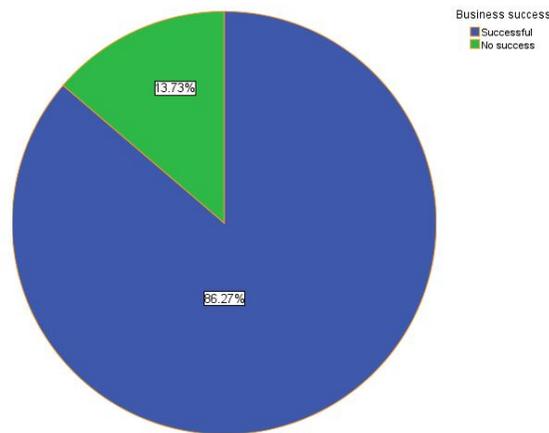


Figure 4.4. Perception on successfulness in your business
Source: own survey data, 2013

Only 14 % of the respondents have said that they are not successful in the coffeehouse business in the city. There could be different reasons for their failure to success; of which location and quality of service plays a major role. The construction of cobblestone paved roads in formerly dusty roads has now attracted the attention of coffeehouse operators. Villages which used to be residential areas have been witnessed to be changed in to coffeehouse business areas after the construction of cobblestone roads. It was also observed that the presence of tree shades in the pedestrian roads is becoming the main attractions for clients of coffeehouses, particularly during the sunny days, although 86 % of the respondents have registered success in their business.

A local Economic Development should make its fundamental goal and aim to generate growth and income in cities. The goals of LED should thus include not only reduction of the number of

poor people and realizing sustainable livelihood but also the creation of local economic growth. These goals could be achieved only when we have a strategic focus of creating attractive, resilient and competitive economy (Kerstan, 2004; In: Tegegne *et al.*, 2011).

Table 4.10: Perception of operators’ future business in the coming five years

| Expectation for the future | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| In the same business | 7 | 6.86 |
| In another business | 60 | 58.82 |
| I am not sure | 35 | 34.31 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.10: only 6.86 % of them have a plan to remain in the same business in the coming 5 years. More than half 58.82 % of the respondents preferred to shift to another business while about 34.31 % of the respondents were not sure on whether to remain in the same job or change their business. According to a study under taken by Diriba (2013), results of socio-economic contribution of micro and small enterprises have showed that, the operators of MSEs of Jimma city were not only getting income for current purpose but also saving some of their income either for future consumption or further investment. About 86.8 % of the operators responded that they have saving account, while 23.2 % of them have no saving account. Driba came to further conclude that MSEs are sectors that initiate most people to develop businesses and accumulate capital (Driba, 2013).

Table 4.11: Perception of operators’ business preference to other business (job) type

| Owners employment alternative | Frequency | Percentage |
|---|------------------|-------------------|
| Preference to permanent job (government or private) | 15 | 14.71 |
| Preference to current business (job) | 87 | 85.29 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.11: On the other hand, when the same respondents were asked about their preference on whether to work in permanent government/private job or continue with the current coffeehouse business, 85.29 % of them said that they preferred to remain in their coffeehouse business while

14.71 % of them preferred to join either government or private jobs. It can therefore be concluded that the majority of the coffee house business operators have a plan to shift their business but are not willing to work either as government or private employees. This means that the benefits earned from the coffeehouse business is much better than that of a government or private employee. These business operators have, however, a vision to develop themselves in to a higher business in the coming five years using the coffeehouse business as a springboard for change.

4.6. Average Sales Volume

Table 4.12: Average Sales of Coffee, Tea and *Keshir*

| Average daily sales of Coffee | Frequency | Percentage |
|--|------------|---------------|
| <100 cups | 26 | 25.49 |
| 100 – 200 cups | 29 | 28.43 |
| 201 – 300 cups | 20 | 19.61 |
| 301 – 400 cups | 16 | 15.69 |
| >400 cups | 11 | 10.78 |
| Total | 102 | 100.00 |
| Average daily sales of Tea | Frequency | Percentage |
| <100 cups | 60 | 58.82 |
| 100 – 200 cups | 33 | 32.35 |
| 201 – 300 cups | 7 | 6.86 |
| 301 – 400 cups | 2 | 1.96 |
| Total | 102 | 100.00 |
| Average daily average sales of <i>Keshir</i> | Frequency | Percentage |
| No sales | 44 | 43.14 |
| <50 cups | 58 | 56.86 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.12: The items sold in the coffeehouse business include coffee, tea, “*keshir*” (made from boiled ginger powder), and bottled water. The sales volume of these items is variable among different respondents. The daily average coffee cups sell ranges from less than 100 to greater

than 400. About 25.49 % of the respondents have average daily sales of less than 100 cups of coffee, about 28 % of the respondents have average daily sales of 100-200 cups of coffee, and 19.6 percent of the respondents said that their daily average coffee sales is between 201-300 cups. On the other hand, 15.69 % of the respondents have daily average coffee sales ranging from 301 to 400 cups while 10.78 % of the respondents said that they have daily average coffee sales of greater than 400 cups. This showed that most of the coffee houses gained lots of income per day which indicated that they are highly profitable

According to reports of the ICC (2014), Brazil is not only the biggest consuming country among the world's coffee exporting countries but also the world's second biggest consuming country after the United States. Other exporting countries which have significant levels of domestic consumption are Indonesia (8.2 % of domestic consumption by all exporting countries in 2012), Ethiopia (7.8 %), Mexico (5.4%), Philippines (5 %), India (4.4 %), Venezuela (3.8 %) and Vietnam (3.6 %). In terms of per capita domestic consumption, Brazil continues to account for relatively high rates (6.1 Kg per capita in 2012), followed by Venezuela (3.3 Kg), Costa Rica (3.3 Kg), Honduras (2.6 Kg), El Salvador (2.6 Kg) and Ethiopia (2.3 Kg).

Similarly, the daily mean daily sales for tea in the coffeehouse business is variable which ranges from less than 100 cups to more than 100. Unlike the coffee sales, the average sale for tea for the business operators is low. The results of the survey indicated that 58.8 % of the respondents have less than 100 cups average tea sales per day. The percentage of respondents who sale a daily average ranging from 100-200 cups of tea were 32.35 % while those with a daily average sale of 201-300 cups account for 6.86 %. Unlike in coffee sales, only 1.96 % of the respondents have daily mean sales of greater than 400 cups of tea. From this figures it can be concluded that the mean daily sales for coffee is higher than that of tea in Mekelle city (Table 4.12).

Unlike for coffee and tea, the daily average sale for "*keshir*" is very low. About 43 percent of the respondents expressed that they don't sell "*keshir*" at all, while 57 % of the respondents said to have an average daily sales of less than 50 cups. "*Keshir*", unlike tea and coffee, is not a stimulant and mostly people take it to relieve common cold or tonsillitis (Table 4:12).

The other item sold by coffeehouse operators is bottled water. There are three main categories of bottled water in the coffeehouses based on the volume of the bottle; half liter bottled water, 1 liter bottled water and 1.8-2liter bottled water. Although the consumption for bottled water varies with season/weather and availability of tap water in the city.

Table 4.13: Expected daily average sale of small, medium and large bottled water.

| Average daily sales of small bottled water | Frequency | Percentage |
|--|------------------|-------------------|
| No sales | 20 | 19.61 |
| 2 | 16 | 15.69 |
| 3 | 22 | 21.57 |
| 4 | 14 | 13.73 |
| 5 | 13 | 12.75 |
| 6 | 10 | 9.80 |
| 7 | 3 | 2.94 |
| 8 | 2 | 1.96 |
| 10 | 2 | 1.96 |
| Total | 102 | 100.00 |
| Average daily sales of medium bottled water | Frequency | Percentage |
| No sales | 20 | 19.61 |
| 1 | 4 | 3.92 |
| 2 | 51 | 50.00 |
| 3 | 14 | 13.75 |
| 4 | 10 | 9.80 |
| 5 | 1 | 0.98 |
| 6 | 2 | 1.96 |
| Total | 102 | 100.00 |
| Average daily sales of large bottled water | Frequency | Percentage |
| No sales | 56 | 54.90 |
| 1 | 21 | 20.59 |
| 2 | 22 | 21.57 |
| 3 | 3 | 2.94 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.13: the respondents said that 19.6 percent of them have no sales for the small (half liter) bottled water. Of the 102 respondents, 15.7 % respondents have daily average sales of 2 small bottled water, while 21.5 % respondents have daily mean sales of 3 small bottled water. Respondents who have average daily sales of 5 to 10 small bottled water were 29 % and the numbers of respondents who have mean daily sales of 7 to 10 small bottled water were only 6.8 percent of the total respondents.

The sale for the medium size bottled water (1liter) is lower than that of the small bottled water. About 19.6 percent of the respondents from the coffeehouse business operators said that they have no sales for the medium sized bottled water. Half of the respondents have a daily average sale of 2 medium size bottled water, while 23.5 percent of the respondents reported to have average daily sales of 3 to 4 medium size bottled water and only 2.9 percent respondents have a daily average sale of 5 to 6 bottles. As with the daily sales of the medium size bottled water is lower than the small size bottled water, the sales for the large bottled water (1.8-2 liter capacity) is lower than the two. Although the unit cost of bottled water decreases with the increase in volume, the preference of consumers is high for the small size bottled water than the big. This might be due to the handiness of the small size bottled water and its cost (Table 4.13).

About 55 % of the respondents have replied to have no sales for the large size bottled water and the remaining 45 % of the respondents have daily average sale of 1 to 2 large size bottled water. In general, the consumption of bottled water in Mekelle city is increasing from time to time (Table 4.13).

4.7. Advantages of Engaging in the Business

Table 4.14: Advantages of involving in coffee house business.

| Advantage of coffee house business | | Frequency | Percentage |
|---|-----|-----------|------------|
| Cover my basic needs | Yes | 102 | 100.00 |
| | No | 0 | 00.00 |
| Covers my education expense | Yes | 34 | 33.33 |
| | No | 68 | 66.67 |
| Covers my health expense | Yes | 77 | 75.49 |
| | No | 25 | 24.51 |
| I am able to buy durable assets like TV sets, etc | Yes | 66 | 64.71 |
| | No | 36 | 35.29 |

Source: own survey data, 2013

Table 4.14: Participants of the coffeehouse survey were asked on the advantages of involving in the business. Their responses were summarized in 4 categories; covering basic needs, educational expenses, health expenses and purchasing durable assets. Accordingly, all the respondents agreed that involving in the coffeehouse business has the advantage of covering their basic needs. As to the advantage of the business on covering to expenses related to education, their responses was different; 67 % of the respondents said it has no advantage while 33 % of the respondents perceived the advantages of the business on education. This might be related to whether or not the coffeehouse operators and their families are involved in education or not. Similarly, 75 % of the respondents said that involving in the coffeehouse business has the advantage of covering health expenses while the remaining 25 % of the respondents replied that involving in the business has no advantage in covering health expenses. About 65 % of the respondents have managed to purchase durable assets like TV sets.

Table 4.15: Saving patterns of the business.

| Savings | Frequency | Percentage |
|-----------------------|------------------|-------------------|
| Saves from the earned | 98 | 96.1 |
| Do not save | 4 | 3.9 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.15: An interesting finding from the survey was that the majorities 91 % of the coffeehouse operators are saving from the profit they are earning and only 9 % are not capable of saving money out of their business. As mentioned above, this might be the reason why many of the coffeehouse operators have plans to shift to more advanced type of business in the coming five years.

Table 4.16: Alternate saving options.

| Means of savings | | Frequency | Percentage |
|-------------------------|-----|------------------|-------------------|
| Daily <i>Equib</i> | Yes | 87 | 85.29 |
| | No | 15 | 14.71 |
| Weekly <i>Equib</i> | Yes | 35 | 34.31 |
| | No | 67 | 65.69 |
| Monthly <i>Equib</i> | Yes | 5 | 4.90 |
| | No | 97 | 95.10 |
| Bank savings | Yes | 77 | 75.49 |
| | No | 25 | 24.51 |
| Home savings | Yes | 1 | 0.98 |
| | No | 101 | 99.02 |

Source: own survey data, 2013

Table 4.16: When asked about the alternative saving institutions they are using, the respondents have listed “*equib*” “an informal group based rotating saving & credit system”, banks, and home savings. Saving in “*equib*” can be done on daily basis (all members of the “*equib*” have to contribute the same day), weekly or monthly. The amount of money to be saved by each member of the “*equib*” is determined by the members. Lottery is drawn to determine the sequence as to who should take the first saving, the last, etc. Accordingly, 85 % of the coffeehouse operators have daily “*equib*” savings while 34 and 5 % of the respondents are involving in weekly and monthly “*equib*” savings. Therefore the majority of respondents are involved in daily “*equib*” savings. The coffeehouse business operators’ participation in bank savings is also high. About 75 percent of the respondents said that they use banks to save their money. Only 1 out of the 102 respondents has said to have used home savings.

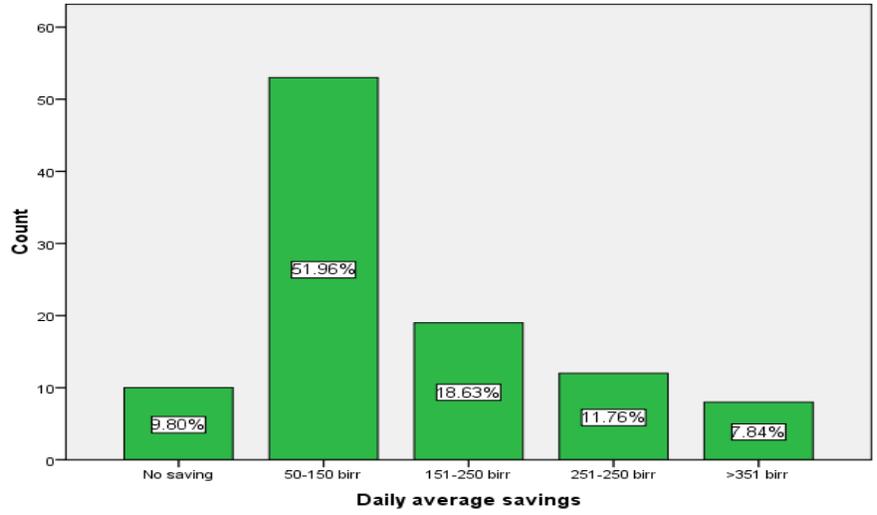


Figure 4.5. Daily Average Savings

Source: own survey data, 2013

Figure 4.5: Since the majority of the respondents were using the daily saving strategy in “*equbs*”, they were asked about the amount of money they have been saving daily. Accordingly, 52 percent of the respondents said that they save a daily average of birr 50-150. If the respondents continue to for a month, about half of the respondents will have a monthly saving of birr 1500-4500. About 18.5 % of the respondents save 151-250 birr daily and about 11.5 percent of them have a daily average saving of birr 251-350; which is equivalent to a monthly average of birr 7530-10500. About 8 % of the respondents have said to have a daily average saving of birr greater than 350 while about 10 % of the respondents said that they are not saving at all.

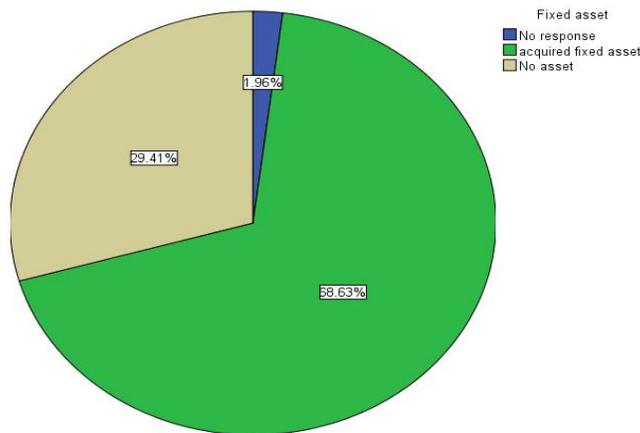


Figure 4.6. Results on fixed assets gained from profits generated from coffee houses

Source: own survey data, 2013

Figure 4.5: Cash savings from citizens are important sources of revenue for a country to undertake different developmental activities. Some professionals however say that saving in cash is not worth, taking the negative interest rate it generates due to inflation in the country. They, therefore advise to save money in kind than in cash. The respondents were asked if they have acquired any fixed assets from profits generated from the coffeehouse business. Of the 102 respondents, 69 % respondents replied that they have acquired fixed assets and the remaining 31percent said they have not acquired assets. This means that some of the respondents are using cash savings than fixed assets.

Table 4.17: Types of fixed asset attained from the business.

| Type of fixed asset | | Frequency | Percentage |
|------------------------------|-----|-----------|------------|
| Build my own residence house | Yes | 16 | 15.68 |
| | No | 86 | 84.32 |
| Purchase assets | Yes | 70 | 68.63 |
| | No | 32 | 31.37 |

Source: own survey data, 2013

Table 4.17: The types of fixed assets acquired are grouped in to house construction and purchase of other fixed assets. Owning a house is a sign of prestige and gives relief to the owner from the constant increase in payment for rented houses. But house construction in cities like Mekelle is not as such easy. Hence, only 16 % of the respondents are involved in house construction while 67 percent of the respondents said to have other fixed assets.

Table 4.18: Estimated value of the assets

| Estimate value | Frequency | Percentage |
|-----------------------------|------------|---------------|
| No asset | 32 | 31.37 |
| <50,000.00 Birr | 6 | 5.88 |
| 50,000.00 – 100,000.00 Birr | 41 | 40.20 |
| 100,001 – 150,000.00 Birr | 10 | 9.80 |
| >150,000.00 Birr | 13 | 12.75 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.18: The value of the assets acquired by the respondents ranges from as low as less than 50,000 birr to as high as greater than 150, 000 birr. Majority of the respondents have said to have assets with an estimated value of birr 50,000 to 100,000. About 6 percent of the respondents said to have fixed assets worth of less than 50,000 birr and about 10 percent of the respondents said that they own assets with an estimated value of 100,000 to 150,000 birr. It was found out that only 13 percent of the respondents have fixed assets with an estimated value of greater than 150,000 birr. Taking the time the coffeehouse owners have spent in the business, the assets they have acquired from the profit of such a small business is promising.

In the Ethiopian family there is father, mother, children and other relatives. Head of the household is responsible for many families in Ethiopia. They live in a group and support each other with finance, material, idea and knowledge etc.

Table 4.19: Are your parents and/or brothers and sisters or relatives depending on your income?

| Dependents | | Frequency | Percentage |
|--------------------------|-----|------------------|-------------------|
| Mother and/or father | Yes | 67 | 65.68 |
| | No | 35 | 34.32 |
| Sisters and /or brothers | Yes | 54 | 52.94 |
| | No | 48 | 47.06 |
| Relatives | Yes | 40 | 39.22 |
| | No | 62 | 60.78 |

Source: own survey data, 2013

Table 4:19: The coffeehouse business operators are also supporting their families from the income they generate to various degrees. The study has shown that about 66 percent of the respondents have parents (mother and /or father) dependent on them. The remaining 34 percent of the respondents said that their parents are not dependent on them. About 53 percent of the respondents have sister and/or brothers who are supported by them. Similarly, about 39 percent of the respondents are supporting other relatives. These figures clearly show that the coffeehouse business operators are playing a significant role in supporting not only themselves but also their family, including their extended family members.

Table 4.20: Tax registration, contribution to development and taxation period

| Tax registration | Frequency | Percentage |
|---|------------------|-------------------|
| Yes | 102 | 100.00 |
| Total | 102 | 100.00 |
| Contribution of taxation for development | Frequency | Percentage |
| Yes | 98 | 96.08 |
| No | 4 | 3.92 |
| Total | 102 | 100.00 |
| Taxation payment period | Frequency | Percentage |
| Known | 96 | 94.12 |
| Not known | 6 | 5.88 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.20: Besides supporting themselves and their families, the coffeehouse business operators are also contributing to the development of their country as tax payers. The study showed that all the respondents are registered as tax payers in the city.

Except 4 respondents who said that they don't the contribution taxation for development, the remaining 96 % respondents are aware of the contribution of taxation to development efforts of the country (Table 4.20).

Table 4.21: Do you pay on time?

| On time taxation payment | Frequency | Percentage |
|---------------------------------|------------------|-------------------|
| Yes | 72 | 70.59 |
| No | 30 | 29.41 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.21: Besides having awareness on the role of taxation to development, majority 94 percent of the coffeehouse business operators have knowledge on the tax payment period. Despite their knowledge on the tax payment and its contribution to development; however, about

29 % of the respondents do not pay tax on time. The remaining 71 % of the respondents, however, pay their tax on time.

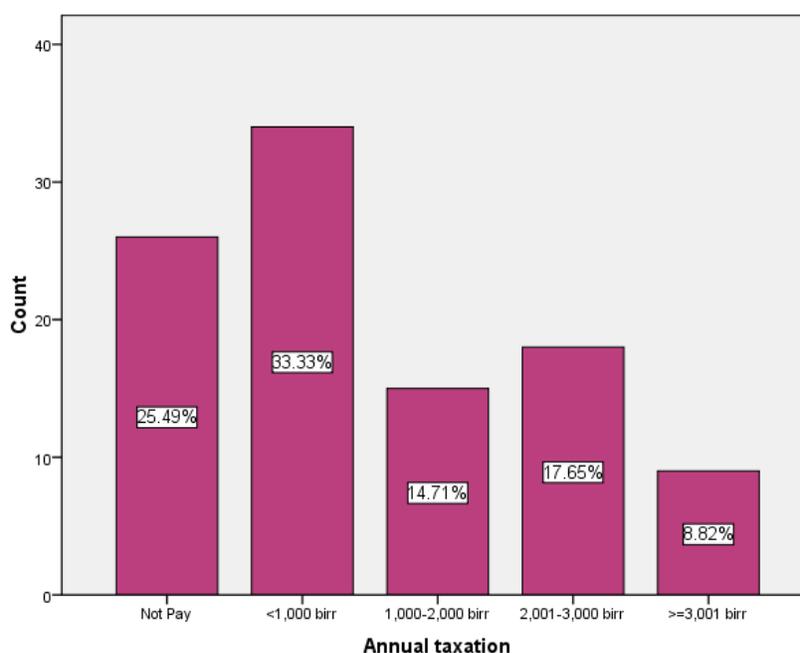


Figure 4.7. Estimated amount of annual taxation payment

Source: own survey data, 2013

Figure 4.7: The estimated amount of annual taxation payment by the coffeehouse operators varies from less than 1000 to greater than 3000 birr. About 33 percent of the respondents pay an annual taxation of less than 1000 birr and about 15 percent of the respondents fall in the payment that ranges from 1000 to 2000 birr per annum. Coffeehouse business owners who pay annual taxation of 2001 to 3000 birr were 17 % of the respondents and about 9percent of the respondents pay greater than 3000 birr per year.

Table 4.22: Fairness of annual taxation payment

| Taxation fairness | Frequency | Percentage |
|-------------------|------------|---------------|
| No response | 26 | 25.49 |
| Fair | 44 | 43.14 |
| Unfair | 32 | 31.37 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.22: Fairness is important in taxation. There have been times when tax payers pay either too low or too high annual taxes. The perception of coffeehouse business operators on the fairness of annual taxation payment was asked to the selected respondents. Surprisingly enough, 31percent of the respondents perceive that the annual tax payment levied on them is not fair. About 43percent of the respondents said that the annual taxation payment is fair while 26percent of the respondents were not willing to respond on the issue.

The tax administration should provide impartial and professional courteous service and must keep private and confidential information regarding the individual taxpayers. It should also offer clear, understandable and current tax information and will make this information available to tax payer through various media and provide timely, accurate written information that one can rely on to questions and requests for tax information. Education and information programs on specific tax issues should be arranged with taxpayers to enhance their awareness and taxpayers should be allowed to voluntarily disclose their tax situation without incurring a penalty or being prosecuted for tax violations under certain conditions (Asian Development Bank, 2001).

Taxes are important source of revenue to government in both developing and developed countries. But the amount of revenue to be generated by government from such taxes for its expenditure programs depends among other things, on the willingness of the taxpayers to comply with tax laws of a country. The failure to follow the tax provisions suggests that a taxpayer may be committing an act of noncompliance (Kirchler, 2007 as cited by Alabede, Ariffin, & Idris, 2011).

In Ethiopia , there is a gap between the amount of tax that is supposed to be collectable from the tax payer of the country and which is actually collected due to under statement of income, deduction of expense unrelated with the business, poor assessment system and uncollectible amount of the imposed tax, etc. The main reasons for those non-compliance activities are inefficient tax administration, unfair procedural justice, and negative attitude of tax payer towards tax system.

In Ethiopia findings reveal that since many business people do not keep proper records for their enterprises ,taxes by Ethiopian Revenue and Customs Authority (ERCA) are based on estimates and because of this many business enterprises end up being over taxed and eventually run out of

business and this hinders voluntary compliance (Wubshet, 2011).

4.8. Support Needs from Stakeholders to the Business Endeavors

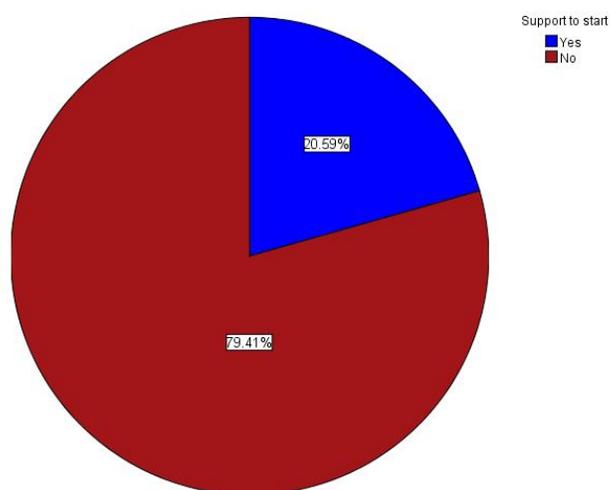


Figure 4.8. Support to start the coffee house business

Source: own survey data, 2013

Figure 4.8: Support is very important to start a new business. Majority 79 percent of the present coffeehouse business operators, however, have not received any support. Only 21 percent of the respondents have replied that they have received support in starting their business.

Table 4.23: Major supporters (stakeholders) of the business

| Supporter | | Frequency | percentage |
|--------------------------------------|-----|-----------|------------|
| City administration | Yes | 0 | 0.00 |
| | No | 102 | 100.00 |
| Office of Micro and small enterprise | Yes | 6 | 5.88 |
| | No | 96 | 94.12 |
| DEDEBIT Micro finance | Yes | 16 | 15.69 |
| | No | 86 | 84.31 |
| Sub-city administration | Yes | 1 | 0.98 |
| | No | 101 | 99.02 |
| Women's association | Yes | 0 | 0.00 |
| | No | 102 | 100.00 |
| Humanitarian organization | Yes | 1 | 0.98 |
| | No | 101 | 99.02 |

Source: own survey data, 2013

Table 4.23: The major stakeholders (supporters) in starting their business were Office of Micro and Small Enterprise and Dedebit Microfinance. These two institutions have contributed 21percent of the support to the respondents. The sub-city administration and one humanitarian organization have contributed support to one respondent each.

Table 4.24: Do you believe that the support given by these authorities were very helpful?

| Helpfulness of the support | Frequency | Percentage |
|-----------------------------------|------------------|-------------------|
| Yes | 20 | 19.61 |
| No support | 82 | 80.39 |
| Total | 102 | 100.00 |

Source: own survey data, 2013

Table 4.24: Those respondents who have received support during starting of their business were asked whether the support they got was helpful or not. Almost all 93percent of them said that the support was helpful.

Table 4.25: Types of support attained from stakeholders to the business.

| Type of support | | Frequency | Percentage |
|-----------------------------|-----|------------------|-------------------|
| Training | Yes | 20 | 19.61 |
| | No | 82 | 80.39 |
| Credit | Yes | 18 | 17.65 |
| | No | 84 | 82.35 |
| Consultancy | Yes | 14 | 13.75 |
| | No | 88 | 86.25 |
| Market linkage | Yes | 0 | 0.00 |
| | No | 102 | 100.00 |
| Participating in exhibition | Yes | 0 | 0.00 |
| | No | 102 | 100.00 |
| Tax holidays | Yes | 0 | 0.00 |
| | No | 102 | 100.00 |
| Working space | Yes | 0 | 0.00 |
| | No | 102 | 100.00 |

Source: own survey data, 2013

Table 4.25: The type of support they received ranges from training to credit and consultancy service. 19.6 percent of the respondents have received training while respondents who received credit were 17.6 percent. Of the total respondents interviewed, 13.7 percent have received consultancy support. The respondents disclosed that they have not received supports related to market linkage, participation in exhibitions, tax holidays and getting working place.

4.9. Internal and External Challenges of the Business

Table 4.26: Main challenges (internal) faced while starting the business.

| Internal challenges at start | | Frequency | Percentage |
|-------------------------------------|-----|------------------|-------------------|
| Attitudinal problem | Yes | 48 | 47.05 |
| | No | 54 | 52.95 |
| Lack of confidence | Yes | 53 | 51.96 |
| | No | 49 | 48.04 |
| Lack of entrepreneurial knowledge | Yes | 67 | 65.68 |
| | No | 35 | 34.32 |
| Lack of interpersonal skill | Yes | 59 | 57.84 |
| | No | 43 | 42.16 |

Source: own survey data, 2013

Table 4.26: Like any other businesses, the coffeehouse business has internal and external challenges. Among the internal challenges are attitudinal problems, lack of confidence, lack of entrepreneurial knowledge and interpersonal skills. More than half of the respondents have said that they had almost all the internal challenges. Accordingly, 47 percent of the respondents have said that they had attitudinal problems and about 52 percent of them had problems related to lack of confidence. Similarly, 66 percent of the respondents said that lack of entrepreneurial knowledge and skill was a challenge 58 percent of the respondents said to have challenges in interpersonal skills. This finding shows that the success of the coffeehouse operators could have been improved had these internal challenges been solved before starting their business.

Table 4.27: Main challenges (external) faced after starting the business

| Internal challenges after start | | Frequency | Percentage |
|--|-----|------------------|-------------------|
| Expensive house rent | Yes | 61 | 59.80 |
| | No | 41 | 40.02 |
| Shortage of water supply | Yes | 29 | 28.43 |
| | No | 73 | 71.57 |
| Lack of toilet and latrine | Yes | 20 | 19.61 |
| | No | 82 | 80.39 |
| Lack of training in business development | Yes | 80 | 78.43 |
| | No | 22 | 21.57 |
| High turnover of employee | Yes | 57 | 55.88 |
| | No | 45 | 44.12 |
| Lack of adequate working capital | Yes | 87 | 85.29 |
| | No | 15 | 14.71 |

Source: own survey data, 2013

Table 4.27: In addition to the internal challenges that occurred before starting the business, there were also internal challenges faced by the coffeehouse business operators after starting their business. These challenges include expensive house rent, shortage of water supply, lack of toilets/latrines, and lack of training in business development, high turnover of employees and shortage of working capital. Of these challenges, shortage of working capital, lack of training in business development and high house rental cost were challenges to 85, 78 and 60 percent of the respondents, respectively. The remaining two challenges; namely, shortage of water supply and latrines were found to challenges to 28 and 19.6 percent of the respondents.

Table 4.28: Major challenges (external) faced while initially engaged in the business

| External challenges after engaged | | Frequency | Percentage |
|--|-----|------------------|-------------------|
| Lack of working space | Yes | 69 | 67.65 |
| | No | 33 | 32.35 |
| Lack of training | Yes | 72 | 70.58 |
| | No | 30 | 29.42 |
| Lack of consultancy service | Yes | 58 | 56.86 |
| | No | 44 | 43.14 |
| Lack of credit | Yes | 84 | 82.35 |
| | No | 18 | 17.65 |
| Lack of market linkage | Yes | 63 | 61.76 |
| | No | 39 | 38.24 |
| Lack of favorable tax regulatory | Yes | 20 | 19.61 |
| | No | 82 | 80.39 |

Source: own survey data, 2013

Table 4.28: Coffeehouse operators have also listed external challenges that occur after being engaged in the business. These challenges include lack of working space, lack of training, lack of consultancy service, lack of credit, lack of market linkage and lack of favorable tax regulatory. These challenges have been faced by the majority of the respondents. Lack of working space has been a challenge for about 68 percent of the respondents and lack of training, lack of consultancy service, lack of credit, lack of market linkage and lack of favorable tax regulatory have been challenges by 70, 57, 82, 62 and 20 percent of the respondents. This again calls relevant governmental and nongovernmental organization to give due consideration to tackle the challenges being faced by those who have started the coffeehouse business and for those who expect to start the business in different parts of the region.

Table 4.29: Profitability of Coffee and Tea sales

| Average daily sales of Coffee | Mid-point | Freq | Price/cup (ETB)¹ | Cost/cup (ETB)² | Profit=P_C (ETB) | Average monthly profit (ETB) |
|--------------------------------------|------------------|-------------|------------------------------------|-----------------------------------|-------------------------|-------------------------------------|
| 1 – 100 cups | 50 | 26 | 4 | 3 | 50 | 1500 |
| 101 – 200 cups | 150 | 29 | 4 | 3 | 150 | 4500 |
| 201 – 300 cups | 250 | 20 | 4 | 3 | 250 | 7500 |
| 301 – 400 cups | 350 | 16 | 4 | 3 | 350 | 10500 |
| >400 cups | 400 | 11 | 4 | 3 | 400 | 12000 |

| Average daily sales of Tea | Mid-point | Freq | Price/cup (ETB) | Cost/cup (ETB) | Profit=P_C (ETB) | Average monthly profit (ETB) |
|-----------------------------------|------------------|-------------|------------------------|-----------------------|-------------------------|-------------------------------------|
| <100 cups | 50 | 60 | 2 | 1.25 | 37.5 | 1125 |
| 100 – 200 cups | 150 | 33 | 2 | 1.25 | 112.5 | 3375 |
| 201 – 300 cups | 250 | 7 | 2 | 1.25 | 187.5 | 5625 |
| 301 – 400 cups | 350 | 2 | 2 | 1.25 | 262.5 | 7875 |

Source: own survey data, 2013

Table 4.29 demonstrates that about 74% of the respondents sell from 100 to more than 400 cups of coffee for which they earn monthly average income of ETB 3,000.00 to ETB 12,000.00 per month. Similarly, 90% of the respondents have daily sells of tea from 50 to 200 cups of tea for which they earn monthly average income of ETB 1,125.00 to birr 4,500.00. Comparatively, the coffee beverage sells is higher for the majority than the tea sells.

¹ The average price for a cup of coffee is birr 4 even though some coffee houses sell for birr 5 per cup

² The average cost per cup (variable + fixed) has been computed based on the personal estimation (based on discussion with experts in the area) of the researcher.

Coffee house businesses are not restricted to hot beverages only; they also sell bottled water of small, medium and large size. The income from sales of this bottled water compliments the income they earn from the primary coffee business. Table 4.30 depicts the daily bottled water sells for the sampled coffee houses.

Table 4.30: Average daily sells of small, medium and large bottled water

| Size of Bottled water | Obs | Mean sales | Std. Dev. | Min | Max | Price/unit | Cost /unit | Profit/Unit | Profit/Month |
|-----------------------|-----|------------|-----------|-----|-----|------------|------------|-------------|--------------|
| Small | 102 | 3.29 | 2.31 | 0 | 10 | 6 | 5 | 1 | 98.82354 |
| Medium | 102 | 2.01 | 1.33 | 0 | 6 | 8 | 7 | 1 | 60.29412 |
| Large | 102 | 0.73 | 0.9 | 0 | 3 | 11 | 10 | 1 | 21.764706 |

Source: own survey data, 2013

As can be seen from Table 4.30, the daily sells of bottled water ranges from 0-10, 0-6 and 0-3 for small, medium and large bottles respectively. The average monthly income from sells of bottled water of all type equals to birr 180. Such income is insignificant in comparison to the income these coffee houses earn from sells of coffee and tea. The reason for the low level of sell can be the fact that many coffee houses provide tab water. In some cases, consumers would buy bottled water during lunch time and cannot afford to buy again. For others the price would be expensive.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Summary of the Findings

The coffee house business in Mekelle is mostly operated by young people in the age category of 18 to 30, this reveals that the business is new to the area and the younger generation has the courage to start such new business. At the same time the business is run by females in Mekelle town but it seems that it is promising that even male can run the business. These coffee houses were contributing job creation for unemployed youngsters. And 22 % of the coffee house operators are married which indicates that it has contribution to the livelihood of households. Therefore, the coffee house business employ people who completed grade eight and it has great importance in reducing unemployment in the region.

The highest proportion of engagement of the business operators in priority are: students, housewife, private employee, traders, government employee and unemployed. This shows that coffee house business is not only a job opportunity for jobless individuals but also an alternative type of business for about 95 % of the respondents even for government employee. The coffee house business as an alternative business attracted many people even shifting from their government employment.

This means that the business did not require more capital and hence entry in to the business is easy. Another major reason to shift to this business is its profitability, most of the operators responded that the business is profitable and witnessed from other operators who changed (improved) their livelihood after being engaged in the coffee house business. Lack of sufficient start-up capital is the major problem faced by coffee house businesses owners. The coffee house business is an emerging business for young females. However, the financial institutions are not willing to give them credit for those owners.

The main source of initial capital in Mekelle city is credit from family and own savings of the coffee house owners. This result shows the coffee house owners are out of focus of the financial institutions; they are marginalized by those creditors. The share of microfinance institutions in

providing credit is negligible. The majority of the coffee house owners in Mekelle city start the business with initial capital ranging from 5000-10,000 birr. This expresses that coffee house business needs small amount of capital.

This implies that urban coffee houses are the source of job for the jobless and an alternate source of job for others. Those business operators who do not employ employee will run the business as an own employed or engaging unpaid family member. Those engaged as unpaid family members are few in number as compared to none paid members. From this we can conclude that the coffee houses business plays their own role in reducing unemployment.

The construction of cobblestone paved roads in formerly dusty roads has now attracted the attention of coffeehouse operators. Villages which used to be residential areas have been witnessed to be changed in to coffeehouse business areas after the construction of cobblestone roads. It was also observed that the presence of tree shades in the pedestrian roads is becoming the main attractions for clients of coffeehouses, particularly during the sunny days. It can therefore be concluded that the majority of the coffeehouse business operators have a plan to shift their business but are not willing to work either as government or private employees. This means that the benefits earned from the coffeehouse business is much better than that of a government or private employee.

Accordingly, all the respondents agreed that involving in the coffeehouse business has the advantage of covering their basic needs, covering expenses related to education, as it was responded by 67% of the respondents while 33% of the respondents perceived that it doesn't have advantages of the business on education. This might be related to whether or not the coffeehouse operators and their families are involved in education or not. Similarly, 75 % of the interviewed stated that benefit that they were getting was used to cover health expenses during emergency while the remaining 25 % of the respondents replied that involving in the business has no advantage in covering health expenses. About 65 % of the respondents have managed to purchase durable assets like TV sets.

An interesting finding from the survey was that the majorities 91% of the coffeehouses operators are saving from the profit they are earning. This might be the reason why many of the

coffeehouses operators have plans to shift to more advanced type of business in the coming five years. Cash savings from citizens are important sources of revenue for a country to undertake different developmental activities. The types of fixed assets acquired are grouped in to house construction and purchase of other fixed assets. Owning a house is a sign of prestige and gives relief to the owner from the constant increase in payment for rented houses. But house construction in cities like Mekelle is not as such easy task.

Taking the time the coffeehouse owners have spent in the business, the assets they have acquired from the profit of such a small business is promising. These figures clearly show that the coffeehouses business operators are playing a significant role in supporting not only themselves but also their family, including their extended family members. Besides supporting themselves and their families, the coffeehouse business operators are also contributing to the development of their country as tax payers. The study showed that all the respondents are registered as tax payers in the city.

Besides having awareness on the role of taxation to development, majority 94 % of the coffee house business operators have knowledge on the tax payment period. Despite their knowledge on the tax payment and its contribution to development; however, about 29 % of the respondents do not pay tax on time. The remaining 71% of the respondents, however, pay their tax on time. Fairness is important in taxation. There have been times when tax payers pay either too low or too high annual taxes. The perception of coffeehouse business operators on the fairness of annual taxation payment was asked to the selected respondents

Support is very important to start a new business. Majority 79 % of the present coffeehouse business operators, however, have not received any support. The respondents disclosed that they have not received supports related to market linkage, participation in exhibitions, tax holidays and getting working place. Like any other businesses, the coffeehouse business has internal and external challenges. Among the internal challenges are attitudinal problems, lack of confidence, lack of entrepreneurial knowledge and interpersonal skills. More than half of the respondents have said that they had almost all the internal challenges. This finding shows that the success of

the coffeehouse operators could have been improved these internal challenges before starting their business.

In addition to the internal challenges that occurred before starting the business, there were also internal challenges faced by the coffeehouse business operators after starting their business. These challenges include expensive house rent, shortage of water supply, lack of toilets/latrines, and lack of training in business development, high turnover of employees and shortage of working capital. Coffeehouse operators have also listed external challenges that occur after being engaged in the business. These challenges include lack of working space according to 68 % of the respondents, lack of training, lack of consultancy service, lack of credit, lack of market linkage and lack of favorable tax regulatory.

This again calls relevant governmental and nongovernmental organization to give due consideration to tackle the challenges being faced by those who have started the coffeehouse business and for those who expect to start the business in different parts of the region.

5.2 Conclusion

The current finding indicates that there is increment of coffee houses in Mekelle city due to the highest income source for these community engaged in this business activity. Similarly, the shading areas of different places in the city enable the coffee houses to sell their product outside the houses as they have small coffee houses which occupy only few people if they serve inside their home only. With regard to job creation, coffee houses played a great role in creating job opportunity for most of the young female society in the city. In addition, the establishment and increment of the coffee houses in the city enable the participants in the business area to have more profit which cover some of the education and health problem expenses, family support and creating employment opportunity. At the same time, since most of the coffee houses are profitable and they can earn large amount of money they save their money through different mechanisms such as “*equib*”, and in the bank. Moreover, they have also played great role in the development of the country through provision of occupation to a large proportion of the young people in the business area and the payment of taxation as most of them are tax payers even though their degree of knowledge regarding the tax payment varies among individuals. Because of the saving system of the coffee house owners they accumulate large amount of capital within a short period of time, as a result most of them have fixed assets within the city such as, they have an almost completely furnished own houses in addition to covering the daily expenses and payment to their employee.

Even though the coffee houses in the city has such kind of benefits ; they have also faced some challenges such as , lack of focus by the office of trade and industry, micro and small enterprise office and TVET as there is gap among these organizations. Similarly, there are attitudinal problems, lack of confidence, lack of entrepreneurial knowledge and interpersonal skills, lack of working space, lack of training, lack of consultancy service, lack of credit, lack of market linkage and lack of favorable tax regulatory. Generally, it is promising that the business industry is more important for the young people involved in this sector due to creation of job for the unemployed people, source of income, and alternative path way even for previously employed people in governmental sectors.

5.3 Recommendations

Based on the above conclusion, the following points are recommended:

- The establishment of the coffee houses in the city should be strengthened
- There should be a credit support for coffee house owners
- Awareness creation on the tax payment should be given to coffee house operators
- The municipality of the city should think of expansion of the coffee houses as most of them have only limited space
- A focus should be given on certification of coffee houses so as to encourage both local and tourist attraction to the coffee ceremony by the tourism office of the city.
- The participation of the coffee house owners in most exhibitions should be encouraged
- The coffee houses should be supported by different trainings through different institutions
- There should be a close collaboration of the different offices of Mekelle city administration in enhancing coffee house business
- Further research on the importance of coffee houses to the livelihood of individuals should be conducted

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APPENDIXES

Appendixes - A

ዩኒቨርሲቲ መቐለ

ኮሌጅ ቢዝነስን ኢኮኖሚክስን

ክፍሉ ትምህርቱ ማኔጅመንት

ዕላማ እዚ ፅሑፋዊ መሕትት

ዝተኸበርክን ናብ ሃፍቲ ምጥራይ ትጉግዛ ዘለኻን/ኹም/ ኣሕዋት

ዕላማ እዚ ፅሑፋዊ መሕትት ኣብ ዩኒቨርሲቲ መቐለ ኮሌጅ ቢዝነስን ኢኮኖሚክስን ክፍሉ ትምህርቱ ማኔጅመንት ብዓይነት ትምህርቲ ደብዮፕመንት ስተዲ መርሃ ግብሪ ካልኣይ ዲግሪ ኣብ ዘካይዶ መፅናዕቲ ”ኮፊ ሃውስ ኣብ ከባቢያዊ ልምዓት ዘለዎ ግደ“ ብዝብል ርእሲ ኣብ ከተማ መቐለ መረዳእታ ንምእካብን በዚ ፅሑፋዊ መሕትት ዝእከቡ መረዳእታታት ኣብ ትምህርታዊ መፅናዕቲ ረብሓ ጥራሕ ዝውዕል እዩ። በዚ መሰረት እዚ መፅናዕቲ ዝህልዎ ረብሓ ብምርዳእ ዝግባእን ግልፅን መረዳእታ ንምሃብ ንክትሓበበራኒ እላዮ።

ኣብዚ ፅሑፋዊ መሕትት ሽምክን ክትዛረባ ዘይትግደዳን ንትህብኦ መልስን ሪኢቶን ምሽጥራዊነቱ ዝተሓለወ ምኻኑ እናረጋገፅኩ መልስኻን ካብ ዝተውሃቡ መማረፅታት ክትመርፃን መግለፅን ብምግባርን ንክትትሓበበራኒ ዳግም እላዮ።

ክፍሉ ሓደ፣ ሓፊሻዊ ገለፃ

ስያመ ክፍለ ከተማ፣ ጣቢያ፣.....

- 1. ኩነታት ወሃቢ ቃለ መሕትት ሀበዓል ዋና ቁፃር ማኔጀር ተሓጋዚት
- ሰራሕተኛ ስድራ/ሓላዊት ገዛ/
- 2. ፆታ: ተባዕታይ ኣነስታይ
- 3. ዕድመ:
- 4. ኩነታት ሓዳር: ዘእተወት ዘየእተወት
- ዝፈትሐት ሰብኣያ ዝሞታ ካብ ሕጋዊ መርዓ ወፃኢ ብሓባ ምንባር
- 5. ደረጃ ትምህርቲ:
- 6. በዝሒ ቆልዑ ተባዕትዮ ኣነስትዮ ድምር

ክፍሉ ክልተ፣ ግደ ኮፊ ሃውስ ኣብ ምፍጣር ስራሕ

7. ናይ “ኮፊ ሃውስ” ቢዝነስ መዓስ ጀሚርክንኦ? ወርሒ ዓ.ም.....

8. ቅድሚ እዙ “ኮፊ ሃውስ” ስራሕ ምጅማርክን እንታይ ትሰርሓ ነይርክን?

ስራሕ ኣይነበረንን ተምሃሪት በዓልቲ ሓዳር

ውልቀ ተቆሃሪት ኣብ ካልእ ንግዲ ካልእ ይገለፅ

9. “ኮፊ ሃውስ” ቢዝነስ ንምጅማር ዘበገሰክን ምኽንያት እንታይ ነይሩ/ካብ ሓደ ንላዕሊ መልሲ ምሃብ ይከኣል እዩ/?

ሀ. መትረፋይ ስለዝኾነ እወ ኣይኮነን

ለ. መማረጊ ዕድል ስራሕ ስለዘየለ እወ ኣይኮነን

ሐ. ቅድም ኢሉ በዚ ልምዲ ስራሕ ስለዝነበረኒ እወ ኣይኮነን

መ. መነባብረኡን ዝተመሓየሻ ሰባት ስለዝፈልጥ እወ ኣይኮነን

ረ. ውሑድ ኢንቨስትመንት እወ ኣይኮነን

ሰ. ካልእ ይገለፅ

10. ስራሕ መጀመሪ ገንዘብ ካበይ ረኺብን?

ሀ. ካብ ባዕለይ እወ ኣይኮነን

ለ. ካብ ማይክሮ ፋይናንስ ዝተረኸበ ልቓሕ እወ ኣይኮነን

ሐ. ካብ ስድራ ብዝተረኸበ ልቓሕ እወ ኣይኮነን

መ. ካብ ዕቁብ እወ ኣይኮነን

ረ. ካልእ ይገለፅ

11. ስራሕ እንትጅምራ ዝነበረን ክንደይ ዝኣክል መናገዲ ገንዘብ ነይሩዎን? ብር ...

ሀ. <5,000.00 ለ.5,000.00–10,000.00 ሐ. 15,000.00 መ. ≥ 15,000.00

12. እዚ ትሰርሓሉ ዘለኸን ገዛ ናይ መን እዩ?

ናይ ባዕለይ ክራይ ናይ ስድራ ካልእ ይገለፅ.....

13. ንቐፅሪ 12 መልስኸን “ብክራይ” እንተኾይኑ ኣብ ወርሒ ክንደይ ትኸፍላ?ብር....

14. ሰራሕተኛ አለጧዎን ዶ? ሀ. እወ ለ. የብለይን

15. ክንደይ ሰራሕተኛታት አለጧ?

16. ዓይነት ሰራሕ ይግለጻለይ?

መሃያ ዘይኸፈሎም ስድራ መሃያ ዝኸፈሎም

ብትርፊ ሰዓት ዝሰርሓ/ተመላለስቲ/ ካልእ ይገለፅ

17. ብማእኸላይ ንሓንቲ ሰራሕተኛ ዝኸፈላ ወርሓዊ መሃያ ክንደይ እዩ? ብር

18. እተን ሰራሕተኛታት ስራሕ ዘይብለን ድየን ነይረን? ሀ. እወ ለ. አይኮናን

19. ደረጃ ትምህርቲ ሰራሕተኛታትክን ሀ. ለ. ሐ. መ.

20. እተን ሰራሕተኛታት ምስኣን ኣብ ዝነበራሉ ንክንደይ እዋን ይፀንሓ?

21. ካብዚ ስራሕ ወጺኦን ናበይ ይኸዳ?

ሀ. ናይ ባዕለን ኮፊ ሃውስ ይኸፍታ እወ አይኮነን

ለ. ናብ ካልእ ኮፊ ሃውስ ይኸዳ እወ አይኮነን

ሐ. ካብ ኮፊ ሃውስ መጻእ ናብ ካልእ ስራሕ ይኸዳ እወ አይኮነን

መ. ትምህርተን ይቕፅላ እወ አይኮነን

ረ. ካልእ ይገለፅ

22. ቅድሚ እዙ ኮፊ ሃውስ ምክፋትክን በዘይ ስራሕ ጠጠው ዝበልክናሉ እዋን ነይሩ ዶ? ሀ.

እወ ለ. አይነበረን

23. ኣብ ቁፅሪ 22 መልስኸን “እወ” እንተኾይኑ ምኸንያቱ እንታይ ነይሩ?

ሀ. ስራሕ መንግስቲ እንዳተፀበኸ. እወ አይኮነን

ለ. በቲ ዝተምሃርኩዎ ዓይነት ትምህርቲ ስራሕ ስለዝሰኣንኩ እወ አይኮነን

ሐ. ሕፅረት መጀመሪ ስራሕ ዝኾን ገንዘብ እወ አይኮነን

መ. ካልእ ይገለፅ

24. ኣብቲ ትካልክን ብማዕኸላይ ኣብ መዓልቲ ክንደይ ሰዓት ትሰርሓ?

25. በቲ ትሰርሓኦ ዘለኸን ስራሕ ዕውቲ እዩ ዶ ትብላ? ሀ. እወ ለ. አይኮነኩን

26. ካብ ሀዘ ጀሚሩ ንቐፃሊ 5 ዓመታት ኣብዙ ሀዘ ዘለኸንኦ ስራሕ ክፀንሕ እየ ኢልክን ዶ ትኣምና? ሀ. እወ ለ. ኣይፀንሕን ሐ. ኣይፈልጦን
27. ቐዋሚ ስራሕ መንግስቲ ወይ ዘይመንግስታዊ ትካል እንተትረኽባ እዙ ትሰርሓኦ ዘለኸን ንግዲ ምገድፍክንኦ ዶ? ሀ. እወ ለ. ኣይገድፎን

ክፍሊ ሰለስተ፣ ግደ ኮፊ ሃውስ ኣብ ፍልፍል እቶት

28. ኣብዙ “ኮፊ ሃውስ” እንታይ እንታይ ትሸጣ?/ቡን፣ሻሂ፣ቀሽር፣ሉስሉስ መስተ፣ዕሹግ ማይ ወዘተ/

- ሀ. ለ.
 ሐ. መ.
 ረ. ሰ. ካልእ ይገለፅ

29. ካብዚ ስራሕ “ኮፊ ሃውስ” ወፃኝ ካልእ እቶት ኣለወን ዶ?

- ሀ.እወ ለ. ኣይብለይን

30. መሸጢ ዋጋ ፤

- ሀ. ፍንጃል ቡን? ብር
 ለ. ብርጭቆ ሻሂ? ብር
 ሐ. ብርጭቆ ቀሽር? ብር
 መ. ዕሹግ ማይ? ንኡሽተይ ማእኸላይ ዓብይ

31. ንሓደ ኪሎ ግራም/ፓኬት/ ዋግኡ ክንደይ እዩ?

- ሀ. ቡን ለ. ሸኮር ሐ. ቆፅሊ ሻሂ
 መ. ካልኦት ቅመማት 1. 2. 3. 4.

32. ኣብ መዓልቲ ክንደይ ፍንጃል ቡን ትሸጣ?

- ሀ. ትሕቲ 100 ለ.100-200 ሐ.201-300 መ.301-400 ረ.401 ንላዕሊ

33. ኣብ መዓልቲ ክንደይ ብርጭቆ ሻሂ ትሸጣ?

- ሀ. ትሕቲ 100 ለ.100-200 ሐ.201-300 መ.301-400 ረ.401 ንላዕሊ

34. ኣብ መዓልቲ ክንደይ ብርጭቆ ቀሽር ትሸጣ?

- ሀ. ትሕቲ 50 ለ.51-100 ሐ.101-150 መ.151-200 ረ.201 ንላዕሊ

35. ኣብ መዓልቲ ክንደይ ዕሹግ ማይ ትሸጣ?

- ሀ. ንኡሽተይ ለ. ማእኸላይ ሐ. ዓብይ

ረ. ንትካል ዝኸውን ገዛ አስሪሓ እወ አይኮነን

ሰ. ካልእ

42. ንተራ ቁፅሪ 41 ዝተጠረየ ንብረት ዋጉኡ ብግምት ክንደይ ይኸውን? ብር.....

43. ካብ “ኮፊ ሃውስ “ብዝተረኸበ ካፒታል ኡብ ካልእ ዓይነት ንግዲ ስራሕ /ኢንቨስትመንት/ አዋፊረን ድዮን?

ሀ.እወ ለ. አየዋፊርኩን

44. ንቁፅሪ 43 መልስኸን ”እወ“ እንተኾይኑ ኡብ ምንታይ ዓይነት ዘፊር ንግዲ /ኢንቨስትመንት/ እዩ?

ሀ. ሳሎን ቁንጅና እወ አይኮነን

ለ. መደብር መሳርሒ ፅሕፈት እወ አይኮነን

ሐ. እንዳ ሻሂ/ካፌ/ እወ አይኮነን

መ. ቤት መስተ እወ አይኮነን

ረ. ሬስቶራንትን እወ አይኮነን

ሰ. ካልእ ይገለፅ

45. ኡብ ቁፅሪ 44 ዝተሓበረ ስራሕቲ ንግዲ /ኢንቨስትመንት/ ካፒታሉ ክንደይ ይኸውን? ብር

46. ካብ ትረኽብኦ እቶት ትሕግዘኦም ስድራ አለዉዶ?

ሀ. አቦ ወይ አዶ እወ አይኮነን

ለ. ሓው ወይ ሓፍቲ እወ አይኮነን

ሐ. ስድራ እወ አይኮነን

መ. ካልእ ይገለፅ.....

ክፍሊ አርባዕተ፣ ግደ ኮፊ ሃውስ ኡብ ክፍሊት ግብሪ

47. ምዝገባ ክፍሊት ግብሪ ተመዝጊብንዶ? ሀ. እወ ለ. አይተመዝገብኩን

48. አታዊኸንን ወፃኢኸንን ትምዝግባዶ (መዘገብ ሒሳብ ትሕዛዶ)?

ሀ.ይምዝግብ ለ. አይምዝግብን

49. ንተራ ቁፅሪ 48 መልስኸን “አይምዝግብን” እንተኾይኑ ንምንታይ እዩ?

ሀ. ረብሐ አመዘጋግባ ሒሳብ ስልጠና አይወሰድኩን እወ አይኮነን

ለ. ረብሐ መዝገብ ሒሳብ አይፈልጠን እወ አይኮነን

ሐ. መዝገብ ሒሳብ ክሕዝ አይግደድን እወ አይኮነን

መ. መዝገብ ሒሳብ ክሕዝ ድሌት የብለይን እወ አይኮነን

ረ. ካልእ ይገለፅ

50. ምክፋል ግብሪ ንልምዓት ዘለዎ ግደ ትፈልጣዶ?

ሀ. እወ ለ. አይፈልጥን

51. ንተራቁፅሪ 50 መልስኸን “አይፈልጥን” እንተኾይኑ ምክንያቱ እንታይ እዩ?

ሀ. እቲ ዝምልከቶ አካል ክፈልጥ አይገበረንን

ለ. ብዛዕባ ምክፋል ግብሪ ዓርሰ ተበግሶ የብለይን

ሐ. ካልእ

52. ግብሪ ዝኸፈለሉ እዋን ትፍልጣዶ?

ሀ. እወ ለ. አይፈልጥን

53. ንተራ ቁፅሪ 52 መልስኸን “እወ” እንተኾይኑ ብእዋንክን ትኸፍላዶ?

ሀ. እወ ለ. አይከፍልን

54. ንተራ ቁፅሪ 52 መልስኸን “አይከፍልን” እንተኾይኑ ምክንያቱ ይግለፃ

ሀ. ግብሪ ክምሓር እየ ዝብል እምነት ስለዘለኒ

ለ. አብ እዋኑ ከፈልኩ አይከፈልኩ ለውጢ የብሉን

ሐ. ግብሪ አብ ምክፋል እዋን ምልዕዓል ስለዘይግበር

መ. ካልእ

55. አብ ዓመት ክንደይ ብር ግብሪ ትኸፍላ?.....

56. እቲ ትኸፍለኦ ግብሪ ምስ እቶትክን ፍትሓዊ እዩ ዶ ትብላ?

ሀ. ፍትሓዊ ለ. ዘይፍትሓዊ ሐ. ካልእ

ረ. ማሕበር ደቂ አነስትዮ እወ አይኮነን
 ሰ. ካልእ ይገለፅ

62. ዝተውሃበ ድጋፍ ጠቓሚ ነይሩዶ ትብላ? ሀ. እው ለ. አይነበረን

63. ዝተውሃበክን ዓይነት ድጋፍ እንታይ እዩ?

ሀ. ሰልጠና እወ አይኮነን

ለ. ልቓሕ እወ አይኮነን

ሐ. ምኽሪ እወ አይኮነን

መ. ምትእስሳር ዕዳጋ እወ አይኮነን

ረ. ምስታፍ ኤግዚቭቭን እወ አይኮነን

ሰ. እፎይታ ግብሪ እወ አይኮነን

ሸ. መስርሒ ቦታ እወ አይኮነን

ቀ. ካልእ ይገለፅ

ክፍለ ሸውዓተ፣ አብ ኮፊ ሃውስ ዘጋጥሙ ፀገማት

64. እዙ ስራሕ ንምስራሕ ዘለክን ውሽጣዊ ፀገማት እንታይ እዩ ትብላ?/ካብ ሓደ ንግዳሊ መልሲ ምሃብ ይከኣል እዩ/

ሀ. ናይ አተሓሳስባ ፀገም እወ አይኮነን

ለ. ምስኣን ዓርሰ እምነት እወ አይኮነን

ሐ. ፈጣሪ ስራሕ ዘይምኝን እወ አይኮነን

መ. ምሳ ሰብ ዘለኒ ርክብ ድኹም ምኝን እወ አይኮነን

ረ. ካልእ ይገለፅ

65. እዙ ስራሕ ኣብ ትሰርሓሉ እዋን ዘጋጠመክን ፀገም እንታይ እዩ?

ሀ. ገዛ ክራይ ክቡር መኝን እወ አይኮነን

ለ. እፅረት ማይ ቀረብ እወ አይኮነን

ሐ. ሽቓቕ ዘይምህላው እወ አይኮነን

መ. ሕፅረት ሓይሊ ኤሌክትሪክ እወ አይኮነን

ረ. ሰልጠና ዘይምርካብ እወ አይኮነን

ሰ. ሰራሕተኛታት ረገዥን ዘይምስራሕ እወ አይኮነን

ሸ. ሕፅረት ገንዘብ እወ አይኮነን

Appendixes -B

ቃለ መጠይቅ ገንጠልን ኢንዱስትሪን፣ ደክሞችን አናገሮት ደጋግተው ኢንተርፕራይዝን ቴሌቪዥን ገንጠልን መቆለ

1. ስራሕቲ "ኮፊ ሃዲስ" ንግድን ለውጥ ለውጥን ከባብያዊ ልምድን ዘለዎ ተራ ከመይ ይግለፅ?
2. ስራሕቲ "ኮፊ ሃዲስ" ብመንፅር ምርጫው ቁጠባዊ ለውጥን ከባብያዊ ልምድን እንታይ ትርጉም ኣለዎ?
3. ብመንፅር ምፍጣር ዕድል ስራሕ ግደ "ኮፊ ሃዲስ" ከመይ ይግምግምዎ?
4. ብመንፅር እቶት ግብርን ካልኦት ተዛመድቲ ጉዳያትን " ኮፊ ሃዲስ" ዝህልዎ ተራ ከመይ ይግለፅ?
5. ኣብ ስራሕቲ "ኮፊ ሃዲስ" ዝተዋፈራ ብኸመይ ተተባብዑዎን?
6. ኣብ ስራሕቲ "ኮፊ ሃዲስ" ዝተዋፈራ ከም ፀገም ዘልዕለኦ እንታይ እዩ፣ ዛጊድ ከመይ ዝበለ ፍታሓት ተዋሂቡ?
7. ስራሕቲ "ኮፊ ሃዲስ" ምስ ህንፃት ኮብል ስቶን እንትነፃፀር ከመይ ይግምግምዎ?
8. ኣብ ስራሕቲ "ኮፊ ሃዲስ" ዝተዋፈራ እንተዝውደባ ከመይ ዝበለ ረብሓታት ይረኽባ ይብሉ?
9. ኣብ ስራሕቲ "ኮፊ ሃዲስ" ዝተዋፈራ ብጭቡጥ ዘረጋገፀኦ ለዉጢ ከመይ ይግለፅ? ከም መርኣያ ዝወሰዱ ይህልዎ ዶ?
10. ብመንፅር ምርጫው ከባብያዊ ልምድን "ኮፊ ሃዲስ" ዝህልዎ ቁጠባዊን ግድን ለውጥን ግደ ከመይ ይግለፅ?

የቐንደላይ
ተኸለ ሕሊፍ

40. Have you acquired any fixed asset from profits generated from coffee house business?

- A. Yes B. No

41. If your answer for question No.40 is yes, what type of fixed asset have you acquired?

- A. Build my own residence house Yes No
B. Purchase assets (TV, Cupboard, Bed, Refrigerator, etc) Yes No
C. Purchase Bajaj Yes No
D. Purchase condominium Yes No
E. Build a house for coffee house business Yes No
F. Other (specify):

42. What is the estimated cost of the asset that you owned based on question No. 41 Br. ...

43. Do you invest the money you earn in other business?

- A. Yes B. No

44. If the answer for question No. 43 is yes, indicate the type of business?

- A. Beauty salon Yes No
B. Stationery Yes No
C. Café Yes No
D. Bar Yes No
E. Restaurant Yes No
F. Other specify:

45. What is the amount of the capital you have invested? Based on question No.44?

46. Are you parents and/or brothers and sisters or relatives depending on your income?

- A. Mother and/or father Yes No
B. Sisters and/or brothers Yes No
C. Relatives Yes No
D. Other specify:

Part Four: Role of coffee house on Tax payment

47. Are you registered as a tax payer? A. Yes B. No

48. Do you keep records of your costs /expenditure/ and profit etc

- A. Yes B. No

49. If the answer for question No. 48 is No, what is the reason?

- A. I didn't get any training in relation with financial recording Yes No

- B. I didn't know the advantage of financial record Yes No
- C. I am not required to keep financial record Yes No
- D. I am not interested in financial recording Yes No
- E. Other (specify):
50. Do you know the contribution of taxation for development?
A. Yes B. No
51. If your answer for question No. 50 is No, what is the reason?
A. I am not informed by concerned bodies
B. I am not motivated myself to have a knowledge about it.
C. Other specify:
52. Do you know the taxation payment period? A. Yes B. No
53. If your answer for question No.52 is yes, do you pay on time? A. Yes B. No
54. If your answer for question No.52 is No, what is the reason (giving more than one answer is possible)?
A. I am expecting to be free from paying taxation
B. No change at all
C. There are no awareness creation programs at the time of taxation payment.
D. Other:
55. How much is your annual taxation payment?
56. How fair is the tax you pay?
A. Fair B. Unfair C. Other specify:

Part Five: Market chain

57. What are the major expense items of your coffee/tea ingredients?
A. Coffee Yes No
B. Sugar Yes No
C. Tea Yes No
D. Ginger Yes No
E. Other specify:
58. Where do you buy these ingredients from?
A. Coffee: 1. Wholesaler 2. Retailer 3. Producer
Mekelle Addis Other specify:

Appendix - D

Interviewee questionnaire for Trade and industry, Micro and small enterprises and TVET officials of Mekelle City Interview to officials

1. What are the contributions of coffee houses to social changes and LED?
2. What are the contributions of coffee houses regarding savings and LED?
3. How do you evaluate coffee houses in terms of creating job opportunities?
4. What contribution do coffee houses have in terms of tax, and other related benefits
5. How do you encourage of coffee house owners?
6. What problems were raised by owners of coffee houses?
7. What solutions provided for the problem raised by coffee house owners?
8. Development of coffee houses related with cobble stone pavements. What do you understand?
9. What is the advantage of organizing coffee house owners?
10. What is the real change of coffee house owners? If there is models.