

Small enterprise development as a strategy to promote entrepreneurship in Bahir Dar city, Ethiopia

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Abstract

Purpose – Entrepreneurship is a critical and necessary condition for sustained economic development. Different societies are more or less developed because they are endowed with more or less enterprising social groups. Entrepreneurship does not flourish in a social vacuum; its development is affected by cultural, socio-political and policy contexts in a given country or region. The purpose of this paper is to examine the culture of entrepreneurship in Ethiopia and analyse the role of micro and small enterprises development (MSED) as an approach towards promoting the culture of entrepreneurship by drawing empirical data from Bahir Dar, a fast-growing regional city in Ethiopia.

Design/methodology/approach – The data were collected through a survey of 136 small enterprises that were established under the MSED programme. Besides, an in-depth interview of key informants and document analysis methods were used to generate qualitative data for analysis.

Findings – Ethiopia remained an agrarian society to this date because of the lack of enterprise culture and entrepreneurial social groups which have been effectively prevented from growing by traditions that consider entrepreneurial activities ignoble and also by the anti-enterprise Marxist regime that prevailed until the early 1990s. The study also reveals that the MSED programme which is underway since the early 2000s has positive effects in promoting entrepreneurship.

Originality/value – The role of entrepreneurship and enterprise culture as an important factor of the development process has not been a concern in Ethiopian academic and policy-making circles. This study thus would help initiate further research and discussion on the issue.

Keywords Entrepreneurs, Ethiopia, Enterprise culture, Entrepreneurship policy, Micro and small enterprises

Paper type Case study

1. Introduction

Entrepreneurship is an important condition for economic development, at least no less important than other factors of production. Different societies are more or less developed, because they are endowed with more or less enterprising social groups. Some even contend that “No entrepreneur - No development” (Andualem, 1997, p. 15). The entrepreneur is generally taken to be the *persona causa* of economic development (Hebert and Link, 2006). Given this general consensus on the critical importance of entrepreneurship, however, there exists no consensus on a single definition of the concept. It is defined differently by different writers for different purposes and contexts. Some would even prefer to identify several characteristics of entrepreneurship rather than trying to give a precise definition. Carr (2000), for instance, identified traits that characterize entrepreneurship as initiative, risk taking, flexibility, creativity, independence, leadership, strong work ethic, daring spirit,



responsibility (cited in [Beaver, 2002](#), p. 169). Policy makers in general tend to define entrepreneurship as the creation of small and medium enterprises ([Liang, 2004](#)).

Entrepreneurship does not flourish in a social vacuum; the enterprise culture in which entrepreneurs operate determines its development. Entrepreneurship flourishes in a favourable cultural environment and stagnates in cultures where it is not a valid goal ([Lundstrom and Stevenson, 2005](#)). Enterprise culture refers to the extent to which members of a society give respect to entrepreneurs and entrepreneurial activities. Hence, the cultural values and norms of societies towards entrepreneurial activities are major factors affecting the pace of development. [Gibb \(1987\)](#) defines enterprise culture as comprising “a set of values, attitudes and beliefs supporting the exercise, in the community, of independent entrepreneurial behaviour in a business context” (cited in [Andualem, 1997](#), p. 21).

Enterprise culture can be induced by purposively intended policy interventions such as small enterprise development programmes and education and training policies ([Liang, 2004](#)). Three policy issues are particularly important in promoting entrepreneurial mindset within a society. These are awareness creation/motivation, skills promotion and providing opportunities that favour business start-up and enterprise growth ([Lundstrom and Stevenson, 2005](#)). Awareness creation involves communicating people the idea that entrepreneurship exists as a career and employment option and that it is a socially desirable activity. It can be done through the dissemination of information relating to entrepreneurial role models and similar activities that boost the social legitimacy of entrepreneurship. Honouring entrepreneurial role models and their products has a demonstration effect on other individuals and motivate them into entrepreneurial ventures. Thus, giving awards for successful entrepreneurs and elevating their social standing is taken to be a viable strategy to motivate potential entrepreneurs ([Lavoie and Chamlee-Wright, 2001](#)).

Skills promotion relates to imparting technical, entrepreneurial and business knowhow among target group, so that individuals would develop technical capability and feel self-confident to engage in entrepreneurial ventures. The acquisition of entrepreneurial skills could be achieved through education, training, apprenticeship and experience in running micro and small enterprises (MSEs; [Liang, 2004](#); [Lundstrom and Stevenson, 2005](#)). Education would increase the chance of breeding more entrepreneurial groups, as people who believe that they have the necessary skills to be entrepreneurs are more likely to become entrepreneurs than those who do not believe so.

Opportunities refer to the availability of support services to entrepreneurial activities. This would include the accessibility of information, advisory services, start-up financing and business loans and enabling policy environment that does not inhibit but encourage business start-up. Policy and institutional frameworks that avoid lengthy bureaucratic procedures in registration and licensing of enterprises like providing such services in one spot (one-window service), rather than scattering them into different departments and offices, are important opportunities that encourage entrepreneurship ([Lundstrom and Stevenson, 2005](#)).

It is generally believed that entrepreneurial skills are best nurtured and developed within the settings of small enterprises rather than in large-scale enterprises. “This is because such a context not only introduces [individuals] to the skills required for successful business ownership but also massages the range of enterprising traits” ([Beaver, 2002](#), p. 169). Small enterprises are flexible and easily adapt to changing situations as they are not constrained by bureaucratic impediments. Hence, entrepreneurial attributes such as flexibility, creativity, risk taking and competitive behaviour germinate and grow within the natural settings of small enterprises. Thus, enterprise culture is likely to be higher in societies where there is a higher density of small enterprises. Density entails competition, differentiation and

specialization of talents which in turn induce the development of entrepreneurial talents. Density also signals the prevalence of entrepreneurial skills and abundance of role models and increased exposure of individuals to entrepreneurial activities (Lundstrom and Stevenson, 2005).

In line with this understanding on the importance of small enterprise development, the government of Ethiopia launched a micro and small enterprises development (MSED) programme as a national strategy to reduce urban poverty and unemployment by encouraging unemployed and poor people into the world of self-employment and entrepreneurship. The programme was developed in 2011 as a major component of the five-year development plan of the country referred to as the *Growth and Transformation Plan (GTP)* which was implemented from 2010/2011 to 2014/2015. According to the GTP, micro and small enterprises are taken to be the principal instruments to resolve the daunting problems of urban unemployment, poverty and inequality. The plan states Ethiopia's narrow industrial base and high dependence on subsistence agriculture as a major problem of the nation and the necessity to create conditions for the industrial sector to play a leading role in the economy (MoFED, 2010, pp. 22-23). As a strategic direction to promote industrial development, the plan emphasizes particularly on promoting micro and small enterprises (MSEs) because they are the foundation for the establishment and expansion of medium and large-scale industries (MoFED, 2010, p. 24).

The MSED programme was launched as a major component of the GTP concerned with the promotion of MSEs as a principal strategy for the advancement of the industrial sector. The programme document indicates that as an overriding emphasis is given to the small-holder peasantry in rural development, the focus on urban/industrial development relies on the promotion of MSEs which encompasses a significant majority of the urban populace. As the governing vision of the sector, the programme intends to have created a strong and broad-based foundation for the sustained development of the industrial sector. It sets three specific objectives to guide the sector's overall operations:

- (1) generate massive employment opportunities that would increase the income levels of the target population and thereby reduce poverty and inequality;
- (2) create a mass of developmental entrepreneurs in urban centres; and
- (3) enable the MSE sector lay the ground for a strong and broad-based industrial sector.

The aim of this paper is to examine the MSED programme which has been underway since 2011 from the point of view of promoting entrepreneurship and enterprise culture in Ethiopia by drawing empirical data from Bahir Dar, a fast-growing regional city in the northwestern part of the country. The paper is structured as follows: Section 2 provides a background assessment of the socio-cultural and political factors that have been constraining the development of entrepreneurship in the country. Section 3 presents the institutional settings and implementation procedures of the MSED programme; Section 4 states data collection methods and provides the analysis of data pertaining to the role of the MSED programme in promoting entrepreneurship in the study area.

2. The culture of entrepreneurship in Ethiopia

During the 1960s, Ethiopia was considered as having the potential to be the bread basket of the Horn of Africa and the Middle East. The country was endowed with a large mass of arable land, diverse agro-ecology, abundant rainfall and fertile soils along with a hard-working agricultural population. In 1965, it had a population of about 23 million of which 92

per cent were living in rural villages. Each peasant household could cultivate sufficiently large farmlands holding five hectares of land for farming and pasture. Close to half of the country's arable land was not put under cultivation and was covered by forests as the peasant population was small *vis-à-vis* the abundance of arable land (Cohen, 1987).

As the population continued to grow fast, the economy remained heavily dependent on rain-fed agriculture. The population grew to 39.9 million in 1984 and then to 73.9 million by 2007. The corresponding levels of urbanization were 10.4 and 16.1 per cent, respectively (CSA, 2008). By 2016, the population reached 92.2 million of which only 19.8 per cent were living in urban areas (CSA, 2013). This makes Ethiopia the least urbanized country even by the standard of Sub-Saharan Africa, which had 37 per cent level of urbanization in 2014 (UN, 2014). From the 1960s to as recently as the early 2000s, resettlement of farmers from densely populated to sparsely populated areas and redistribution of land has been an indispensable strategy to accommodate the growing population in the land. Currently, the rural population has grown beyond the carrying capacity of the agricultural land and the share of individual farming households has shrunk to below one hectare (Samuel, 2006), and a significant proportion of the rural population is becoming landless (EEA, 2002). As a result, rural-urban migration has become a serious challenge as employment opportunities are not available to absorb the rapidly growing urban population. Urban development has never been the concern of policy makers until 2005, when the first ever urban development policy was issued (MWUD, 2006).

Peasant agriculture has been and is the backbone of the economy, while the development of urban-based economy and entrepreneurship is limited. The share of agriculture in the economy is the highest in the world contributing more than 40 per cent of the national income, which is far higher than the role of agriculture in the economy of other sub-Saharan countries (Dorosh and Schmidt, 2010). Given the agrarian nature of the society, an indigenous economic middle class dedicated to wealth accumulation and employment generation through entrepreneurship is not yet created. In other words, the culture of entrepreneurship is not developed in Ethiopia as the majority of the population is still sticking to subsistent agriculture.

Ethiopia remained an agrarian economy with little urban development mainly due to the lack of entrepreneurial culture. Urban development results from the activities of entrepreneurial social groups who engage in occupations outside subsistence agriculture. Most Ethiopians still adhere to the rural way of life, and the level of urbanization is one of the lowest in the world. The culture of entrepreneurship and entrepreneurial social groups that spearhead urbanization is lacking. Early in the mid-1960s, Mesfin (1965) commented that the economic life of Ethiopia has clung to subsistent agriculture because of the absence of any productive social group other than the peasantry. The lack of entrepreneurial social groups in Ethiopia is not limited to the past. As recently as 2005, the Ethiopian Economic Association observes that entrepreneurial social groups are missing in Ethiopia even among the small proportion of the population that lives in urban areas. The Association (EEA, 2005, p. 110) observes that:

The middle class, i.e., virtuous and industrious entrepreneurs, is missing in Ethiopia. In a typical urban centre, those in the relatively high income group are very few in number. [...] Civil servants and retail traders can be categorized as middle class.

Why is the culture of entrepreneurship not developed in Ethiopia? Why the country remained agrarian to this date and the non-agricultural employment sector is limited? An important explanation for the persistent lack of entrepreneurship and entrepreneurial social groups in Ethiopia is a cultural impediment. The feudal culture that existed for long has

effectively constrained the development of enterprising social classes by rendering contempt and despise towards entrepreneurial activities. [Andualem \(1997\)](#) for instance argues that “it has generally been the tendency that the system despises enterprising people and many with good entrepreneurial potential were afraid of going into the crafts and trades”. [Mesfin \(1966, p. 13\)](#) also observed that most entrepreneurial occupations were stigmatized for long:

Potters, blacksmiths, tanners, and weavers together with their necessary and useful skills were condemned to subhuman status. They were forbidden to intermarry with other groups and they were treated with a mixture of contempt and fear ([Mesfin, 1966, p. 13](#)).

The above observation is confirmed by Donald Levine, an American sociologist who devoted much of his professional career on Ethiopian Studies. [Levine \(1997, p. 22\)](#) argues:

In traditional Ethiopia, the notion of calling was attached to four roles only: rulers, warriors, clergy and peasants. If the activity of merchants was morally disfavoured, that of artisans was despised. It was relegated to pariah groups that were treated as out casted. The work of tanners, potters, smiths, and weavers - however essential their products - was typically looked down on and frequently despised; this was especially often the case for leather workers.

Thus, Ethiopians have been fixed to subsistence agriculture and used to shy away from urban-based occupations such as trade and artisanship. These occupations were left for outcastes and foreign citizens including Arabs, Armenians, Greeks, Indians and Italians until the 1970s. Such occupations were considered as ignoble by the native population. Local people who engaged in the urban sector representing the middle class were composed of the “salarial”, white collar employees in public and private enterprises ([Markakis, 2006](#)). In general, the development of entrepreneurship has been effectively prevented by the feudal culture that looked down industrial occupations and workers. Around the turn of the twentieth century, Emperor Minilik is said to have been anxious to deal with the cultural impediments to entrepreneurship as can be evidenced by one of his proclamations enacted in the 1900s that incriminated the act of despising occupational groups. The proclamation is addressed to those people who despise or insult occupational groups such as weavers and potters. The proclamation declares:

All of you, who despise people because of their occupation, better refrain from doing so. So far, you have been insulting every productive worker [. . .] In all countries of Europe if one invents new techniques and makes cannons, train, or any other technique, he is called an engineer and appreciated, not insulted. As a result the skilled worker improves even much more. But you insult workers so much and cause a danger of destroying the country and turning it empty due to an absence of people who can make the plough-share. [. . .] Hence, from now onwards, anyone who insults them is indeed insulting me. . . . Anyone who is convicted of insulting workers shall be punished with one year imprisonment ([Ashenafi, 2013, p. 15](#)).

During the Derg period (1974-1991), the culture of entrepreneurship was prevented from growing by the socialist regime that prohibited private property and capital accumulation. It undertook “extensive nationalization of private property” and the limited entrepreneurial spirit that survived the feudal order came into a total extinction by the anti-enterprise socialist regime ([HLCLEP, 2006; Andualem, 1997](#)).

Owing to cultural and historical factors, an indigenous economic middle class dedicated to wealth accumulation through entrepreneurship and innovation is lacking to this date. Currently, subsistence agriculture is the main livelihood system for about 80 per cent of the population. The urban sector engages only a small proportion of the society, and even among the urbanites, entrepreneurship is not a preferred lifestyle. The wealthy people in urban areas drive their wealth from ownership of land and inherited assets or from their

positions in government hierarchies rather than from entrepreneurial activities. While people aspire and prefer to work in the public sector, independent entrepreneurship is not encouraged. [Altenburg \(2010, pp. 13-15\)](#) observes that:

Successful entrepreneurs are not seen as important role models in Ethiopian society, and opportunities for advancement are more often sought in the public sector than in entrepreneurship. [...] certain leading business individuals do have direct [informal] access to policy makers. [...] Of course, high ranking party members engaged in endowment-owned firms as well as managers of SOEs [State Owned Enterprises] enjoyed privileged access. [...] At the same time a clear distinction is made between “rent seeking” and “developmental” capitalists. Rent seeking capitalists are those [...] who accumulate wealth by controlling the state [...].

Thus, a persistent developmental challenge faced by the country is one of promoting the culture of entrepreneurship and inspiring citizens towards self-employment so as to expand the modern sector in the economy. In 2010, the government issued a five-year development plan known as GTP which is meant to advance structural changes in production and life style from one based on subsistence agriculture and rural livelihood into industry-based production and urbanized way of life ([MoFED, 2010](#)). The GTP envisions building a middle-income country by the year 2025. It declares the economic vision of the country as “building an economy which has a modern and productive agricultural sector with enhanced technology and an industrial sector that plays a leading role in the economy ([MoFED, 2010, p. 21](#)).

The MSED programme is a component of the GTP which is meant to achieve urban and industrial development goals through 2015. The programme aims at creating a *mass of developmental entrepreneurs in urban centres and employment opportunities that would increase the income levels of the target population* as well as lay a strong and broad-based foundation for sustained development of the industrial sector. The MSE sector is considered the national home of entrepreneurship wherein citizens exercise, develop and realize their entrepreneurial talents and generate employment opportunities for the urban poor. In other words, the promotion of MSEs is taken to be the principal strategy to advance industrial and urban development in the country. The programme is supported by the UNDP and the World Bank. The former has supported the establishment of a national *Entrepreneurship Development Centre*, while the latter launched a project to support women entrepreneurs.

As a strategy to implement the programme, an elaborated organizational framework is created at all levels of government, i.e. at federal, regional, city and sub-city levels, along with personnel and budget allocation. At the federal level, the Federal Micro and Small Enterprises Development Agency (FeMSEDA) is established, answerable to the ministry of Urban Development and Construction. The agency is entrusted with coordinating and facilitating activities at the federal level. The highest body of the agency that decides on strategic matters is a “Council” of nine members, chaired by the Minister of Urban Development and Construction. At the regional state level, Regional Micro and Small Enterprises Development Agency (ReMSEDA) is established ([Table I](#)). This organizational framework clearly indicates that the sector is given top priority by the government ([FDRE, 2011a, 2011b](#)).

3. Micro and small enterprises and entrepreneurship development in Bahir

Dar city

3.1 Institutional setup of micro and small enterprises

Bahir Dar is a regional city in the north-western part of Ethiopia, located 550 km to the northwest of Addis Ababa and at the southern shore of Lake Tana, which is the source of

Table I.
The organizational
structure of the
MSED programme

Government level	MSED authority	Ministries/bureaus involved in the council
Federal	Federal Micro and Small Enterprises Development agency (FeMSEDA)	Urban development and construction Industry Trade Women, children and youth affair TVET agency National Bank of Ethiopia Small credit and saving association MSE Association
Regional/state	Regional Micro and Small Enterprises Development Agency (ReMSEDA)	Office of the regional state Vice-President Industry and Urban Development Bureau Women, children and youth affairs Bureau TVET agency Small financial institutions
City	Micro and Small Enterprises Development Office (MSED)	Office of the Mayor Industry and urban development office Small credit and saving institutions MSE association TVET Institute
Sub-city	One-stop service centre	Professional experts/officers

Blue Nile River. It was established as a local administrative centre in 1940s. In 1965, its population was estimated at 11990, and it has been growing fast to reach 345,610 by 2016 (CSA, 2013). Immigration from the surrounding rural areas is the major cause of high population growth. Currently, the city is at its high point having the status of a *metropolitan city* and as the capital of Amhara National Regional State (ANRS) which is one of the nine regional states constituting the Federal Republic of Ethiopia.

Administratively, it encompasses three satellite small towns within the range of 25-km radius around the central city and the surrounding rural hinterland under their sphere of influence. The city proper is sub-divided into ten sub-cities. The city's government is headed by a mayor who is accountable to the city council which is made up of elected representatives of the city's population. Unemployment is a major challenge faced by the city, and the city government adopted the national MSED programme to promote self-employment and entrepreneurship. The programme aims at establishing about 1,200 new MSEs by 2015 and supporting their growth.

To implement the programme, the MSED office is established at the city-wide level to coordinate, facilitate and oversee the activities of the programme in cooperation with the Amhara Credit and Saving Institution (ACSI) and the Technical Vocational Education and Training (TVET) Agency. These three offices play an executive role in implementing the MSED programme. The MSED office serves as a mediator between enterprises and the different stake-holding bodies in providing support services to enterprises. ACSI has a

major responsibility to provide saving and credit services to MSEs and it had one head office and three branch offices in the city. The TVET agency, on the other hand, is responsible to provide the various types of technical and entrepreneurial training in short- and long-term basis. It is also entrusted to produce and disseminate appropriate new technologies. The city has one comprehensive TVET Institute and two branch centres discharging these responsibilities.

At the sub-city level, *one-stop service centres* are established, each with eight expert officers. One-stop service centres deal directly with the day-to-day routines relating to development of MSEs. MSEs acquire various services from these centres in one window including awareness creation, organization, registration, licensing and providing different support services as discussed below.

3.2 Implementation procedure and support services

3.2.1 Awareness creation to and mobilization of target groups. The promotion of MSEs begins with the creation of awareness among potential recruits. The programme specifically targets at unemployed individuals who earn their subsistence in the informal sector, school dropouts and new graduates. To mobilize potential recruits, centre officers move around their respective sub-city neighbourhoods and reach door to door asking households if there are unemployed persons in the household and preaching on the importance of self-employment, saving, self-reliance and hard work. The task of mobilizing people for entrepreneurship is really a challenging activity for centre officers. They travel door to door in the neighbourhoods to convince target groups start new business ventures and self-employment as a livelihood option. A quarterly official memorandum from one of the centres' offices describes the challenging task of mobilizing people to engage in MSEs as:

When we go door to door, in most of the cases, people do not reply positively. Some are not willing to give information at all; some tell us that they do not expect something worthy; some do not open doors while we knock; some misunderstand our intent as creating more tax payers; others feel annoyed and be reluctant to tie their dog.

Along with the centres' officers, awareness creation is done in different mechanisms including those by the TVET staff and also using local mass media. TVET institutions provide entrepreneurship courses to orient students and target groups to be organized into MSEs and be self-employed, and MSED officers are often invited by the TVET institution to orient students about the procedures and alternative opportunities in MSED sector. Besides, different meetings of community residents are arranged by each *sub-city* authorities and community-based organizations such as youth associations and women's associations. In all such community forums, the centres' officers are often present to provide awareness on the importance of self-employment and entrepreneurship. The recurring themes of such discussion sessions are that poverty it can be avoided by hard work, saving, cooperation and partnership. We have to be committed to eradicate poverty, and for that effect, we have to change our traditional attitude. "Change of attitude is the basis of development".

What is important is that the issue of mobilizing target groups to engage in MSEs is not left only to the respective sector offices and officers. It is an issue that holds the attention of all government bodies; it is just a "national agenda". The centres' officers work in collaboration with the TVET institution to organize TVET graduates. To attract the university graduates, the MSED office makes announcements in June and July inviting interested university graduates to come and work as self-employed entrepreneurs.

3.2.2 Organizing. Following the awareness creation and mobilization activities, interested persons apply to engage in MSED programme either in groups or individually. To

be registered, applicants have to justify that they are residents of the city and that they are not employed in any government or non-governmental organization. The *local government (sub-city administration)* in which the applicants reside should certify that applicants are residents of that specific *sub-city*, and that they are not employed in any organization (note that formal or informal business activities other than salaried employment do not preclude applicants from being registered). If one gets formal employment after registration, he has to formally withdraw from MSED activity, and if a salaried employee wants to engage in the programme, he has to first resign from his employment.

After recruitment, applicants are given a series of orientations regarding the principles, objectives, advantages and types of MSE business frameworks. They are then offered three types of MSE organization modalities or business ownership types. These are cooperatives, partnership/private limited company and sole proprietorship. Cooperatives can be organized with ten or more members who work in the same trade. To get work licence, cooperatives are required to submit minutes of establishment bearing the signature and addresses of founding members, bylaw of the society and business plan among other things. Partnerships and private limited companies can be established with two or more partners. Sole proprietorships (businesses owned by one person) are established by any individual aged 18 years and above and should present the type of business and address of their workplace.

3.2.3 Credit and saving services. The credit and saving service provision regulation requires MSEs to submit their business plans along with collaterals for the credit they requested. To be eligible for credit, MSEs are required first to demonstrate that they have a record of saving at least for six consecutive months. They have to open a saving account in the ACSI and deposit uninterrupted monthly savings for six consecutive months. Their saving is then counted to be part of their initial capital constituting 20 per cent of it, and they request credit from the same institution to obtain the remaining 80 per cent of their working capital.

Enterprises that could not show a saving record due to lack of any means of income are treated with a special arrangement devised by the MSED office. This optional arrangement is to assist them by providing employment opportunity as wage workers in government projects such as road and building construction. Those people who cannot afford to make the required savings are organized and allowed to work in the construction sector, particularly in the cobblestone subsector. In this manner, they are supposed to work at least for six months in which they could start their own saving. Thereafter, by showing their saving record, they can get credit and start their preferred business. By doing so, the procedure tries to make financial services accessible to the poor and to accustom them to the habit of saving.

In either case, credit is given on a collateral basis. The collateral could be any property like house, vehicle or any other valued property that could compensate the value of the loan to be taken, and the collateral could be owned by parents/relatives of the loan taker. Relatives who are civil service employees can also act as guarantors on behalf of credit takers. For those who cannot present property collateral, there is an arrangement referred to as *group collateral*; this is a form of collateral in which all members of the group are held accountable for the credit taken by an individual member. The default of one member generally means that further lending to other members is suspended until the default loan is repaid, or the mandatory savings of all members may be used to pay off the loan of the defaulter. Hence, group forming is often done cautiously.

The programme officers justify the importance of collateral in credit provision as a means of reinforcing the commitment of operators to their business undertakings. The six-

month saving period also helps officers to closely follow up the financial prudence and work discipline of operators, so that they can decide whether or not the operators are credit worthy.

3.2.4 Technical skills and entrepreneurship training. The TVET Institute in the city runs diploma programmes ranging from one to four years in different vocational fields and entrepreneurship to produce potential candidates to the MSED programme. Besides, the institute also provides job training for enterprises established under the MSED programme. Such skill-based enterprises as construction, weaving, metal/wood works, leather and textile works that need training are first identified by centre offices, and their list along with the type of skill training they need is sent to the TVET institute. The length of such training varies from three days to three months, and it is given entirely practically in technical workshops arranged by the institute. Trainees do no payments for such training. The institute provides such training simply as its regular duties. Sometimes, such training is sponsored and arranged for specific target groups by different community-based organizations such as the women's associations and youth's associations that support their members.

The ACSI officers provide training on financial matters as saving, loan taking, loan repayment and bookkeeping. The centre's officers also give training on similar issues emphasizing on business start-up, customer management, saving, credit and marketing. They regularly visit enterprises and urge them to practice bookkeeping and auditing. Officers assigned for this specific task keep track records on the financial accounts of each enterprise; keep account balances, monthly savings and credit repayments, and direct enterprises to adapt such financial discipline. This is a routine task of centre officers.

3.2.5 Provision of production/marketing sheds. MSEs are provided with production workshops and marketing sheds. The municipality of the city allots land for this purpose and the MSED office builds workshops and marketing sheds that could be distributed to MSEs on concessional rent basis. Enterprises pay subsidized rents for such working/marketing sheds for about three years and thereafter they pay full rent. They pay 25, 50 and 75 per cent of the actual price during the first, second and third year, respectively. Afterwards, they pay full price or leave the sheds for the new-generation MSEs. In principle, sheds are given only for enterprises organized in the form of cooperatives or partnerships. Enterprises that do not qualify to get working/marketing sheds are provided with an open land on which they can build improvised sheds either individually or in groups. The construction of such sheds is done on behalf of the MSED office and it owes the cost of construction. This cost is recovered by the enterprises as they use such sheds for a specific period of time without paying rent. By the time the cost of construction incurred by enterprises is compensated, the MSED office begins receiving rent for the sheds.

3.2.6 Market linkage. The MSED centre officers assist enterprises in accessing market outlets for their products. This includes advertising products, arranging exhibition bazaars and prioritizing MSE products in government purchase. When the government bureau announces bids to purchase different supplies and services such as office furniture, food stuffs, construction and maintenance services MSEs are given a 7 per cent bonus marks to maximize their capacity to win bids. Besides, MSEs are allowed to participate in such government bids without showing bank certificate bearing the amount of money used for the bid (CPO). The centres' officers write support letters to different government organizations describing that the MSEs are entitled to get such affirmative action in government projects.

4. The micro and small enterprises development programme in promoting entrepreneurship

4.1 Data and methods

The data analysed in this section were collected through sample survey, in-depth interview, field observation and document analysis. The survey method involved a sample of 136 sample enterprises in Bahir Dar city, which were established under the MSED programme. Respondents were selected from each of the 136 enterprises based on the proportional to size principle. As the number of persons running each enterprise varied between one and 30, the number of respondents selected from each enterprise varied between one and five. In that way, 297 individual respondents (207 males and 90 females) were selected, and a structured questionnaire was administered to them. The age distribution of the respondents ranged between 17 and 53 years, while the median and modal ages were 28 and 25 years, respectively. In-depth interviews/discussions were also held with 17 key informants who had knowledge and experience in the MSED programme including officers in the sector and enterprise operators. Besides, a variety of documentary materials such as work manuals, periodic reports, archives and policy documents relating to the MSED programme were reviewed and analysed.

4.2 Does the programme promote entrepreneurship?

As indicated, earlier entrepreneurship can be promoted by a variety of purposively intended policy interventions that aim at awareness creation/motivation, skills development and creating opportunities that favour business start-up and enterprise growth. The MSED programme under discussion has an awareness creation component to be performed by different stakeholders of the sector including the MSED office, TVET institute and ACSI. The programme targets at raising entrepreneurial interest among the target group and to motivate them to take entrepreneurship as a livelihood option and as a satisfying walk of life. To motivate potential entrepreneurs, the centres' officers go door to door and communicate target groups about the viability and desirability of self-employment citing role model profiles. Occasional discussion forums are arranged with community members, especially targeting women and youth groups to exchange ideas on the possibility of developing entrepreneurial attitude. Such awareness creation sessions reiterate that hard work, creativity, saving, cooperation, partnership, etc. can do away with poverty. Market bazaars and product exhibitions are also arranged periodically to display the products of successful entrepreneurs and grant them social recognition. Successful or model entrepreneurs are also made to share their experiences to others by various group arrangements, community gathering and also local mass media.

All such promotional activities are meant to trigger awareness that the option of entrepreneurship exists as a possibility and creating positive attitudes towards entrepreneurial trades. For instance, about 241 "model" MSEs were given awards from prime minister Haile-Mariam Dessalegn in recognition to their efforts and successes (EBC Amharic news, February 4, 2015). That would motivate people and more and more people would be encouraged to start their own businesses which in turn would lead to higher density of enterprises, i.e. increased number of enterprises in the city. Higher enterprise density entails intense competition, cooperation, differentiation (specialization), etc., and hence higher productivity of enterprises. Competition among enterprises would force them to improve their methods of production, reduce consumption, avoid wastage and adapt cost-reducing techniques to survive in the business. That would eliminate economic irrationality and help induce entrepreneurial mindset.

The awareness creation movement targets the community in general, women and youth groups in particular, and not limited to support individuals who are already engaged in the small business sector. It aims at enlarging the enterprise pool by encouraging new entrants rather than being limited to the already existing ones. In other words, it aims at creating new entrepreneurs rather than picking the existing ones. The approach is commendable, given that the private sector is not well developed in the country for it had been impeded for long by different historical, cultural and economic reasons. Hence, targeting and nurturing potential entrepreneurs would help build broad-based entrepreneurial social groups.

The programme also has a skills development component. Entrepreneurship and other vocational courses are offered at the Bahir Dar TVET Institute to regular trainees who are supposed to be potential candidates of the MSED programme. The institute also provides short and medium term on the job training to MSE operators. It provides training in a variety of vocations including textile and garment, pottery, metal/wood works, marketing, electronics, mechanics construction and information technology.

The MSED office and ACSI also arrange periodic and regular training sessions in business development and entrepreneurship as part of their official duties. They offer training on business planning, bookkeeping and accounting, marketing, partnering, cooperation, etc. The centres' officers go around visiting each enterprise advising on how to keep financial records and manage loans.

The programme also helps promote entrepreneurial and technical skills by way on-the-job experience as people who engage in MSEs continually improve their skills through time. It is believed that learning by doing is an effective way of skills promotion in vocational trades. To this end, there are apprenticeship arrangements that are meant to facilitate skills transfer to beginning entrepreneurs. National experience-sharing forums are organized annually where selected entrepreneurs display their products, learn from each other's experience and exposed to new skills and technologies. In relation to this, a technology dissemination mechanism is arranged whereby different technologies are adapted to local conditions by the TVET institutes and disseminated to the MSE operators.

The survey respondents were asked the type of training they have taken as part of the programme. About 104 (35 per cent) of them had taken training in entrepreneurship and business development skills, and 106 (36.4 per cent) of them indicated that they had taken training in various vocational fields as presented in [Table II](#).

During the fieldwork, the researcher observed that the MSE operators had tight work schedules. In approaching them for an interview, they often preferred appointments during

Vocation	Number	(%)
Wood/metal work	58	53.7
Food preparation	17	15.7
Marketing	7	6.5
Weaving/tailoring/garment	8	7.4
ICT	5	4.5
Leather works	4	3.7
Hotel management	2	1.9
Mechanics	2	1.9
Veterinary	2	1.9
Surveying/drafting	2	1.9
Electronics	1	0.9
Total	108	100

Table II.
Vocational trainings
taken by respondents

weekends saying that they have no spare time in the weekdays. In the case of the survey questionnaire, they opted to take the questionnaire to their home, fill in the evening, and bring it back the next day. This is because they did not have time to sit and to respond to the questionnaire at their work places.

Participants were asked about their future plan regarding their current businesses. As indicated in Table III, most of them (79.2 per cent) had plans to expand their current businesses and 14.7 per cent had plans to change their businesses. Only a small minority (6 per cent) had plans to abandon the business altogether and would look for salary employment. This implies that participation in the MSED programme has an influence of orienting the attitude of participants towards entrepreneurship and self-employment rather than salary employment. In other words, respondents revealed a tendency to have their own business in the future rather than seek salary employment in government and private companies. Most of them expressed their aspirations to continue as self-employed rather than working for others.

In a related question, respondents were also asked if they have intentions to be a model entrepreneur in the future; and 92.8 per cent of the respondents replied positively that they do aspire to be model entrepreneurs in the future. This implies that the majority of the participants have a positive mindset towards entrepreneurship. About 86 per cent of the respondents also felt that the existing government policies encourage entrepreneurship. To gauge the level of their entrepreneurial ambition, an open-ended question was posed to the respondents: *what is your future aspiration in life?* About 250 of them replied in a variety of ways, while the remaining 47 gave no responses. Those who replied indicated that they have a reasonable entrepreneurial ambition. While the responses are phrased in a variety of ways, they are summarized into ten categories as presented in Table IV.

A significant proportion (32 per cent) of them aspire to be rich and improve significantly their quality of life indicating that they are not currently satisfied by their way of life and have a desire to change it for the better. Although it might be taken simply as a wishful

Table III.
Respondents' future plan regarding their current business

Your plan	Number	(%)
Expand my business	232	79.2
Change the business	43	14.7
Find wage employment	18	6.1
Total	293	100.0

Table IV.
Respondents' future aspirations

Aspiration	Number	(%)
Be rich, have improved quality of life	80	32.0
Owning/establishing big company	55	22.0
Be a successful/model person in my business	38	15.2
Expand/modernize the current enterprise	36	14.4
Be investor/export trader	15	6.0
Own private house/car	9	3.6
Be self-reliant	7	2.8
Bring up my children properly	6	2.4
Get good job	2	0.8
Pursue higher education	2	0.8
Total	250	100

thinking, to be an ambitious and desire to change is taken as an element of entrepreneurial behaviour.

Another significant proportion (22 per cent) aspired to own and/or establish big companies including metal factories, car assembly and international standard hotel. Again, this cannot simply be rejected as a wishful thinking or a fantasy, as they are already in the world of business. For a person who runs a metalwork enterprise now, it is a feasible vision to aspire to establish a metal factory in the future. The same is true for those who operate a relatively small garage today to aspire for a car assembly factory in the future. It is not also unrealistic for those who run a mid-level local restaurant today to have a vision of owning a four-star hotel in the future. Many large companies including the multinational corporations like *Samsung* and *Microsoft* were once small enterprises, and it is through time that they become mega corporations.

Many also aspire to be successful and model entrepreneurs in their respective fields of operation, while others like to be investors, employers and export traders. All these aspirations that go beyond subsistence could be taken as indicators for the existence of entrepreneurial mindset among the study population. Only a smaller proportion were concerned with their livelihoods when they replay that they aspire to own a private house or car, to be self-reliant, to get a good job or to bring up one's children (Table IV). Such aspirations can be taken as limited to livelihood concerns rather than entrepreneurial ambitions. An important point to be noted is that most of the study population have entrepreneurial and developmental goals beyond and besides their livelihoods.

To see whether respondents have an appropriate understanding of entrepreneurial attributes or traits, they were also asked to provide their opinions to an open-ended question: *What do you think is the secret of being a successful entrepreneur?* The responses to this question are summarized in Table V. As can be indicated from their opinions, participants are well aware of what really matters to be an entrepreneur. They opined important attributes of entrepreneurship such as hard work, commitment, saving, creativity, quality product and cooperation, which implies that they have the right understanding about entrepreneurship and hence they could engage in such activities whenever they see opportunities.

Entrepreneurial attributes	Number	(%)
Hard work/work respect	67	25.9
Creativity/flexibility/risk taking	38	14.7
Business skill/knowledge/experience	36	13.9
Saving/credit/capital	26	10.0
Commitment/endurance	23	8.9
Quality production	19	7.3
Government/family support	18	6.9
Training/learning from others	7	2.7
Use of new technology	6	2.3
Cooperation/partnership	5	1.9
Self-initiative/attitude change	4	1.5
Good market	2	0.8
Self-employment	2	0.8
Time management	2	0.8
God's will	2	0.8
Being free from addiction	1	0.4
Good governance	1	0.4
Total	259	100

Table V.
Respondents'
opinions on how to
be a successful
entrepreneur

Generally, the analysis thus far reveals that the MSE programme has deployed strategies that could promote entrepreneurial mindset among participants. It implies that awareness creation/motivation, skills promotion and an environment conducive to business start-up are in place. The analysis also reveals that participants have developed entrepreneurial attributes such as the tendency to prefer self-employment, and ambitions to achieve grand objectives in life, by way of hard work, creativity and risk taking. Therefore, the programme is in fact inducing the culture of entrepreneurship in the study area.

4.3 Enterprise growth

The argument that the MSE programme helps to induce an entrepreneurial mindset among the participants can also be supported by the growth of enterprises operated by them. In other words, enterprise growth can be taken as a proxy measure to the existence of entrepreneurial attributes among the participants. To have a picture on enterprise growth, respondents were asked about the capital status of their enterprises at the time of establishment (initial capital) and at the time of data collection (current capital). The concept of capital here refers to the working capital of enterprises that exclude fixed assets such as land and buildings. Such fixed assets are in most of the cases provided by the local government at subsidized rents. Figure 1 presents the comparison of initial and current capital of enterprises.

As revealed by Figure 1, a majority (56.5 per cent) of the participants indicated that their initial working capital was birr 5,000 or less, and 23.8 per cent of them had an initial capital ranging between birr 5,001 and 15,000. This implies that the majority of the participants (80.3 per cent) started their enterprises with an initial capital of birr 15000 or less. Only 5.6 per cent of them indicated that they started their business with an initial capital of above 100,000 birr. The graph generally depicts that most of the enterprises started with a small working capital.

When we see the current working capital, on the other hand, only 16.5 per cent of the participants indicated that their current capital is birr 5,000 or below, and 22.3 per cent of the respondents indicated that they had current capital ranging between birr 5,001 and 15,000. This implies that only 38.8 per cent of them had current working capital of birr 15,000 or below, indicating that the remaining majority (61.2 per cent) had current working capital of more than birr 15,000. It is also indicated that 17 per cent of the participants had raised their capital to more than birr 100,000. Generally, the graph depicts that the working capital of enterprises had significantly increased since they started their businesses. The analysis of initial and current capital of enterprises, presented in Table VI, also further consolidates this argument.

The mean initial capital of the enterprises at the time of establishment was 20,384.23 birr with a standard deviation of 44,064.00. The median starting capital of the enterprises was

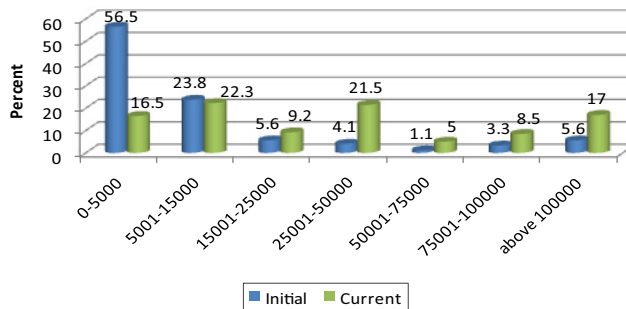


Figure 1.
Enterprises' current capital vis-à-vis initial capital (in birr)

5000 birr, while the maximum initial capital recorded among the enterprises was 235,000 birr. This is contrasted with the mean current capital of birr 88,486.90 with a standard deviation of 186,335.10. The working capital of enterprises has thus grown by more than four times since their establishment. The median working capital has also increased to 30,000 birr which is about six times that of the median initial capital. Likewise, the maximum registered capital has increased from 235,000 birr to 1.2 million. Generally, therefore, the MSED programme is not only tackling unemployment and poverty but also inducing the growth of enterprises that could contribute towards economic development. In other words, the emergence and gradual development of enterprises would contribute to local economic development.

5. Conclusion

Given the agrarian nature of the society, an indigenous economic middle class dedicated to wealth accumulation through entrepreneurship is not yet developed in Ethiopia. Thus, a persistent developmental challenge faced by the country is one of the inspiring people towards entrepreneurial ventures by way of lifting cultural and institutional impediments that constrain entrepreneurship. This paper examined the role of MSED programme as a strategy to promote entrepreneurship in Ethiopia focussing on Bahir Dar City as a case.

The findings revealed that the programme has created legal frameworks and organizational arrangements that direct, encourage and support the activities of entrepreneurs. Organizational structures are established from federal to the local level that provide coordinated and integrated direction involving different ministries, agencies and bureaus. Legal frameworks, policies and strategy documents are also in place that articulate the various support packages to entrepreneurs including financial services, market linkage, skills development, advisory services, provision of working and marketing sheds. Hence, it can be said that there are clear and favourable opportunities that could encourage entrepreneurial activities.

MSE operators got the opportunity to engage in productive employment and could discard the stigma of unemployment. As their routines, they undertake activities that would promote economic rationality such as preparing business plans, take loans and repaying them timely, sign binding contracts and practice bookkeeping calculating profits and losses. In the process, they suffer business bankruptcy, enjoy profits and receive rewards and applause for their successes. They strive, in their daily routine, to avoid loses, maximize profits and build their self-esteem. Successful ones are praised and rewarded to grant their efforts social recognition, attributing their success to their propensity to work hard and save. Their rise in wealth and social prestige would have a demonstration effect to inspire others to emulate. All this is complemented by a variety of short-term and medium-term training in entrepreneurship, business development and different vocations. Such routines gradually inculcate entrepreneurial traits in the personality of individuals. In other words, engagement in MSEs ultimately enhances the culture of entrepreneurship.

In summary, an important lesson gained from the programme is that individuals learn and exercise entrepreneurial attributes such as flexibility, risk taking, saving,

Statistics	Initial capital	Current capital
Mean	20,384.23	88,486.9
Median	5000.00	30,000.00
Maximum	235,000.00	1,200,000.00
Standard deviation	44,064.00	186,335.10
Number of respondents	269	260

Table VI.
Statistics on initial
and current capital of
enterprises (in birr)

rational allocation of resources and achievement orientation within the institutional settings of MSEs. The MSEs development programme contains policies aiming at nurturing such entrepreneurial attributes in the minds and hearts of target groups. It aims at breeding a mass of new entrepreneurial generations by way of a series of awareness creation, motivation and skills training packages. Such packages are institutionalized and are likely to have enduring effects in nurturing and legitimizing the culture of enterprise. Participants have already started developing entrepreneurial aspirations, as they came to engage in the sector. For instance, they tended to prefer self-employment to salary employment, have shown significant commitment to saving, practice rational allocation of time and other resources. They also seem to have grand ambitions and dreams and set goals beyond subsistence to accomplish in the world of business. Thus, the MSED programme is indeed helping to promote the culture of entrepreneurship.

A point of caution is that as most of the support packages are provided by the government, there is a tendency among operators to have much dependency on the public sector, causing budgetary burden on the government. Hence, it is important to encourage the private sector to take care of some of the services like savings and credit, business development and skills training.

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