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THE ONGOING POLITICAL CRISES AND THEIR IMPACT ON MICRO AND SMALL ENTERPRISES: A CASE STUDY OF ETHIOPIA

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Abstract. This study aimed to highlight the challenges and difficulties that face small business enterprises in inhibiting Ethiopia. The author wants to reveal the impact of consecutive crises and conflicts on small businesses. To achieve this goal, a case study research in combination with a detailed review of the literature was done; the study population was 50 small business owners selected randomly from many small business owners. From the findings it was possible to summarize that the political environment has a significant and positive impact on small business success and the study also revealed that the war caused colossal material damage in the region, which has a total birr value of 288 billion. In addition, the most critical problems facing small businesses in Ethiopia's Amhara region are the difficulty of getting funds, poor infrastructure, corruption, difficulties in securing raw materials, lack of skilled employees, peace and security issues, challenges in getting licensing, and the absence of specific small business authority. Even though the political crisis is country wide and affects the business sector in the whole nation, the study is limited to Amhara region only due to certain constraints such as financial problems and time. In this regard, the findings of the study can be used to find a way to support small businesses to revive again. This study presents the effect of the current continuous war on small businesses in Ethiopia and will provide the basis for future researchers in this regard.

Keywords: small enterprises; crisis; small business success; obstacles; challenges; Amhara region

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JEL Classifications: O10, O55

1. Introduction

The Role of Small Business in the Economy

Small enterprises play a prominent role in enhancing a nation's economy and can provide income generation opportunity for low-income groups. These small-scale enterprises offer a work culture and boost the economy against economic crises, such as low per capita income, poverty, and unemployment. Based on the Government of Ethiopia, the sector contributes to job opportunities, income creation, and poverty alleviation. It is the primary source of employment and income for urban dwellers in most developing countries (Federal Micro and Small Enterprise Agency, 2018). Even if micro and small enterprises' performance is affected by different determinant factors, such as infrastructure, raw material, working premises, and human capital, it contributes to economic

growth, employment formation, and income generation for the local community in Tigray Ethiopia (Ayalu, Abbay, Azadi, 2022).

Micro, small and medium-sized enterprises (MSMEs) potentially impact achieving many sustainable development goals much more significantly than their size (Endris, Kassegn, 2022).

Small business enterprises are seen as the most crucial indispensable sector in fostering the socio-profitable development of developing countries. Mainly, they donate to employment in numerous developing countries where a challenge of high severance and poverty exists. Several studies reveal that MSMEs in developing countries are pivotal in employment creation and generally contribute to profitable growth as a machine of development and vehicle for fulfilling the Millennium Development Goals. Chief among these pretensions is the reduction of poverty through creating employment, wealth, and enhancement of living norms because poverty and severance rates are vastly advanced in these countries than in developed countries (Datta et al. 2018)

According to Zonouzi, Hoseyni, and Khoramshahi (2021), one of the significant challenges in the Iranian labor market is the closed, unchanged, and liberalized space of the laws and regulations, which is characterized by an annual decline in its position and rank in the global business arena. However, identifying and removing the existing barriers, especially political factors, contributes to organizing the business environment. However, the unfavorable situation of the business environment related to the unilateral sanctions has led policymakers and planners to resort to interim health policies in the critical conditions of the Iranian economy. The actual production overtaking is regarded as one of the implications.

The researchers argue that political factors are essential for the creation and survival of SMEs; they create a wide range of emerging entrepreneurs since they know the existing context and conditions and identify the risks caused by political factors.

A study conducted by Endeshaw (2005) also shows that the micro and small business sector is essential force-generating employment and more equitable income distribution. They activate competition, exploit niche markets, enhance productivity, and bring technical change through all of these measures to alleviate poverty. Micro and small enterprises can play a role in civilizing the socio-economic conditions because they generate job opportunities that enable access to socio-economic qualities such as education, better health condition, suitable housing, and nutrition (Belay, 2012; Setegn, 2010; Sherefa, 2012).

Different nations use various methods to separate micro and small business enterprises from other type of business, e.g. number of employees, financial strength, sales value, relative size, initial capital outlay, and industry types. For example, European Commission uses three criteria to determine whether an enterprise is a micro or small size. These are staff headcount, annual turnover, and annual balance sheet. According to the Commission, small enterprises employ fewer than 50 persons whose annual turnover or balance sheet total is not more than ten million Euros (Kushnir et al., 2010).

Today, many developing countries face various problems like extreme poverty, unemployment, low per capita income, and unequal income distribution. Due to this, different governments are creating different strategies and policies to create job opportunities and pull these countries out of their problems (Ermias, 2011). Like numerous developing countries, Ethiopia also suffers from severe poverty, severance, income inequality, and lower per capita income. In response to the mentioned problem, and by fetching this sector's significance, the Ethiopian government issued the National Micro and Small Enterprises Strategy in 1997. It established the Federal Micro and Small Enterprises Development Agency in 1998. The country's artificial policy in 2003 and the poverty reduction strategy program of 2006 have singled out MSEs as principal instruments to produce a productive and vibrant private sector and reduce poverty in the society (MoTI, 1997; MOFED, 2006; Setegn, 2010).

Endris and Kassegn (2022) found in their review that MSMEs significantly contributed to the sustainable development goals of Ethiopia through creating employment, alleviating poverty, and improving their living standards. However, access to finance, electricity, and trade regulation is a significant constraint for the sector's development. Their study also outlines critical policy implications to develop a comprehensive policy that alleviates the existing challenges of the industry and calls for further MSMEs impact evaluation research.

The difficulties encountered by small businesses are intertwined. Part of these problems is internally related to the enterprise or its proprietor. External issues are caused by external factors or the terrain girding these installations.

The small enterprises sector in Ethiopia, specifically in the Amhara region, suffers from numerous problems and obstacles despite its essential position on the chart of development plans in the country as one of the main pillars in developing the good life and its part in the growth of public income and contributing to meeting the requirements of society, by furnishing openings for people to get work and also the productivity. The main problem facing the small business sector in the Amhara region of Ethiopia is the violent conflict (war) that starts in north Ethiopia from October 2020 onwards, affecting the nation's macro economy as a whole.

A Detail Narrative of the Situation in Ethiopia

Ethiopia is one of the poorest and least developed countries in the world, with a GDP of 92.76 billion US dollars in 2021, according to official data from the World Bank and projections from Trading Economics), and ranking 145th among 167 of the poorest countries and regions in the world (Legatum Prosperity Index, 2021). Combined with high annual population growth (2.49% percent) (United Nations projection, 2021), Ethiopia has a high unemployment rate (estimated at 21.6 percent) (trading economics global macro models and analysts 2021). These negative figures were caused by many factors, perhaps the most prominent of the political problems since 2028 and the war that has existed in north Ethiopia from 2020 until now, and many other issues causing the low level of the Ethiopian economy's rising unemployment rates. Because of those problems, the sector of micro and small enterprises in the Amhara region, Ethiopia suffers from many problems and obstacles; one of the biggest problems facing the sector is the financing problem, which is the most critical obstacle preventing the sectors development establishments in the region.

Table 1. GDP rate of Ethiopia

Year	GDP growth rate compared to the previous year
2021	1.99%
2020	6.06%
2019	9.04%
2018	7.7%
2017	10.21%
2016	8%
2015	10.4%
2014	10.3%
2013	9.9%
2012	8.7%
2011	11.4%

Source: Statista 2022

The Problem of the Study

Small enterprises have massive importance for the overall economy of any nation, as they work to revitalize the economy, minimize unemployment rates, maximize production efficiency, and others. The sector in Ethiopia is in a challenging situation in every period due to the current political conditions and the continued war that has dramatically impacted small enterprises' growth and caused the deterioration of this capacity. The sector depends on the Ethiopian economy's growth and rising employment rates. Therefore, in this article, the researcher discusses the most critical problems and challenges facing the small business enterprise sector due to the ongoing crises in the Northern part that have affected Ethiopia from 2020 until now.

The Objective of the Study

The main objective of this study is to know the challenges and difficulties facing small enterprises in the Amhara region of Ethiopia. More specifically, this study aims to describe the impact of the war in northern Ethiopia and the political environment since 2020 on small business performance.

2. Review of Literature

Over the last two and half years (2019–2021), Ethiopia has undergone dramatic changes that began with a bold political effort to introduce democratic reforms and liberalize the economy but quickly descended into a fatal conflict between the country's three major ethnicities: the Oromo (comprise 34% of the nation's population), the Amhara (27%) and the Tigray (ca. 6%). Prime Minister Abiy Ahmed Ali's rushed the coronavirus pandemic and suddenly halted the reform plan in 2020, which forced an economic slowdown. Drawing on Article 93 of the constitution, the government declared a state of emergency as the pace of confirmed infections accelerated, peaking at 1,829 new cases per day in August 2020. Thousands of workers and employees lost their jobs and were dependent on humanitarian organizations for survival. In addition to closing both schools and land borders, the federal government postponed legislative and regional elections from August 2020 to June 2021. Viewed as a *casus belli* by the country's Tigray population because it implied an unconstitutional federal government over reach, the Tigrayan People's Liberation Front (TPLF) defiantly held its regional election on September 9, 2020. Addis Ababa responded by designating the Tigray leadership illegitimate, while Tigray declared it would not recognize Abiy's administration after its original term expired on October 5, 2020. Prime Minister Abiy – the much-celebrated winner of the Nobel Peace Prize in 2018 – chose to engage in forceful conflict resolution and proved to be a hard-nosed student of counter-insurgency warfare, and sent his army to the Tigray capital of Mekelle, where it bombed TPLF strongholds, arrested officeholders and expelled many citizens. As TPLF leaders increasingly retreated to the Tigray hills, reportedly expanding its regional army of approximately 170,000 soldiers, thousands of people on both sides lost their lives. Bombing raids and artillery attacks have caused widespread civilian casualties, and over 40,000 refugees have fled into Sudan from western Tigray. This latest confrontation in the Tigray-Sudan border area has also negatively affected another contentious issue in East Africa: the question of how to fairly distribute and use water from the Blue Nile River, which Ethiopia has been eager to store through the Grand Ethiopian Renaissance Dam (GERD). Ethiopia has been in moderate progress in opening the economy to private business, competition, and privatization before conflict escalates. The country has also made good progress in education, having established several secondary schools, targeted improvements in education for women, and created more than 30 universities since 2000. Ethiopia's economic boom, orchestrated under the so-called developmental state approach, has stagnated as a more liberal, flexible system, reflective of an open economy, has taken hold. Foreign direct private investments fell to about \$2.5 billion in 2019 (the lowest since 2016) due to political turmoil. The government has announced its intention to "green" the economy and initiated 2019 a massive campaign to plant four billion trees within one year (BTI 2022 Country Report).

The shift in focus, in developing countries, towards the development of micro and small-scale enterprises results from the fortunes being laid by the enterprises. These enterprises are said to be important contextually to the existing situations of the greatest developing countries. In most fast-developing countries, MSMEs, by size,

position, capital investment, and capacity to induce lesser employment, have proved their significant fuel effect for profitable rapid-fire growth (FDRE, MoTI, 2007). It is believed that in particular developing countries, most people are engaged in the operation of micro and small-scale enterprises, which are likely to locate everywhere (both in urban and rural areas). Due to their small and perceived flexible nature, MSMEs are expected to withstand adverse economic conditions and survive where many large businesses would collapse (Aryeetey, Ahene, 2004). The flexible structure is also an advantage in adapting quickly to customers' demands (Kayanula, Quartey, 2000: p.10). This study implies that the economic need of the mass of the people of these countries can be satisfied through the development of the sector.

The business development service field is now the fastest way to adopt a new strategy that can sustainably reach many businesses. The provision of some services, like communications and advertising, is on a fully commercial basis that has shown effective markets for business services offer the opportunity to help many small enterprises develop and complete. The business development service field is currently focused on (Abraham, 2006). The micro and small enterprises' role could be in job creation when the micro and small enterprises sector in Kenya create 50% of new jobs yearly to explain this sector's importance in any economy. Still, the micro and small enterprises sector faces many problems in accessing credit facilities in Kangemi Harambee Market in Nairobi City, County, Kenya (Gichuki, Njeru, Tirimba, 2014). Their study concluded that the critical challenge hindering the micro and small enterprises sector in Kenya was the high-interest rate, the problem of collateral to get funds, the guaranty problem, and the short payback period. Most of the prominent ventures were small and micro enterprises in the past. The impact of small and medium enterprises in Ghana's economy is still facing many challenges and difficulties when accessing financial institutions' funds because of the problematic requirement to get funds. The researchers found that financial institutions consider small and medium enterprises as risky, thereby offering them credit facilities at a higher interest rate than large enterprises. However, the developed countries' small and medium enterprises sector dramatically contributes to the economy and the countries' growth.

On the other hand, the SME sector in developing countries has not fared well. The failure of the developing countries to take the SME sector development initiative in the right direction has been the primary reason for this sector's slow process. According to Ilahi (2015), micro and small enterprises are the primary factor in accelerating economic and social development and play an essential role in the economic growth in any country. This role could be production, employment, and exports.

Micro and Small Enterprises

There are many definitions related to the concept of micro and small enterprises. They differ between organizations and countries; some look at it from the point of the number of employees. Another view is in terms of the size of capital. According to International Labor, there is found to be 75 definitions within 50 industrialized and developing countries. I consider the number of workers as a criterion for distinguishing between micro, small and medium enterprises. There is no agreement on a specific number as a basis for determining the size of MSEM; the number varies according to the degree of industrial progress, which in turn differs from one country to another.

In Ethiopia, although there is specific legislation in which to distinguish micro and small enterprises from large enterprises, any of the following sources can be guided: the legislation which is effective from 2000 defined micro and small enterprises as any income-generating activity in the field of industry, trade, or services (excluding primary industries) that employs not more significant than ten workers and with a paid-up capital of not exceeding 20,000 birrs for micro and 50,000 birrs for small enterprises respectively, who are working in hotel and tourism, manufacturing and poultry, etc.

The Obstacles and Challenges Facing Small Enterprises

Many micro and small enterprises face several challenges that stand as a bottleneck in front of them to achieve their economic and social goals. The nature of these challenges varies according to the business's character, activity, and the country in which it operates. The novelty of the concept of the small enterprises is that it considers difficulties, especially in the Arab countries (Endeshaw, 2005). Micro and small enterprises face many obstacles, especially in obtaining capital and the lack of adequate distribution channels.

The United Nations stated that 2005 was the year of financing small projects to provide the necessary financing for more than 20 million families in developing countries (Prasad & Tata, 2009). One of the main obstacles for small enterprises is getting finance, where it isn't easy to rely on self-financing. The high cost of financing compared to the rate of return on the business, which in most cases leads to loss or stoppage of the company (Weldegbriel, 2012). Many studies show that new business owners suffer from insufficient financing, lousy product, and ineffective marketing (Endeshaw, 2005; Weldegbriel, 2012). The local consumer preference for similar foreign products is motivated by imitation. The lack of sufficient incentives for local products to strengthen their competitiveness compared to the foreign work and the pursuit of a dumping policy by some foreign institutions dramatically weakens the ability of the domestic product to compete.

Inflation is a significant reason for the rise in the prices of raw materials and workers' wages and the high operating costs of small businesses. It leads to higher prices for its products, which means its inability to face intense competition from large enterprises should not be undermined (Weldegbriel, 2012). The governmental measures are considered the high tax rates on small businesses are among the main obstacles to the development of this sector.

In addition to the inconsistency of information available between financial institutions and small enterprises, access to the required financing is one of the main obstacles for small and micro companies (Gebru, 2009). In his study, Gebru (2009) found that the lack of adequate guarantees that could cover the value of the required loan created a significant problem for small enterprises that do not have sufficient fixed assets, especially at the beginning of their working life. For these projects, the banks depend on the establishment's capital and not on the establishment's income to make the credit decision to grant or reject the loan.

In addition to the above obstacles, micro and small enterprises in Ethiopia are also facing innovation problems. According to a study by Shkabatur, Bar-El and Schwartz(2022), the innovation policy of low-income developing countries should not focus on new knowledge creation. The policy should instead support the adoption and adaptation of incremental innovations, which may have a significant multiplier effect, generating jobs, affecting numerous consumers and enterprises, and enhancing economic growth.

Challenges and difficulties facing small businesses in Ethiopia

The micro and small enterprises sector in Ethiopia, specifically in the Amhara region, suffers from many hurdles and obstacles despite its important position in the development plans of the country and the region. This sector is one of the main pillars in developing the economic life of the low-income households and its role in the growth of national and regional income and contributing to society's needs by providing opportunities for people to get self-employed and productivity. The main problem in the Amhara region since October 2020 was the violent conflict (war) between the Tigray region and the federal government of Ethiopia. It affected the economy in general and led to high inflation rates in the country, which is affected by the rise in the prices of raw materials and the cost of labor, which will inevitably lead to higher operating costs. These establishments face a significant problem: their confrontation with competition from medium and large enterprises in the rest of the country, which prevents them and limits their ability to raise prices to avoid raw material prices. And directly that will be reflected in the cost of capital, which is one of the biggest problems facing small business enterprises because it is directly reflected in

this business's profitability through the demand from the sector to pay a high-interest rate. Also, the enterprises depend on borrowing from banks, which leads to an increase in their costs.

War or Political Problems

The biggest problem facing small enterprises in the Amhara region from 2020 until now is the political situation represented by an intense war in northern Ethiopia that still ravages Ethiopia. Ethiopia is one of the poorest African countries. It has had an unstable political problem in recent years due to political and power disagreements between the former ruling party TPLF, and the new party prosperity of the federal government and its many nations and nationalities (more than 86 ethnic clans exist) (Girma, 2021). When the Tigray state government attacked the northern military command in the region, which led to the current chaos and weak situation, it escalated to the current conflict, which led to violence which started in November 2020 and resulted in devising the country into ongoing crisis. The private sector in the Amhara region is the most affected by the war because most of the fighting takes place in the area and leads to the closing of the small enterprises. Small business in the services sector was also the most affected, and most of them are closing. Also, the most physical harm was to the two zones of the Amhara region, which are the south and north Wollo zones, of which 95% of all small businesses are collapsed due to the war; most of these damages are complete disasters; on the other hand, the impact of war on businesses in North Shoa zone of Amhara region was not caused much harm compared to the damage in the two zones of Wollo. In addition to the business sector in the Amhara region, 4,107 schools were damaged, of which 25% were utterly destroyed, and 30 hospitals, 280 health centers, and 890 health posts were ruined due to the war (OCHA Ethiopia 2022).

Generally, according to a recent study performed by 10 Amhara region universities and Central Statistical Authority, the war caused a total of 288 billion birr material damage, equivalent to 5,555,137,600 USD (Amhara universities and CSA, 2022).

The problem of the global pandemic

Many small and large businesses are suffering challenges due to the unprecedented impact of the coronavirus crisis has destroyed many businesses around the globe, and it is challenging to survive with reduced revenue, jobs lost and life slowing down, and weak marketing performance even difficult to keep a calm head and their business alive. The government should use different mechanisms to support these businesses by cooperating with wealthy people and other non-governmental organizations. Besides, small business owners should manage expectations and communicate with staff, suppliers, banks, and customers throughout this frightening coronavirus. Reduce expenses be open to their employees about their finances and keep marketing, use different alternatives to deliver their product, and recover from the crisis (Engidaw, 2022)

Financing Problem

The shortage of adequate finance and credit has been one of the most hindering problems facing small business sectors in the Amhara region of Ethiopia because of their small size in providing collateral to get credit. Therefore, financing institutions are exposed to several risks when financing this sector in their various stages of growth; because of these risks, Amhara credit and saving institution (ACSI) commercial bank of Ethiopia (CBE) avoids providing the necessary financing for these businesses due to their keenness on depositors' cash. So, the biggest challenge facing this region sector is accessing financial institutions to get funds. Because of this obstacle, small business owners are forced to try to obtain finance from a different source, such as loans from family or friends. Compared to other lending institutions, ACSI is a little helping in providing loans for entrepreneurs, even with a high-interest rate. State-owned banks still dominate the Ethiopian financial system, which does not allocate credit to the firms with the highest rate of return to capital (Regasa, Fielding, Roberts, 2020).

According to Kar and Ahmed (2022), the support of micro and small enterprises is associated with perceived business performance and socio-cultural challenges but not with revenue. Entrepreneurs with minor age, education, and prior experience received more support than others. Entrepreneurs with higher need-for-achievement traits reported less support. Interestingly, entrepreneurs from business backgrounds are likely to perform better, with or without help.

Infrastructure Problem

Other challenges facing micro and small enterprises in the Amhara region of Ethiopia and according to the survey of micro and small enterprises in Ethiopia (Federal Micro and Small Enterprise Agency, 2018), the lack of infrastructure is rated third in the sequence of the problems that is facing the sector in the region developing countries like Ethiopia has a poor Infrastructure. Many areas in the country are difficult to access by road, roads are not always well maintained, and in these two years due to the war, the roads have deteriorated because big war machines are moving on them. The roads are unsafe to travel, posing a significant challenge to micro and small enterprises. Also, electricity cuts since the beginning of the conflict were a massive problem for the business sector in the Amhara region, not just the industry. Due to that, every small business must have an electricity backup system or solar energy to keep running. Another problem facing the small business sector under infrastructure is that the water supply is available through the public network to the whole population. The collection for business requirements is unstable, so provisions are usually bought and delivered to the business premises. The extra costs are all incurred as a result of inadequate infrastructure. They need to handle stuff like securing water and maintaining power generators in addition to the financial costs, an additional burden on already weak management systems. According to Andaregie and Astatkie (2021), to be successful, MSEMs need more education (information) on technology, greater access to credit, and incentives provided by the government of Ethiopia and other agencies to increase their adoption of technology.

Security Issues

Security problems and the rule of law were among the most significant challenges since the outbreak of the war, facing the growth of micro and small business in the Amhara region of Ethiopia, which put the country in a crisis-affected the economy which is now shattered. Also, the industry is damaged, affected, or at a loss. Crimes like theft and fraud were the biggest problems facing small businesses in connection with the war. In these aspects, due to the lawlessness status results from the fragile political situation.

Lack of Concerned Legal Authority

License and registering micro and small business could be a challenge for the owner because there is no particular authority for the small business enterprises in Ethiopia, which contributes to the lack of support for the sector. However, there is the responsible authority for medium and large enterprises dedicated to supervising the small industrial enterprises, according to which the enterprises were defined every year through a regulation based on the number of employees and the capital (Endeshaw, 2005). There is some organization working to help medium-sized enterprises, such as the Office of Development Commissioner (MSME), Khadi Village Industries Commission (KVIC), National Small Industries Corporation Limited (NSIC), and National Institute for Micro, Small and Medium Enterprises (NIMSME) with the help of the international community, in particular the World Bank, which they gave little focus for small enterprises. Based on the findings of Zhang and Ayele (2022), micro and small enterprise performance is affected by the mediating support from the government in the Amhara region with additional gaps of lack of long-term loans, access to lease machines, unfair interest rates, production and selling the place, shortage of defining MSMEs, and structural limitations.

Problem of Corruption

Ethiopia is one of the countries most corrupted in prior years, even if it shows some decline in recent years according to the Global Corruption Perceptions Index prepared by Transparency International. Corruption is considered one of the most common problems that affect MSMEs (Shumetie, Watabaji, 2019). It is problematic

and extensive-term may be by receiving informal money to complete work (bribery), and administrative leakage could also be classified under corruption. A feature of crime in the least developed countries, where facilitation payments or bribery are used to resolve or strengthen bureaucratic and administrative activities, becomes a significant impediment to investment (Shumetie, Watabaji, 2019). Please indicate the source in the list of literature. Small business enterprises in the Amhara region of Ethiopia face the problem of these types of corruption (see Table 2).

Table 2. Corruption rate in Ethiopia

Year	2016	2017	2018	2019	2020	2021
Rank	108	107	115	96	94	87

Source: Transparency International, 2022

Shortage of Raw Materials

The bottleneck in obtaining raw materials arises from the dependence of these firms on imported raw materials and local ones because they produce commodities that are substitutes for imported goods. This problem became apparent when the war began, and imports disturbed since 2020, leading to rising raw materials prices, making it difficult for these businesses to obtain the amount they want.

3. Methodology

A case study research method is used to know in-depth the impact of the war on small businesses. The population for this study is 50 small business owners in the Amhara region selected randomly from each region's city. Questionnaires and in-depth interviews are distributed and performed to know the impact of the political crisis on small business success from 2020 to 2022. The data generated for this study were analyzed using correlation and regression models with the help of SPSS version 25.0 software.

4. Discussion and results

In measuring the impact of the political crisis on the success of the small business, data on the political crisis were correlated with data on small business success. The results obtained are presented in Tables 3, 4, 5, 6 below.

Table 3. Correlation analysis

		political crisis	Effect on small business success
political crisis	Pearson Correlation	1	.399**
	Sig. (2-tailed)		.005
	N	50	49
Effect on small business success	Pearson Correlation	.399**	1
	Sig. (2-tailed)	.005	
	N	49	49

** Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS version 25.0 outputs

Table 4. Model summary

Model Summary					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.399 ^a	.159	.141		.757

a. Predictors: (Constant), political crisis

Source: SPSS version 25.0 outputs

Table 5. ANOVA test

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.086	1	5.086	8.882	.005 ^b
	Residual	26.914	47	.573		
	Total	32.000	48			

a. Dependent Variable: Effect on small business success

b. Predictors: (Constant), political crisis

Source: SPSS version 25.0 outputs

Table 6. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.540	.596		4.265	.000
	political crisis	.434	.146	.399	2.980	.005

a. Dependent Variable: Effect on small business success

Source: SPSS version 25.0 outputs

The table above shows a Pearson correlation of 1, which is positive and offers the connection between political crisis and small business success in the Amhara region. One percent change in political crisis also causes a similar percentage change of decline in small business performance. The coefficient of determination of 0.596 suggests that about a 59.6% decline in small business success is due to political crisis and war.

5. Conclusions

The result of the analysis revealed that political crisis has a significant impact on small business success. The political environment in the Amhara region is characterized by frequent wars and clashes between various ethnic of the country, which is attributable to party politics with threats of conflict and wars, growing levels of crime and terrorism, kidnapping, and bomb blasts, among others, thereby hindering business patronage and scaring away foreign investors from the country. Small enterprises have great importance in any country's economy, whether developing or developed, and its significance lies in reducing unemployment rates and innovation by contributing to raising the GDP. Therefore, many countries seek attention and development of this sector in many aspects, whether financial or non-financial, by providing it with appropriate funds to start the business, issuing laws regulating its work, and reducing tax rates for them. From the above, it becomes clear the importance of small businesses. On the other hand, when the focus is on developing MSEMs, the small enterprise sector in Ethiopia operates and functions in a harsh business environment. Ethiopia is one of the least developing countries and a more challenging environment in light of the current socio-economic unrest and instability. The challenges and difficulties became more affecting small enterprises' performance after the political crisis, which started in October 2020, and the conflict exists until now.

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