THE 4TH NATIONAL ON THE THEME QUALITY RESEARCH FOR SUSTAINABLE DEVELOPMENT

Organized by

Research and Community Service Office

August, 2023

Infolink University College

The 4th National On the Theme Quality Research for Sustainable Development

Organized by

Research and Community Service Office

TABLE OF CONTENTS

CHALLENGES OF PRESUMPTIVE TAX SYSTEM : THE CASE OF TABOUR SUB CITY, HAWASSA

GASHAW AFEWORK

Abstract

This study was conducted with the aim of investigating challenges of presumptive tax in Tabor Sub City of Hawassa. By distributing a total of 150 questionnaires to Category C sample taxpayers and 25 questionnaires to employees of Tabor Sub City, the study tried to explore the major challenges of presumptive tax system, how Category C taxpayers tax liability is assessed, the issues of tax evasion, corruption and tax compliance with that of presumptive tax assessment and collection procedure, and lastly awareness level of Category C taxpayers. The findings show that lack of transparency, subjectivity in tax liability assessment, discretional use of indicators and low level of awareness were major challenges of presumptive tax assessment and collection procedures. It was also found that standard presumptive tax assessment procedure was vulnerable to corruption and tax evasion. Despite such problems, a presumptive tax assessment procedure increases tax compliance. Thus, it can be concluded that presumptive taxation assessment procedures in the sub city are entangled with implementation problems, which mostly arise from inefficient and incapable tax administration, which needed to be addressed by the tax authority for the betterment of benefits from presumptive tax. In general, it is recommended that even though presumptive tax is the second best alternative in taxing small businesses theoretically; presumptive tax can be less efficient than the conventional tax system if not implemented properly and with caution. Therefore, the tax authority is advised to increase taxpayers' awareness through all possible ways, conduct tax assessment systematically and objectively, enhance voluntary compliance through considerate and accurate treatment of taxpayers, improve capacity of tax authority and provide special training programs to employees.

Key Word ; *Tax, Challenges, Tax authority, Presumptive tax, The standard assessment, Estimated assessment and Category C taxpayers*

INTRODUCTION

Background of the study

Tax is a compulsory payment levied on individuals and businesses in a country. It is one of the major sources of income for a government to execute its activities. Collective consumption of goods and services necessitates putting some of our income into government hands. These public goods like roads, power, municipal services, and other public infrastructures have favorable results on many business enterprises, industries and the general public. These goods are normally supplied by public agencies due to their natures of non-rivalry and non-excludability. Consumption of public goods is such that consumption by one does not reduce consumption for others. Besides, consumption of public goods by an agent does not exclude others from doing the same. This nature of public goods therefore makes them impossible for private suppliers to avail them at market prices like other commodities. Government intervention in the supply of public goods is therefore inevitable and can only be done if the public pays taxes for the production and supply of such goods (Jira et al, 2005).

It is generally understood that most people do not like to pay taxes, and, because of this fundamental reason, it is hard for tax administrations to levy and collect taxes anywhere and anytime. Even though most people and businesses know that it is a must to have a government with a capacity to provide public service which can't be provided by the market, they become reluctant when it comes to paying tax in the right amount, time, and, place. (Richard and Wallace, 2004).

The application of the standard taxation regime generally requires keeping appropriate books and records. For small businesses, complying with standard record keeping requirement is not only costly, but also often exceed the capacity and skill of the small businesses operators. Non-compliance with obligatory bookkeeping requirements, even if is unintentional, can severely hurt the small businesses. Therefore, method needs to be identified to adjust the tax system for small businesses which is appropriate to their low level record keeping and accounting capabilities.

In designing a tax system for small businesses operation, simplified presumptive tax system is the most frequent and popular approach used. Some sort of presumptive tax system for small business can be found in a large number of developed and developing countries worldwide. These systems vary considerably in their scope of application, the criteria used to determine the tax liability of the small business, and their performance. There are neither standard principles nor uniform experience with the design and application of presumptive systems .This tax system which involves the use of indirect means to ascertain tax liability, and which differ from the usual rules based on the taxpayer's accounts, is one means to overcome the above mentioned problems and to get tax revenue from those taxpayers which might otherwise go completely untaxed. If used properly, presumptive tax may: broaden the tax base by increasing the number of taxpayers and their tax payment, reduce tax evasion, and enhance the efficiency and equity of the tax system, all at relatively low administrative cost. It can also be effective in cutting auditing time and cost, particularly in countries where accounting illiteracy is widespread (Engelschalk, 2007).

Even though the principal source of a government's revenue should be taxation, in many sub-Saharan African nations this is often not the case. These nations with low economic growth, large population below the poverty line and dependent on tertiary economy, finance most of their expenditure through non tax revenue. This is the reason that technical assistant providers like the International Monetary Fund (IMF) and World Bank recommend introduction of simplified tax regimes in sub Saharan African countries with the key motives of improvement of the business environment, the facilitation of tax administration and the fight against the underground economy. Nonetheless doing so is hampered by large informal sector, under reporting of income by businesses, weak tax administration, considerable tax evasion and avoidance, corruption, lack of awareness and trust of government *(ibid).*

Ethiopia is in a worst position as compared with most Sub Saharan African countries when it comes to aid to GDP ratio which indicate the bulk of government expenditure is financed through non tax revenue. That is why the government of Ethiopia is trying to improve taxation system along different fronts. One of these fronts is broadening the tax base by bringing most of the small business into the tax system through presumptive taxation.

Taxpayers are categorized into A, B and C in Ethiopia. Category A taxpayers is corporate enterprises which have annual turnover of Birr 500,000 or more. Category B are those which have annual turnover between Birr 100,000 and 500,000 and Category C taxpayers are those which have annual turnover of less than Birr 100,000.Category A and B are required to maintained adequate books of accounts and their income tax are subject to the statements of accounts they produced. While Category C taxpayers are not required to maintain accounts. This makes it difficult for the tax administrations to collect taxes from this group using conventional tax system. Thus, income tax on Category C taxpayers is determined by lump sum method, which is called a "Standard Assessment" (Gebrie, 2008).

Category C taxpayers are not required by law to declare their income or keep book of accounts, and considered as hard-to-tax group. According to Article 68(1) and (2) of the Income Tax Proclamation –No 286/2002, standard assessment method shall be used to determine the income tax liability of Category C taxpayers (taxpayers with annual turnover of less than Birr 100,000).The standard assessment shall be a fixed amount of tax determined in according with council of ministers regulations established schedule of standard assessment amount that reflect variation in the type of business, business size and business location. To estimate taxable income of Category C taxpayers using standard assessment, the daily sales, item/service type and quantity ,time it take to convert goods / service into cash, taxpayer's expenses such as living expenses for himself and his dependents and expenses incurred for the acquisition of assets are taken into consideration.

Standard assessment table or schedules contain 69 categories of business activities. The schedule appears progressive with low tax burden on small merchandise traders and the highest tax burden on professional, transport and other services. For this purpose, the estimated average annual profitability rate varies in the range of 10% to 70% depending on the nature of business service sectors. The basic amount of 100, 000 is divided in to 19 divisions starting with the division of up to Birr 100, 000 and thereafter an increment of 5,000 Birr each for subsequent divisions (Federal NegaritGazeta, 2002).

In Ethiopia presumptive tax is used to assess tax liability of Category C taxpayers. This paper tries to investigate the challenges of presumptive tax system in Tabor sub City of Hawassa.

Statement of the Problem

Tax is a legal liability imposed by government on individual citizens of a country to finance its expenditure. Tax plays an important role in the development and growth process of countries. There are different ways to determine the tax liability that every individual has to pay. One of them is presumptive tax. Presumptive taxation is one type of income tax determination mechanism. It is an estimation of tax payable that are used in dealing with incomes or activities that are hard to tax. It involves the use of indirect means to assess tax liability, which differ from the usual rule which is based on the tax payer's account. Presumptive tax offers the possibility of reducing noncompliance and tax evasion at low cost and broadening the revenue base.

Ethiopia as one of the world's least developed counties introduces presumption tax to broaden the tax base and to increase tax revenue. Even though presumptive taxation is the second best alternative to tax small businesses which don't have financial records, its application is facing different challenges.

There is little research done on presumptive tax in Ethiopia. For instant the research done by Mussa (2010) tried to investigate the problems in designing presumptive tax and the challenges faced in implementing it from the tax authorities perspectives using descriptive method of research and finds out that there are problem in the design of presumptive taxation which leads to implementation challenges.

Another research done by Gebreamlak (2012) tries to see the challenge of Category C taxpayers for tax authorities using a mixed method conclude that tax evasion, lack of awareness, failure to keep book of account as a major challenges in taxing Category C taxpayers.

According to study conducted by Yohannes and Zerihun (2013); assessing the gaps and problems that exist between the business community and tax authority of dire-dawa administration, Nontransparent, non-participatory of standard assessment, Lack of fairness or equity of taxation among similar businesses of category ‘C’ are the reason for tax payers luck of trust in the employees of the authority and in the overall tax estimation, assessment and collection procedures. Presumptive taxation mechanism also gives a chance for tax payers to hide their daily income.

They also stated that many developing countries have weaknesses in their tax administration that make it difficult to levy effective taxes. Especially those in the category “C‟, have been facing various problems related to the taxation system (tax administration). On their study they have found that most of the surveyed tax payers stated that what they are paying is beyond their ability to pay and that they neither have trust in the employees of the authority or in the overall tax estimation, assessment and collection procedures. In light of these facts, the study concluded that the tax authority of the city administration is not being effective or is being reluctant in making the tax procedures objective, transparent and understandable to taxpayers

So in this research attempt were made to see the challenges of presumptive tax in Hawassa particularly in Tabor sub city from both taxpayers’ and tax authorities’ perspectives. This research is different from the previous research as it gives more attention to the perspectives of taxpayers and tries to compare the perspectives of taxpayers and tax authorities on the way. In doing so the paper may fill the gap of literature about presumptive taxation from the taxpayers’ perspective.

Objective of the Study

General objective

The main objective of this research is to assess the challenges of presumptive taxation in Hawassa city particularly in Tabor sub City.

Specific Objectives

- ✓ To evaluate the practices of Tax liability assessment of Category C taxpayers.
- ✓ To identify the main challenges of presumptive tax assessment and collection procedures.
- ✓ To observe the extent of presumptive taxation system’s exposure to corruption and tax evasion.
- ✓ To evaluate whether presumptive tax make small business more compliant or not.
- ✓ To examine the level of information taxpayers and employees of the tax authority have on presumptive taxation.

Research Question

Specifically the study tried to answer the following research questions:

- ✓ What is the extent of tax liability assessment practices of Category C taxpayers?
- ✓ What are the main challenges of presumptive tax?
- ✓ What is the extent of presumptive taxation system's exposure to corruption and tax evasion?
- ✓ Does presumptive tax makes small business more compliant?
- ✓ What are the levels of information taxpayers and employees of the tax authority have about presumptive tax?

Significance of the Study

One of the mechanism in which countries raise revenue to finance their spending on public goods is taxes. Taxation generates a substantial amount of revenue for government in developed countries then in developing countries.

Factors like; large hard to tax sector, low development of formal sector, weak tax administration, tax avoidance, tax evasion and expensive and difficulties for startup enterprises to comply with complex tax law made the contribution of tax revenue law in developing countries.

In this regard government of developing countries and scholars in this area should conduct researches that identify the problem in this area and possible recommendation to bring tax system that is characterized by economic efficiency, administrative simplicity, flexibility, political accountability and fairness. Putting this in mind, the researcher tries to demonstrate the basic challenges of taxing Category C taxpayers in Hawassa Tabor sub City.

In doing so the researcher attempted to recommend solutions for the identified problem that may be used by tax administrators to minimize administrative cost and increase tax revenue. In addition as there have been very few studies both theoretically and empirically done on taxation in general and presumptive tax in particular in Ethiopia, this paper may make a contribution to literature of the presumptive tax in Ethiopia.

Scope and Limitation of the Study

The study analyses the challenges of presumptive tax in Tabor sub city of Hawassa city. In particular the tax assessment procedure used for Category C taxpayers was considered in the study. The present study, considered only the challenges faced in the application of presumptive tax system by taking one sub city in Hawassa city. The study is limited to one sub city mainly due to cost and time factors.

The findings of the research would have been more satisfactory if it had covered all sub cities of Hawassa city. Besides this the existence of only few empirical research done on presumptive tax particularly in Ethiopia and generally in developing countries, has created a difficult situation to support the findings with more empirical work.

Key Term Definition

Tax is a compulsory contribution by taxpayers without expectation of direct and equivalent return from government for the contribution made

Presumptive tax is one where the desired tax base is not itself measured but is inferred from some simple indicators (turnover, assets, farm size, shop size, etc.), which are more easily measured than the base itself.

The standard assessment shall be a fixed amount of tax determined in according with council of ministers regulations established schedule of standard assessment amount that reflect variation in the type of business, business size and business location.

Estimated assessment is somewhat refined and sophisticated presumptive taxation technique then standard assessment as tax liability is a function of different indicators and estimated income or profit can be adjusted for sudden or several income shocks by a business or an individual.

Category C taxpayers are not required by law to declare their income or keep book of accounts, and considered as hard-to-tax group. According to Article 68(1) and (2) of the Income Tax Proclamation –No 286/2002, standard assessment method shall be used to determine the income tax liability of Category C taxpayers (taxpayers with annual turnover of less than Birr 100,000).

Organization of the Study

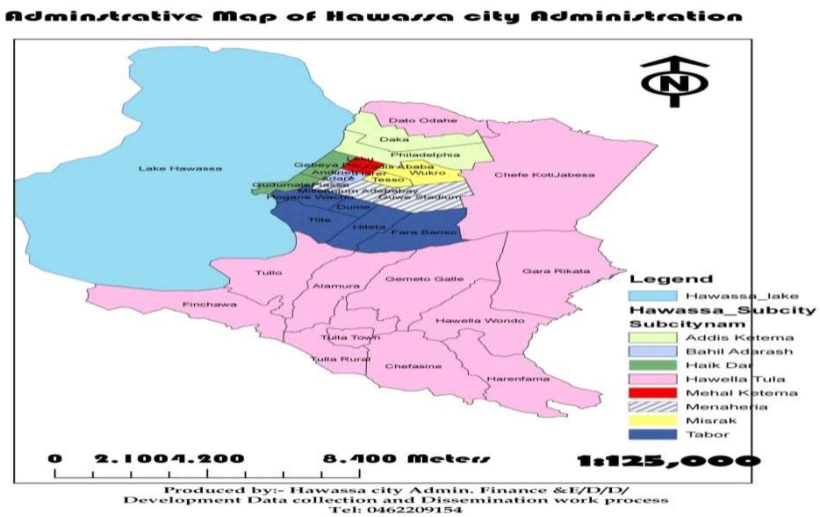
The study has been organized in the following way. The first chapter is introductory which consists of introduction, statement of the research problem, objective of the study, significance of the study, scope of the study and research limitations. The second chapter provides the literature reviews. Chapter three is about the research design and methodology that has been used to collect and analyze data. Chapter four presents descriptive analysis of data and discussion based on data collected. Chapter five presents conclusions and recommendations.

RESEARCH METHODOLOGY

Study Area

Hawassa is a city in Ethiopia on the shores of Lake Awassa in the Great Rift Valley. It is 273 k.m south of AdissAbeba through Bishoftu, 130 k.m east of Sodo and 75 k.m north of Dilla. The town serves as the capital of the sidama region. Its name comes from a sidamic word meaning"wide body of water"

Figure 1: Maps of Study area



Based on the 1999 E.c/ 2007 G.c National population and Housing census, the current projected population of Hawassa is 329,734 inhabitants of whom 169,677 were male and the rest 160,677 females. The five largest ethnic groups reported in Awassa were the Sidama(48.67%), the Amhara (17.43%), the Wolayta (13.9%), the Oromo (5.21%) and the Gurage (2.33%); all other ethnic groups made up 12.46% of the population. Amharic is spoken as a first language by 47.97% of inhabitants, 21.01% speak Sidamo, 9.58% speak Wolayta and 2.07% Oromiffa; the remaining 9.37% spoke all other primary language reported.

Hawassa city Administration has eight sub cities which is namely Hawella-Tulla, Tabor, Menehariya, Mahale, Hayekdar, AdisKetema ,Misrak and Baheladarash. Of the eight sub-cities Hawell-Tulla had the highest population with a total of 119,058 inhabitants, followed by Tabor with 59,522 and Menehariya with 32,945 inhabitants Tabor sub city is one of these sub cites which found in the Hawassa city administration. The sub-city is one of the expansionary found in the city and it is predominantly residential area. The sub city has large number of small businesses operating in the major three sectors namely manufacturing, service and merchandises.

In Ethiopia presumptive tax is used to assess tax liability of Category C taxpayers. So that, Tabor sub city will be taken in the study.

Research Approach and Design

Research Approach

There are two different logical scientific reasoning important for any type of scientific research, deductive reasoning and inductive reasoning (inductive-deductive mode of thinking). Induction moves forward from particular to the general. Deduction is backward movement from general to particular. Quantitative researchers primarily follow a deductive route. Quantitative research is based on the measurement of quantity or amount. Quantitative research involves analysis of numerical data. Qualitative researchers primarily follow inductive route and involves analysis of data such as words (Kothari, 2004).This study was used mix of quantitative and qualitative research. It is quantitative as it quantifies data and generalizes results from a sample to the population of interest and it measures the incidence of various views and opinions in a chosen sample. It will be qualitative as it tries to see different attitude of taxpayers and employees of tax authorities on presumptive tax system.

Research Design

In this research descriptive research design was followed to conducted challenges of presumptive tax system in Hawassa particularly Tabor sub-city. According to Kotharie (2004), descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group. Descriptive studies concerned with specific predictions, with narration of facts and characteristics concerning individual, group or situation. In descriptive studies, the researcher must be able to define clearly, what he wants to measure and must find adequate methods for measuring it along with a clear cut definition of 'population' he/she wants to study.

Target Population of the Study

According to Hawassa city administration Tax authority (2012 e.c) in May, 2012 at the time of small business tax assessment and estimation the number of small business operators were 7,619 in Hawassa.

The sampling framework for this study was 2500 small business taxpayers residing in "Tabor sub-city" tax office, Hawassa. Tabor sub-city tax authority office there is 25 employees engaged in assessment and administration presumptive taxation. All Category C taxpayers in Tabor sub city of Hawassa and employees engaged in presumptive tax assessment are target populations.

Sampling Design

Sample Size Determination

Reliability and cost are taken into consideration in the sample size determination of taxpayers. In addition to this, the research objectives and the characteristics of the taxpayers (such as size and diversity) were taken in to consideration in the sample size determination of taxpayers.

According to Fowler (1984) for a population, the level of precision increases steadily up to sample sizes of 150 to 200 and after this point the gain from increasing sample size is modest. The most important characteristic of a sample, therefore, is its representativeness, not its size

Sampling Technique

The researcher was used census technique for office employees and also employed Stratified random sampling technique to select sample of respondents from tax payers.

Stratified random Sampling was used. This technique was choosing because the sampling frame could be categorized into relatively homogeneous groups (strata) in their business type. The stratum designed based on their type of sectors includes; such as, Retailer (merchandizing), Services rendering and Manufacturing sectors. After stratification, random sampling technique from the probability methods was used to draw the final sampling units which were made to be proportional to the total number of enterprises in each stratu

Table 1 Sampling proportion

No	**Sector**	**Total enterprise**	**Sample size determination by proportion**	**Samples taken**
1	Retailers	1200	$\text{Group 1} = \frac{1200 * 150}{2500}$	72
2	Services providers	1000	$\text{Group 2} = \frac{1000 * 150}{2500}$	60
3	Manufacturing enterprise	300	$\text{Group 2} = \frac{300 * 150}{2500}$	18
	Total	***2500***		***150***

Source, field survey (2022)

This study was used census method to select 25 samples of tax authority employees of Tabor sub city and was employed stratified random sampling technique to select 150 sample of taxpayers' respondent.

Finally, this study has total 175 samples of the respondents had conducted the challenges and prospect of presumptive tax system in Tabor sub-city, Hawassa. .

Data Type

In this research both primary and secondary data was used. Primary data is the major source of data for this research as there are no research works done on presumptive tax in Tabor sub city both empirically and theoretically. Secondary data has their contribution as they are helpful to define the research problem, methods that were used in data collection and analyses.

Method of Data Collection

In this research both self-administered questionnaires and unstructured interview(asks with orally) was used collected primary data. Two types of self-administered questionnaires were used to get detail information from sample taxpayers of Tabor sub City and employees of Tabor sub City. The questionnaire for the sample taxpayers is close – ended questions. This questionnaire is design for sample taxpayers typically to help extract information on the characteristics of the sample taxpayers, their attitude towards presumptive tax system. The questionnaire was prepared for the employees of the tax authority are also consisted of closed end questions. It was aimed at getting information like challenges faced by the authority in assessing tax liability of Category C taxpayers. Unstructured interview was made with the manager of small businesses tax in the sub city and small business tax team leaders to get detailed information. The data collections instruments were used in this paper are attached under appendix A up to C of this paper.

Method of Data Analysis and Presentation

To analyse challenges of presumptive tax in Hawassa city particularly at Tabor sub City, descriptive statistics was used. After data were collected and coded into SPSS, descriptive statistics tools like tables, figures and graphs were used to classify and present it. Moreover, information was obtain through unstructured interview is analysed qualitatively using discourse.

Ethical Consideration

In ethical consideration, the participant was informed ahead about the aim of the study. They also participated in the study based on their own willingness. Privacy and confidentiality also maintained. As per the work plan and schedule acceptable procedures was followed by effectively undertaking the research process. In the beginning all legal permissions was secured and pre visit of the area was made for initial contact with institutions and individuals.

Data Analysis and Presentation

The second stage of research involves collection, analysis and presentation of data. To do so, two different questionnaires were distributed to sample taxpayers and employees of tax authority. A total of 150 questionnaires were distributed to Category C taxpayers of Tabor sub city out of which 114 returned filled completely and properly. This made the return rate around 76%. In the same way a total of 25 questionnaires were distributed to employees of Tabor sub city small businesses tax task desk out of which 23 were returned filled completely and properly which make the response rate 92%. Beside the questionnaires, in depth and unstructured interviews were held with the manager of Tabor sub city tax authority office and Team leaders in assessment and administration presumptive taxation in the Tabor sub city. In order to enrich information obtained through questionnaire. After the data was collected, checked for errors and completeness, it was analyzed using descriptive research techniques.

General Attribute of Respondents, Type and Age of Businesses

Table 2: Demographics characteristics of sample taxpayers

Item	*Description*	Frequency	Sampled taxpayers %
	Male	*54*	*47.6 %*
Sex	*Female*	*60*	*52.4 %*
	Total	**114**	**100 %**
	25 - 40 years	64	56.14%
Age	*41 – 55 years*	40	35.09%
	More than 55 years	10	8.77%
	Total	**114**	**100 %**
	Illiterate	16	13.5 %
	Primary school completed	26	22.9 %
	Secondary school completed	21	18.7 %
	Certificate	18	15.6 %
Level of education	*Diploma*	14	12.6 %
	First degree	19	16.7 %
	Total	**114**	**100 %**

The compositions showed that more than half 60(52.4 %) of the sample taxpayers are females and the remaining 54(47.6 %) were males.

The age distribution of the respondent who participated in the study is provided in item 2 tables 2 above. The sample age categories were divided with a range of 25 years up to age more than 55.Accordingly, the results showed that majority of respondents in the small businesses are

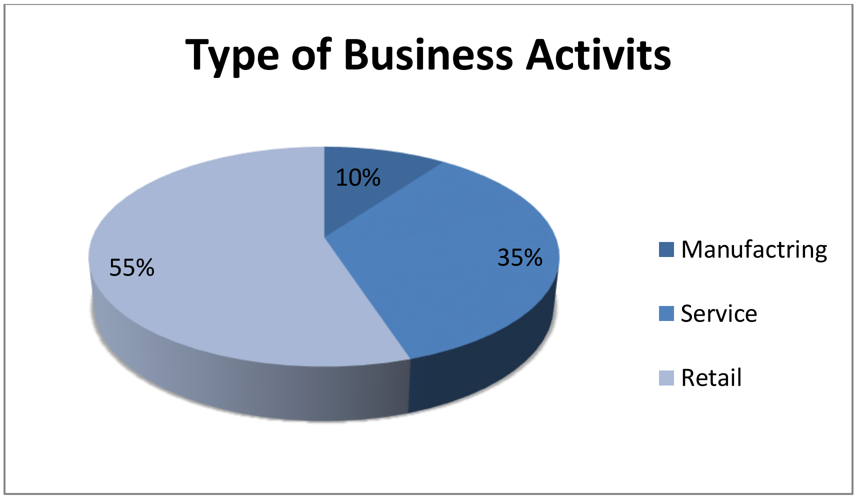
64(56.14%) were aged between 25 and 40 years old and 40 (35.09%) were between 41 and 55 years ofage. while 10(8.77%) were more than 55 years old.

The formal educational background of the respondents and the survey result shown that in Table 2, item 3, 15(13.5%) sample taxpayers were illireat,26(22.9%) were primary School completed,22(18.7%) were secondary school completed,18(15.6%) were certificate holders,14(12.6%) were college diploma holders,19(16.7%) of them were First degree holders.

Type of Business Activities and Stay in Business

Most of the sample taxpayers 63(55%) are engaged in retail business, followed by service provision activities which account for the 40(35%) and the remaining 11(10%) in manufacturing.

Figure 2: Types of Business Activities

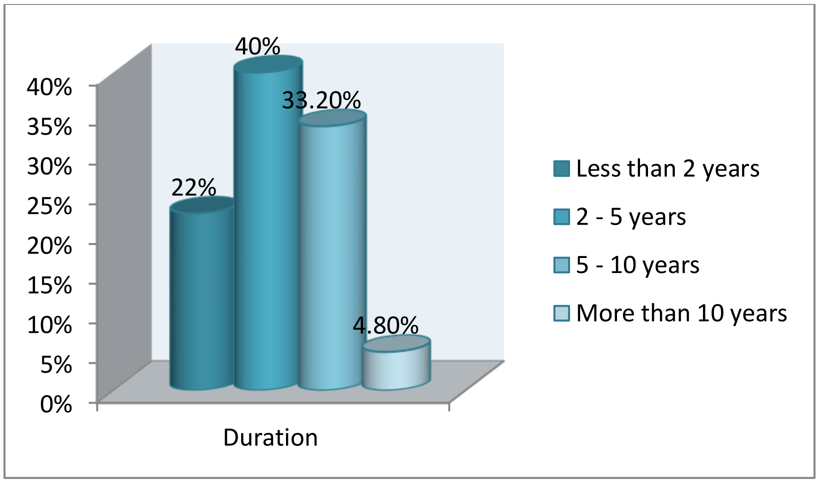


Source: Research survey, 2022

One of the main reasons behind using presumptive tax is to bring taxpayers into the tax net and then to transfer them to the regular tax system. This can be done by setting tax rates under small business tax system at a reasonable rate (not to high nor too low), providing incentives for those joining the regular system or imposing a limit regarding the number of years that taxpayers of a particular size may lasted on presumptive taxation system (Wallace, 2002).

As can be seen from Figure 3 below, 40 % of the tax payers have been in the business from 2 to 5 years, followed by 33.2 % of them with 5 -10 years . 22 % of sample taxpayers have been in the business for less than 2 years. Only very few (4.8%) stayed of them in the business for more than 10 years. From this, it can be understood that number of taxpayers that remain in presumptive tax system for long (more than five years) is 38%, which should raise concerns to the tax authority. As stated in the literature presumptive tax system should have a way of identifying those taxpayers that need to be transfer to the normal tax system. Even though it is difficult to conclude those businesses that stay in the system for more than five years has to go the normal taxation system, tax authority should be cautious in handling business who has been operating for more than some years by assessing them with more effort than those with less years of stay in the business.

Figure 3: Age of Business



Source: Research survey, 2022

Objectives and Methods of Presumptive Tax Assessment

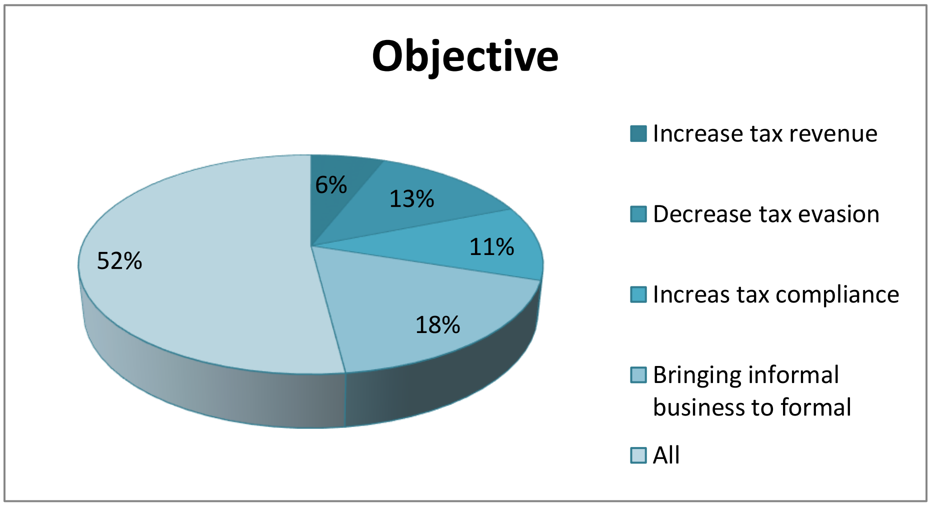
Objectives

As presented in the literature government has different objectives like maximizing tax revenue, bringing equity, ensuring economic stability. There is a growing awareness that tax systems can go beyond merely maximizing revenue collection but over the medium- to longer-term can inculcate a higher degree of tax compliance and build a platform to support entrepreneurship and business development. The main objective of small business taxation should be increase the size of the formal sector, promote growth and provide education and training on how to monitor business activities. The primary goals of most governments that introduce presumptive taxation beside revenue maximization are: broaden tax base by preparing citizens and businesses in the informal sector to enter the formal tax net, reduce tax evasion and avoidance of small business, and increase compliance culture through reducing tax complying and administrative cost to small business and simplifying small businesses tax system.

Employees of the tax authority were asked about the major objectives of government in introducing presumptive tax in taxing small businesses. More than half (52%) of them responded that presumptive tax has combined objective of increasing tax revenue, decreasing tax evasion and compliance. The next group which comprises of 18% employees of tax authority said that the main objective is to bring those in the informal sector to formal sector and to broaden the tax base. On the other hand, 13% and 11% of the sampled employees of tax authority agree that presumptive tax is used to decrease tax evasion and increase tax compliance respectively. On the other hand, 6 % of employees of tax authority said that the primary objective of presumptive tax is to increase tax revenue.

In the interviews conducted, interviewees said that the main reasons behind using presumptive tax system to tax small businesses are: to broaden the tax base, to increase number of taxpayers and to bring those working in the informal sector to the tax system. In addition to this, interviewees said that presumptive tax is used to decrease administrative costs and reduce tax compliance cost of taxpayers.

Figure 4: Objective of Presumptive Tax System



Source: Research survey, 2022

Presumptive Tax Assessment

Tax assessment is the processes of determining tax liability on the income obtained with in specific period. There are different ways in which tax is levied on income or profit. Countries which employ presumptive tax use different methods to estimate tax liability based on income, assets, turnover and /or wealth.

As presented in the literature in Ethiopia, standard assessment method is used to assess tax liability of Category C taxpayers since 2002/2003 by replacing estimated assessment used before. Standard assessment assigned different lump sum tax liability to different businesses or an occupation which corresponds to the presumed income supposed to be earned by a member of a particular occupation type or businesses.

Sample taxpayers were asked about which type of presumptive tax assessment method they prefer. As indicated under item 1, table 3, the majority, which accounts for about 76% of sample taxpayers, prefer a presumptive tax system based on standard assessment. On contrary,14% prefer presumptive tax based on estimated assessment and the remaining 10% preferred an assessment tax based on turn over and expenses. Looking this from the tax authority employees' point of view, 54% of them prefer assessment based on standard assessment followed by based on estimated assessment which account for about 33 % of the sampled employees of tax authority. The remaining 6% and 7% prefer presumptive tax based on turnover and on expenditure methods respectively. This generally indicates that more than half of sample taxpayers and employees of tax authority choose presumptive tax based on standards assessment.

This is encouraging as the common preference between the two parties helps to facilitate smooth working environment.

In the interview conducted, interviewees were asked how they conducted presumptive tax assessment. They replied that assessments are conducted by a group of five people consisting of the sub city administrator, one traders' representative, one from law task desk and two from micro businesses tax desk of the sub city. The assessment was conducted by using a standard form which contains about ten questions. The basic issues raised were: daily average sales, daily personal and business expenses, purchases, income from any other source, time required to turn goods or services in to cash and others. After taxpayers were asked these questions and replies were made, the group finally decided taxpayers' daily average sales by cross checking the raised questions and other aspects of the business from their perspectives. This estimated daily average sale was used to determine yearly income. Then this estimated income is multiplied by the fixed profit rate for each business or occupation as putted in the standard estimation schedule. Once the profit is determined business tax rate is used to determine the tax liability. On this amount, 2% for business or 10% for services of the yearly income is added as a turnover tax. One point that was raised by the interviewees was that most taxpayers give the true amount of their expenses and other information while they usually falsify their daily sales wrongly assuming that average daily sales matters exclusively.

From the above response it can be said that it is the combination of estimated and standard method that is being used to assess tax liability of category C taxpayers rather than standards assessment that was supposed to be used. This is a critical deviation which needs to be evaluated by the tax authority for two reasons. First, this might be indication of implementation problems of presumptive tax system as what is declared to be used is totally different from what is actually being used. Second, an estimated assessment that was used before 2003 was changed to standard assessment as estimated assessment was susceptible to corruption, bring more work load to administer, and dispute between taxpayers and tax authorities .So it is standard assessment that has to be used as pouted in the regulation not estimated method. The same thing was found by Mussa (2010) in his research that Category C taxpayers' tax liabilities were determined through estimation of daily income.

In 2012/2013 some changes were made on the member of group used to assess the tax liability as it was found difficult to bring those five people from different places at a same time. Instead it was decided to use a group of three to five people rather that five people used before. Beside new graduate students from universities were recruited assuming that this will reduce corruption as they had minimum or no personal contact with either the existing coworkers or the taxpayers.

Sample taxpayers and employees of tax authority were asked if the 2012/2013 assessment brought more taxpayers to the tax system or not. As seen under item 2 of Table 3, 71.4 % and 84 % sample taxpayers and employees of tax authority respectively agree with the claim that the recent assessment brought more taxpayers to the tax system. This shows that tax authority has done a good job in bringing more taxpayers to the tax net.

Table 3: Presumptive Tax Assessment

No	Items	Type of assessment /level of agreement	Frequency	Sampled taxpayers %	Frequency	Employee of tax authority %
1	*Preferred Ways of Presumptive Tax Assessment*	*Based on turn over*	*4*	*3.8*	*1*	*5*
		Based on expenditures	*7*	*6*	*2*	*7*
		Based on estimated assessment	*16*	*14*	*8*	*36*
		Standard assessment	*87*	*76.2*	*12*	*54*
		Total	***114***	***100***	***23***	***100***
2	*The recent assessment has brought more taxpayers to the tax regime.*	*Strongly disagree*	*16*	*14.3*	*1*	*4*
		Disagree	*16*	*14.3*	*3*	*12*
		Agree	*55*	*47.6*	*7*	*32*
		Strongly agree	*27*	*23.8*	*12*	*52*
		Total	***114***	***100***	***23***	***100***

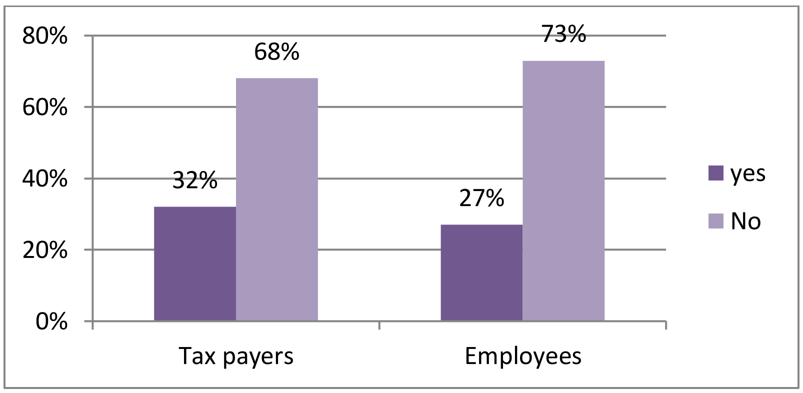
Source: Research survey, 2022

Problems with Presumptive Tax Assessment and Administration

In order for taxpayers to comply with tax laws it is necessary that they know when and why they pay tax and how tax liability is assessed and tax is levied**.** Nevertheless from the survey, sample taxpayers responses indicate that about two third (68%) of them, said they lack basic knowledge of presumptive tax and this hinders them from obeying the tax law properly. Similarly 73% of the employees of tax authority have the same understanding.

From the interview conducted with employees of the tax authority, lack of understanding of the tax law is believed to be among the major reasons for taxpayers in not compiling the tax law. One interviewee explained the lack of awareness of tax payers by rising how taxpayers replay to questions in assessment time. She said that most taxpayers replied for most of the questions raised honestly but they falsify their daily sales as thinking only daily sales is used to calculate their tax liability not the other aspects rose, which comes from their lack of awareness. This shows that there is a need for extensive educational program in order to enhance taxpayers' awareness

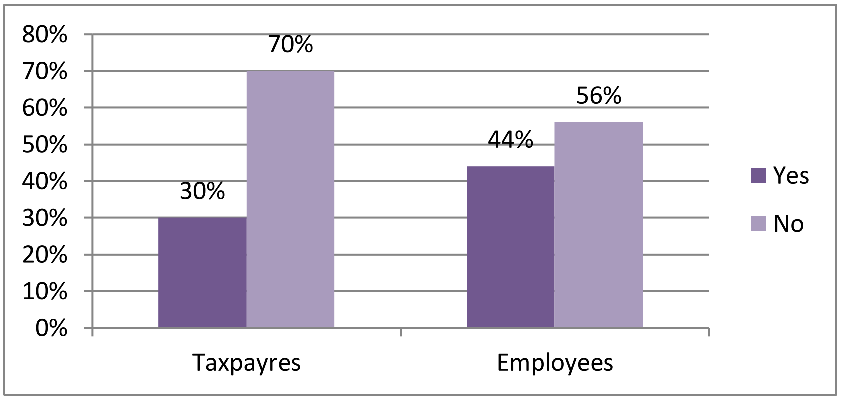
Figure 5: Understanding of Tax Law



Source: Research survey, 2022

Simplicity in tax laws enables taxpayers to understand the rules and comply with them cost-effectively, reduces the number of errors, improves compliance, and increases respect for the system, promotes transparency and cost-effective collection. Sample taxpayers and employees of the tax authority were asked their beliefs on whether the tax laws in general are not simple to understand and to comply with or not. The results are presented in Figure 5, in which over 70% of the sample taxpayers and 56% of the employees of tax authority respectively consider the laws not simple enough to understand and comply with, while the remaining proportions consider them to be simple.

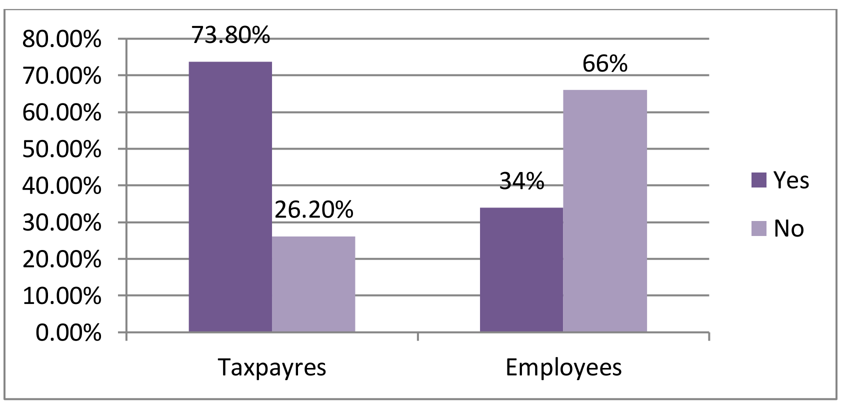
Figure 6: Simplicity of Tax Laws



Source: Research survey, 2022

Tax administrations have to convinced taxpayers in paying tax timely and without enforcement. By providing good service in tax collection, enhancing awareness about tax and its usage and compliance handling procedures, tax authority can increase both voluntarily and timely payment of tax. Regarding this both employees of tax authority and sample taxpayers were asked whether there were a problem of paying tax voluntarily and on time. The majority of sample taxpayers, which were about 73.8% disagree with the idea that they have a problem of paying tax voluntarily and timely and only 34 % of employees of tax authority feel that there is no problem of paying tax voluntarily and timely. But, considerable number of employees of the tax authority (66%) says that timely and voluntarily paying of tax is one of the problems they face in collecting and assessing tax from small business.

Figure 7: Willingness to Pay Tax at Time and Voluntarily

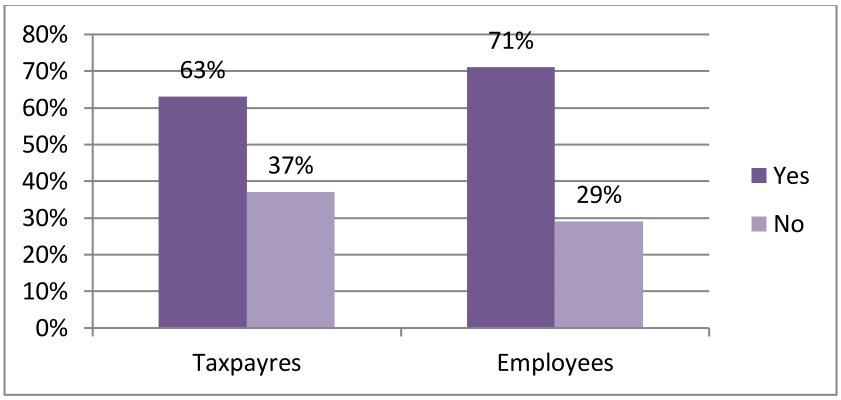


Source: Research survey, 2022

One quality of good tax system is being fair and objective among taxpayers. If tax system is unfair and subjective it will make collecting tax involuntarily and delayed. In such condition, taxpayers might not have a positive attitude towards paying tax or/ and tax authority.

Putting this in mind sample taxpayers and employees of tax authority were asked about their opinion whether presumptive tax assessment and collection were fair and objective. The results are shown Figure 8, where 37% and 29% of sample taxpayers and employee of tax authority respectively says that the way presumptive tax assessed and collected is fair and objective. But significant number (63%) of taxpayers and (71%) of employees of the tax authority replied that presumptive tax assessment is unfair and subjective.

Figure 8: Subjective Assessment of Presumptive Tax

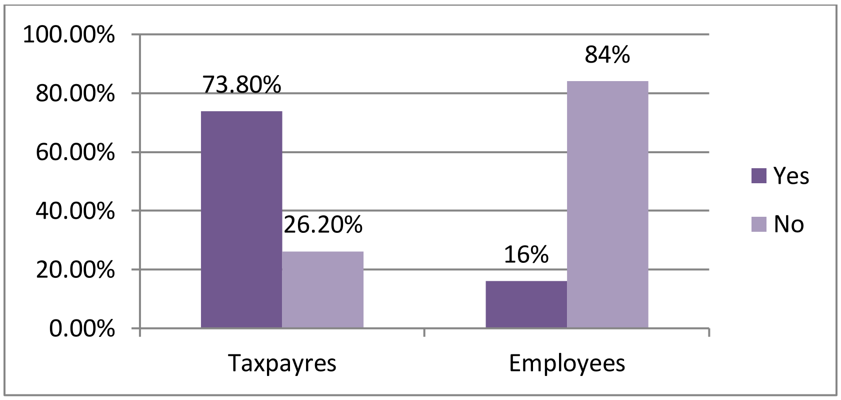


Source: Research survey, 2022

As presented in the literature one of the inherited problems of presumptive tax is its subjectivity. Tax authorities should put this in mind in designing and implementing presumptive tax. As discussed above, even though it is standard assessment which is supposed to be used to assess Category C tax payers tax liability, from the interview conducted it was found that , in practice it is estimated method used to estimate daily average sale despite its limitations like subjectivity, inconsistency, discretion and vulnerability to corruption to estimate daily income of taxpayers. Therefore, these analysis shows that presumptive tax assessment is subjective. This may be as a result of estimating daily income rather than assigning lump sum tax liability based on occupation or business type which doesn't need estimation of daily sales.

For the effectiveness of tax law, transparency is a critical issue. Taxpayers should know what tax means, how and when it is levied upon them and similar issues. Transparency makes compliance easier and avoids mistakes that arise from illiteracy. As can been seen from Figure 9 below, the majority (73.8%) of sampled taxpayers believe that presumptive tax system lacks transparency. Employees of tax authority were also asked if there were lack of transparency regarding presumptive tax system. More than three forth of them say there were no problems of transparency in the assessment and collection procedure of presumptive tax. This contradiction arises from different perspectives of the two parties or because there exist problems related to transparency in the system. What matters is that as service giving organizations which strive to exercise a good tax administration, the tax authority should focus on improve the transparency of the tax system.

Figure 9: Lack of Transparency in Tax Assessment



Source: Research survey, 2022

Tax Evasion

Wherever taxes are levied, there are agents who try to avoid or evade them. As Hillman (2006) stated people who regard taxation as excessive, face the alternatives of not working or working and evading taxes. Choosing tax evasion is then means of personal escapes from the burden of taxation and also from the accompanying excess burden of taxation. Economists have recognized the importance of such behavior in the design of optimal tax systems, and have paid increasing attention to the analysis of schemes for detecting and modifying such behavior. Presumptive taxation like any other tax system is exposed to evasion. However the exposure of presumptive tax as compared to other tax systems is different as many of the taxpayers are small businesses characterized by large in number and limited proper book keeping know how. So this specific behavior of small businesses coupled with some features of presumptive tax can make the tax system more exposed to tax evasion.

As can be seen from the item 1 table 4 below about two third (64%) of the sample taxpayers and (66%) of employees of tax authority agreed that presumptive tax system is vulnerable to tax evasion. In item 2 table 4 about 62% of sampled taxpayers agree that presumptive tax increase tax evasion while the remaining (38 %) do not believe so. The same question was raised to employees of tax authority and a significant number of them (75 %) agree that presumptive tax increase tax evasion

Table 4.Tax Evasion

No	Items	Level of Agreement	Frequency	Sampled taxpayers %	Frequency	Employee of tax authority %
1	*The way presumptive tax assessed and collected is vulnerable to tax evasion*	*Strongly disagree*	*12*	*10.4*	*2*	*8*
		Disagree	*30*	*26*	*6*	*24*
		Agree	*45*	*39.6*	*10*	*44*
		Strongly agree	*27*	*24*	*5*	*22*
		Total	***114***	***100***	***23***	***100***
2	*Presumptive Tax system increase tax evasion*	*Strongly disagree*	*18*	*16*	*2*	*10*
		Disagree	*25*	*22*	*3*	*15*
		Agree	*48*	*42*	*8*	*35*
		Strongly agree	*23*	*20*	*10*	*40*
		Total	***114***	***100***	***23***	***100***

Source: Research Survey.2022

Corruption

Corruption is likely to reduce the tendency of individuals in a given state to accept and trust their government in general and comply with the tax burden in particular .One of the benefits of a less complex structure and a less ambiguous tax law is that it should reduce the frequency of face to face interaction between tax officials and taxpayers. There is much support in tax literature that such a reduction will reduce temptation and practical scope for tax officials to solicit bribes or to accept those offered. Presumptive tax is an effective way of reducing the need for face to face interaction. However the obvious danger with presumptive taxation is the possibility of arbitration on the part of the tax administration that could generate more corruption and irritation than revenue. (Ter-Minassian, 1997).

As it can be seen from item 1and 2 of Table 5 below, about 81 % of the sampled taxpayers agree that the tax assessors' attitude toward corruption, embezzlement and fraud has an impact on the amount of tax assessed. Likewise 76% of employees of tax authority support the idea that tax assessors' attitude towards corruption, embezzlement and fraud has an impact on the amount of tax assessed .71 % of sampled taxpayers and 64% of employees of tax authority agree that presumptive tax increases corruption.

A good tax system distribute tax burden on tax payers equally in proportion to their earnings as much as possible. People should contribute toward support of government in proportion to what they earn. By providing objective indicators for tax assessment, presumptive methods may lead to a more equitable distribution of the tax burden, when normal accounts-based methods are unreliable because of problems of taxpayer compliance or administrative corruption. Balestrino and Galmarini, 2005, have argued that presumptive taxation may be a useful instrument for raising the welfare of the less well-off and sometimes of all citizens, although it may achieve this outcome in a somewhat unexpected fashion. Tax payers and employee of tax authority were asked their opinion whether Presumptive tax system brings a more equitable distribution of tax burden. As it can been seen from item 3 of Table 5 ,62% of tax payers and 64% employee of tax authority disagree that presumptive tax bring equitable distribution of tax liability. The disagreement between the survey result and Balestrino and Galmarini and other research on the redistribution capacity of presumptive tax may call for further study.

The last thing it was raised to tax payers was whether they were satisfied or not with the existing presumptive tax assessment and collection procedures in general. As the result in item 4 of Table 5 shows almost three forth (75%) of the respondents are dissatisfied with the existing presumptive tax assessment and collection procedure. The remaining 25% said that they are satisfied with the presumptive tax system in general. As Ter-Minassian, 1997 said, the ability of presumptive tax to reduce corruption depends on the structure of the tax system, how tax rules defined, the amount of discretion on the part of tax administration, availability and transparency of data and the general administrative capacity of the tax authority.

Table 5 Corruption

No	***Items***	***Level of Agreement***	***Frequency***	***Sampled taxpayers %***	***Frequency***	***Employee of tax authority %***
1	*Tax assessor attitude toward corruption, embezzlement and fraud has impact on the amount of tax assessed.*	*Strongly disagree*	*16*	*14.3*	*1*	*3.8*
		Disagree	*5*	*4.8*	*4*	*19.2*
		Agree	*38*	*33.3*	*10*	*42.5*
		Strongly agree	*55*	*48*	*9*	*34*
		Total	***114***	***100***	***23***	***100***
2	*Presumptive tax increase*	*Strongly disagree*	*11*	*10%*	*6*	*24%*

	corruption.	*Disagree*	*22*	*19%*	*2*	*12%*
		Agree	*54*	*47.60%*	*11*	*46%*
		Strongly agree	*27*	*23.40%*	*4*	*18%*
		Total	***114***	***100***	***23***	***100***
3	*Presumptive tax system brings a more equitable distribution of tax burden*	*Strongly disagree*	*32*	*28%*	*10*	*44%*
		Disagree	*39*	*34%*	*5*	*20%*
		Agree	*30*	*26%*	*5*	*20%*
		Strongly agree	*13*	*12%*	*3*	*16%*
		Total	***114***	***100***	***23***	***100***
4	*I am satisfied with the existing presumptive tax assessment and collection procedures.*	*Strongly disagree*	*57*	*50*		-
		Disagree	*29*	*25*		-
		Agree	*22*	*20*		-
		Strongly agree	*6*	*5*		-
		Total	***114***	***100***		**-**

Source: Research Survey.2022

Tax Compliance

As presented in the literature, presumptive tax is used mostly when there are large numbers of small businesses and administrative resources are scarce. This tax system is considered as an optimal way of reducing noncompliance without costing much resource. It enables small businesses to avoid complicated book-keeping system which is costly and time consuming for taxpayers.

In the survey conducted, sample taxpayers were asked whether presumptive tax system increase compliance or not. As can be seen from item 1 of Table 6 below, the majority which is about 84% of the sample taxpayers agree that presumptive tax increase compliance. The same issue was raised to employees of tax authority and a large number of them (68%) agree with the idea that presumptive tax increase compliance. Empirical studies by (Luigi *etal*, 2008) show that presumptive tax was implemented in Argentina in order to improve tax compliance and to simplify the tax system and had brought significant changes.

Sample taxpayers and employees of the tax authority were asked if complexity of tax system has effect on compliance. Almost all (90.5%) of sampled taxpayers and 84% employees of the tax authority agree that the complexity of tax system made compliance difficult as shown in item 2 of Table 6.

One of the primary things that brings more compliance in the tax administration is having a good way of timely and properly handling of complains of sampled taxpayers. The tax authority has to understand that collecting tax is not the end by itself. Taxes are required to overcome the problem of free riding inherent in the financing of public goods, to control market imperfections, and to achieve social justice by redistribution. To do this, both parties (taxpayers and tax authority) have to work in coherence.

Regarding this both sample taxpayers and employees of tax authority were asked whether there were timely and proper handling of complains by the tax administration. As putted in item 3 of table 6, sampled taxpayers were almost divided into two regarding the issue. About 55% disagree with the idea that there is timely and proper handling of complains. The remaining 45 % agreed that there is timely and proper handling of compliance. When it comes to employees of tax authority, the majority (84%) of them said that compliance handling service provided by them is timely and proper .Only 16 % of them believed that compliance handling service provided by them is not timely and proper. The important thing that has to be understood is that the perception of service user is more important than that of the service provider. Therefore the tax authority is advised to look into the way complains are handled and see if there are things that need to be corrected and modified to realize a higher satisfaction from taxpayers in particular and to exercise good governance in general.

Table 6: Tax Compliance

No	Items	Level of agreement	Frequency	Sample taxpayers %	Frequency	Employee of tax authority %
1	*Presumptive tax increases tax compliance.*	*Strongly disagree*	-	-	*4*	*16*
		Disagree	*18*	*16*	*4*	*16*
		Agree	*36*	*32*	*5*	*20*
		Strongly agree	*60*	*52*	*10*	*48*
		Total	***114***	***100***	***23***	***100***
2	*The tax system is complex and this made compliance difficult.*	*Strongly disagree*	*11*	*9.5*	-	-
		Disagree	-	-	*4*	*16*
		Agree	*65*	*57.2*	*7*	*32*
		Strongly agree	*38*	*33.3*	*12*	*52*
		Total	***114***	***100***	***23***	***100***
3	*The tax authority handle complains in timely and proper manner.*	*Strongly disagree*	*40*	*35*	*1*	*4*
		Disagree	*23*	*20*	*3*	*12*
		Agree	*28*	*25*	*13*	*60*
		Strongly	*23*	*20*	*6*	*24*

		agree				
		Total	***114***	***100***	***23***	***100***

Source: Research Survey.2022

Level of Information about Presumptive Tax

The timely provision of information for taxpayers is an important factor for the effective collection of taxes. However, the failure to inform taxpayers about the existing and new tax laws is one of the weaknesses of the tax authority causing noncompliance of those taxpayers who want to be law abided but can't do so because of lack of necessary knowledge on taxation and tax law. Regarding this sample taxpayers were asked if providing awareness about tax enhances voluntary compliance.

The result of respondents' reaction is presented under item 1 of table 7. The majority (84%) of sample taxpayers agree that providing awareness about tax enhances voluntary compliance of tax. Majority of the employees of tax authority (76%) agree that providing awareness about tax enhances voluntary compliance of tax.

The issue regarding the level of knowledge about presumptive tax was raised to both sample taxpayers and employees of tax authority. Accordingly, 33% and 65% of sample taxpayers and employees of tax authority respectively agree that they have the basic knowledge about presumptive tax. A noticeable part of sample taxpayers (67%) and employees of tax authority (35%) admit that they don't have the basic knowledge about presumptive tax. From the above questions, we can understand that the tax authority should realize that the majority of taxpayers wish to obey the law and fulfill their obligations but they mostly failed to do so since they lack adequate knowledge. Therefore, taxpayers should be notified any changes made, be given proper training in time and raise their general awareness about tax and it's merit to the society. The tax authority is advised to arrange training programs to train its employees regarding their responsibilities.

Item 3 under Table 7 is about orientation and training session provided by tax authority regarding presumptive tax. Majority of sample taxpayers (85.5 %) and more than half of the employees of tax authority (64 %) agree that the orientations and training session given by the tax authority were not enough.

Item 4 under table 7 raises the issue of whether the tax authority provides sufficient written documentation explaining tax laws or not**.**73.6 % of sample taxpayers disagree on the authority's provision of enough written documentation explaining tax laws. Similarly, 86% of sample taxpayers say that, the tax authority didn't use media outlets to provide information on presumptive tax.

Generally it can be concluded that the overall level of awareness of taxpayers and the training and other awareness creation programs of tax taxpayers of the tax authority are low. So the tax authority is advised to evaluate its awareness creation programs in depth and come up with a better, well planned and goal oriented programs.

To build tax system with enough capacity, the primary thing is to have task force with the necessary knowledge, skill and ethics. Two questions were raised to tax authority employees in this regard.

The first was whether the tax authority has a manual which properly explain and describe how presumptive tax is assessed and collected. As it can be seen from item 6 of table 7 the vast majority (92%) of the employees of the tax authority agree that they have a manual which properly explains how presumptive tax is assessed and collected.

The second issue that was raised was if they had been given regular training about presumptive tax assessment and collection procedure and 64% of them agree that proper trainings were given to them.

Table 7: The level of information /knowledge/ about Presumptive Taxation

No	***Items***	***Level of agreement***	***Frequency***	***Sampled taxpayers %***	***Frequency***	***Employee of tax authority%***
1	*Providing awareness about tax enhances voluntary compliance of Category C sampled taxpayers*	*Strongly disagree*	*11*	*10*	*3*	*12*
		Disagree	*7*	*6*	*3*	*12*
		Agree	*64*	*56.4*	*9*	*40*
		Strongly agree	*32*	*27.6*	*8*	*36*
		Total	***114***	***100***	***23***	***100***

2	*I have the basic knowledge about presumptive tax.*	*Strongly disagree*	*35*	*31*	*3*	*12*
		Disagree	*41*	*36*	*6*	*23*
		Agree	*31*	*27*	*4*	*20*
		Strongly agree	*7*	*6*	*10*	*45*
		Total	***114***	***100***	***23***	***100***
3	*The orientation given by the tax authority about presumptive tax assessment method is not enough.*	*Strongly disagree*	*9*	*7.9*	*1*	*4*
		Disagree	*8*	*6.6*	*7*	*32*
		Agree	*40*	*35.5*	*9*	*40*
		Strongly agree	*57*	*50*	*6*	*24*
		Total	***114***	***100***	***23***	***100***
4	*The tax authority provides sufficient written documentation explaining tax laws*	*Strongly disagree*	*39*	*34.2*		-
		Disagree	*44*	*39.4*		-
		Agree	*15*	*13.4*		-
		Strongly agree	*16*	*14*		-
		Total	***114***	***100***	**-**	**-**
5	*There is sufficient information provided through media outlets about presumptive tax.*	*Strongly disagree*	*45*	*39.7*		-
		Disagree	*53*	*46.3*		-
		Agree	*16*	*14*		-
		Strongly agree	-	-		-
		Total	***114***	***100***	**-**	**-**
6	*The tax authority has a manual*	*Strongly disagree*		-	-	-

	which properly explain and describe how presumptive tax is assessed and collected.	*Disagree*		-	*2*	*8*
		Agree		-	*10*	*44*
		Strongly agree		-	*11*	*48*
		Total		-	***23***	***100***
7	*I have been given the necessary and regular training about presumptive tax assessment and collection procedure.*	*Strongly disagree*		-	*4*	*16*
		Disagree		-	*4*	*20*
		Agree		-	*11*	*48*
		Strongly agree		-	*4*	*16*
		Total	**-**	**-**	***23***	***100***

Source: Research Survey.2022

Summary of Findings Conclusion and Recommendations

Summary of findings

More than half (52%) of employees of the tax authority responded that presumptive tax has combined objective of increasing tax revenue, decreasing tax evasion, and compliance. 18 % of employees of tax authority said that the main objective of presumptive tax is to broaden tax base and brings those in the informal sector in to the tax net. 13%and 11% said that the main objective behind presumptive tax is to reduce tax evasion and increase tax compliance respectively. The remaining 6% say the main objective is to increase tax revenue.

Tax assessment is the process of determining tax liability on the income obtained with in specific period. In Ethiopia standard assessment method is used to assess tax liability of category C tax payers since 2002/2003 by replacing estimated assessment used before. From the survey conducted 76.2 % and 54% of tax payers and employee of tax authority prefer presumptive tax based on standard assessment.14 % and 33% of tax payers and employee of tax authority prefer presumptive tax based on estimated assessment.

Considerable numbers of (62%) of tax payers said that lack of understanding of tax law is one of the major challenge that hinder them from obeying tax law properly. 73% of employees of the tax authority feel the same.

Over 70 percent of the tax payers and 56 % of employees of the tax authority consider the tax laws not simple to understand and comply, with only a very small minority believing them to be simple. 76% of tax payers disagree that similar businesses were assessed similarly.

The majority, which is about 73.8% of tax payers states that, they pay tax voluntarily and timely. 34% of employees of tax authority feel the same. But considerable number of employee of tax authority (66%) say that timely and voluntarily paying of tax is one of the challenges they face in collecting and assessing tax from small business.

Both two thirds (63%) of tax payers and 71% of employees of tax authority believed that there is subjectivity in tax assessment procedure used.

73.8% of tax payers believe the tax system to lack transparency. 84% of employees of the tax authority say the assessment and collection procedures of presumptive tax are transparent.

64% of the tax payers and 66% employees of tax authority agree that presumptive tax system is vulnerable to tax evasion About 62% of tax payers agree that presumptive tax increase tax evasion while the other believed otherwise. 75 % of the employees of the tax authority agree that presumptive tax increase tax evasion.

81 % of the tax payers and 76% employee of tax authority of agree the tax assessor attitude toward corruption, embezzlement and fraud has impact on the amount of tax assessed. 71 % of tax payers and 64% of employees of tax authority agree that presumptive tax increase corruption.62% of tax payers and 64% employee of tax authority disagree that presumptive tax bring equitable distribution of tax liability.75% of the tax payers are dissatisfied with the existing presumptive tax assessment and collection procedure. The remaining 25% said that they are satisfied with the presumptive tax system in general.

84% of tax payers and 68% employees of tax authority agree that presumptive tax increase compliance. Almost all (90.5%) of tax payers and 84% employee of the tax authority agree that the complexity of tax system made compliance difficult . 55% of tax payers and 82% employees of the tax authority agree with that there is of timely and proper handling of complains.

84% of tax payers and 76% employees of tax authority agree with the idea that providing awareness about tax enhances voluntary compliance of tax. 33% and 65% of tax payers and employee of tax authority agree say that they have the basic knowledge about presumptive tax. Majority of tax payers (85.5 %) and more than half employee of tax authority (64 %) agree on the idea that the orientations and training given by the tax authority were not enough.

73.6 % of tax payers say that that tax authority does not provides sufficient written documentation explaining tax laws. 86% of tax payers say that, the tax authority didn’t use media outlets to provide information about presumptive tax.

88% of the employee of the tax authority said that they have manual which properly explain how presumptive tax is assessed and collected.64% of employees of the tax authority agree that they have been given the necessary and regular training about presumptive tax assessment and collection procedure.

Conclusions

Small business taxation is one of the difficult areas to handle in almost all tax systems of developing countries. Even though the contribution of small businesses to tax revenue is small, taxing them is costly and difficult, yet governments have to tax them. Not taxing them will bring moral hazard for those who pay tax and it will raise the question of equity to the general tax system. It can also impose negative externality which will reduce tax compliance moral and increase the risk of generalized non-compliance.

Considering the enormous growth of the small business sector in Ethiopia, the lack of a true voluntary compliance culture and the weak tax administration capacity, simplified taxation has been an important element of a strategy to address the problem of a growing informal economy in Ethiopia. Ethiopia like many sub Saharan countries, use presumptive tax to tax individuals with annual income of less than or equal to Birr 100,000. Taking in to account the significance of taxing small businesses to the country this research tried to investigate the challenges and the prospects of presumptive tax assessment and collection in Hawassa Tabor Sub-City. Particularly this paper tried to investigate; the main challenges of presumptive tax assessment and collection, the dealing of tax compliance, tax evasion, corruption and with that of presumptive tax, and the level of information sample taxpayers have about presumptive tax.

Based on the result of the study, the following conclusions are made.

Even though it is standard assessment that has to be used to assess tax liability of Category C taxpayers, actually the mix of estimated assessment and standard assessment is actually being used. That is due to the estimation of daily income using indicators which is a typical nature of estimated assessment and the standard assessment schedule used to determine tax liability of tax payers once the annual sale is determined. The uses of estimated daily sales to estimate yearly sales contradict the basic definition of standard assessment. In standard assessment, it is business or occupation type not estimated daily income that determines fixed tax liability. This application can bring many problems: limitation of estimated assessment like loop hole for corruption and discretional use of indicators, misunderstanding between taxpayers and tax authority, and incoherent design and implementation of the system.

It can be concluded that, the main challenges regarding presumptive tax assessment and collection in the study area are; lack of transparency, subjectivity in tax assessment, lack of awareness, vulnerability to tax evasion and corruption, inefficient tax administration and complexity of tax laws. From these it can be concluded that the assessment and collection procedures of presumptive tax is suffering from many problems that arise from both tax payers and tax authority.

Tax evasion of some extent exits almost in all tax systems and countries. But the severity and extent vary from region to region and from one tax type to another. In this respect, presumptive tax as a frame work is believed to reduce tax evasion by bringing more taxpayers to the tax net and simplify compliance. But in its implementation presumptive tax is vulnerable to tax evasion and tends to increase if not implemented carefully. Presumptive tax assessment and collection in Tabor sub-city of Hawassa is considered to be susceptible to evasion from both taxpayers' and tax authority employees' perspectives. Among other things subjective assessment and lack of transparency made presumptive tax vulnerable to tax evasion.

Even sound tax structure and expenditure policy can be affected by unreliable and corrupt administration. It is sometimes argued that presumptive taxation can help to reduce corruption in the tax administration. But this happens when the structure of the system and the overall administrative is well capacitated. Presumptive tax in Tabor sub city is considered prone to corruption and may increase corruption from tax payers and employees of the tax authority viewpoint. Though there are many reasons that might cause corruption in tax system, the lack of transparency and subjectivity in tax assessment are main reasons for corruption in the sub city.

It is recognized that presumptive tax provides a tool to increase tax compliance by making tax system simple and less costly. Similarly presumptive tax found to increase compliance in Tabor sub city of Hawassa. But the unease of the tax law and complain handling condition that exist in the sub-city may make it difficult the effort to further increase compliance culture of taxpayers.

Information related to tax is very crucial for taxpayers. It is needed; to pay tax on time and voluntarily, to know amount of tax to be paid, to have an insight of why to pay tax and to understand the general tax system as a whole. In this regard, the sub city is expected to work hard as there are; lack of knowledge about presumptive tax, insufficient awareness creation programs, and insufficient use of media like written materials, TV and radio to educate taxpayers the basics of presumptive tax in particular and tax in general. Considering the awareness of employees of the tax authority ,the sub city is advised to increases its effort to prepare more training sessions and redesign manuals to make its employees more skilled and competent in assessing presumptive tax.

Recommendations

The sub city is recommended to reassess the standard assessment method of presumptive tax to evaluate if whether it is used as designed and implemented accordingly. The belief that the present presumptive tax system lack objectivity by most taxpayers may largely be attributed to daily income estimation of the present system that can be removed if standard assessment is used totally for both determination of the taxable income and the tax liability.

The sub city is advised to reevaluate its presumptive tax assessment procedures to see if it lacks transparency and take necessary measures if there is lack of transparency. The sub city may do these through creating awareness on how tax is assessed and tax liability is determined, what procedures are used to assess tax liability and how and where complains and questions will answered. The sub city may build ways that examine and evaluate whether assessments are done in accordance with the assessment procedures or not. Making the system more transparent helps the tax system to reduce corruption, and to increase compliance in parallel.

Removing subjectivity all together from presumptive tax system can be difficult as the method used to assess liability in presumptive tax has same degree of subjectivity. So the sub city is advised to find a way to make assessor employee understand these limitations well and be ethical enough in assessing tax liability by avoiding bias and discrimination. This can be achieved by giving different trainings and making tax assessors who go against the law accountable. In addition, the tax authority is advised to invest on resources used in analyzing tax returns to find out the rigid parameters that determine the income that can be generated from a business, and to convince the general public that presumptive taxation system is fair. Making the system less subjective and arbitrary helps the tax system in reducing corruption, tax evasion and increasing compliance.

In order to make taxpayers more compliant, understand tax law and cooperate with the sub-city, a lot may be done to educate taxpayers. To guarantee more improvement in compliance, the introduction of presumptive tax has to be combined with administrative improvement, in particular improvements in tax enforcement and the development of a compliance management strategy. In addition to this orientation and training sessions are advised to be increased both in terms of number and quality and should be consistent and goal specific. Different outlets like TV, radio has to be used to educate sample taxpayers instead of relying on public gathering and infrequent door to door education sessions.

In addition to educating on how to comply with the law and basic accounting skills, the tax authority could also educate businesses on what becomes available (access to finance, markets, cooperatives, etc.). Such activities would increase number of small businesses in the tax net, and capacity building would occur in short run. This would have an impact on short-run economic growth. But in the long run, many of these firms will potentially grow and become larger taxpayers. The net result would be an increase in revenue for the government and contribute to higher economic growth in general.

General, it is suggested that even though presumptive tax is the second best alternative in taxing small businesses theoretically; presumptive tax can be less efficient than the conventional tax system if not implemented properly and with caution. Therefore the tax authorities have to increase sample taxpayers' awareness through all possible ways, tax assessment should not be done arbitrary, voluntary compliance should be enhanced through considerate and accurate treatment of sample taxpayers, adopt intensive anti-corruption programs, resource capacity of the tax authority should be enhanced, special training programs should be arranged for employees and lastly grievances should be handled through effective mechanisms.

Reference

Alm, J. and Wallace ,S. (2004).Can Developing Countries Impose an Individual Income Tax, paper prepared for a conference on: *The Challenge of Tax Reform in The Global Economy*, Georgia State University.

Aminur Rahman, 2009. Tackling Corruption through Tax Administration Reform, In practice Investment Climate Business Taxation No .3

Arye L. Hillman, 2006 Public *Finance and Public Policy: Responsibilities and Limitations of Government*2nd edition

Bayer,Ralph andSutter,Matthias,2009. The excess tax Burdens of Tax Evasion, *Journal Of European Economic Review,* Volume 53

Bird, Richard andWallace,Sally, 2003. Is it really so Hard to Tax the Hard-to- Tax? International tax program, *Institute for International Business*, Toronto, Canada

Bird, Richard, 2003. Administrative Dimensions of Tax Reform ITP paper, International Tax Program ,*Institute for International Business* ,University of Toronto ,Toronto, Canada

Cohen,J.1988. *Statistical Power and Analysis for the Behavioral Sciences* ,2nd edition, Hill Side, NJ: Lawrence EribaumAssociasion

Engelschalk, Michael, 2005.Small *Business Taxation in Transition Countries*, TheWorld Bank, Washington, D.C

Federal NegaritGazeta.Council of Ministers-Federal Democratic Republic of Ethiopia 2002. 'Income Tax Regulation, Council of Ministers Regulation No. 78/2002', , Addis Ababa, Ethiopia.

Federal Negarit Gazette, 2002. Income tax proclamation 286/2002, -No. 37 19th July, 2002- page 1916-1917.Fiscal Publications

Fowler, Floyd, 1984. Survey *Research Methods*, SAGA Publication, California.

Fuest,Clemens and Riedel,Nadine 2009. Tax Evasion, Tax Avoidance and Tax Expenditure in Developing Countries: A Review of the Existing Literature, *Department for International Development (DFID), UK*

Gebreamlak Yitbarek.2012, Challenges Of Category C Taxpayers For Tax Administration (The Case Of Addis Ababa City Tax Administration) M.Scthesis,Jimma ,Ethiopia

James Alm, and etals ,2003. Sizing the Problem of the Hard-To-Tax,*AYSPS Conference*: The Hard-to-Tax, An International Perspective

JiraJebessa, FantahunMelles, Dieter Gagel, Gerhard Quinckes ,2005 .Taxation in Ethiopia Ethiopian, *Ethiopian Chamber of Commerce* (ECC),

Kothari,C,2004.*Research Methodology Methods and Techniques,* New Age International Publishers, New Delhi.

Logue,Kyle ,Gustavo &Vettoriy, G. 2010. Narrowing the Tax Gap Through Presumptive

Luigi Benardi, and etal., 2008.Tax systems and tax reforms in Latin America: Country Studies and General Issues**.***Italian Society of Public Economics*, Department of Public and Environmental Economics. University of Pavia, Italy

Makedonskiy,S.N. 2005.Taxation Mechanism Based on Simplified Indirect Evaluation of Tax Liabilities, *Russian-European Center for Economic Policy* (RECEP)

MisrakTesfaye, 2008. *Ethiopian Tax Accounting theory and Practice.* Addis Ababa, Alem Printing Enterprise.

Moreno-Dodson ,Blanca and Wodon,Quentin. 2008. Public Finance for Poverty Reduction Concepts and Case Studies from Africa and Latin America *The World Bank* Washington, DC

Mussa Mohammed.2010, Presumptive Taxation Schemes in Ethiopia Problem in Design and Challenges in Implementation , Addis Ababa Ethiopia

Rajaraman,Indira,1995. Presumptive Direct Taxation: Lessons from Experience in Developing Countries, *Economic and Political Weekly*, Vol. 30, No. 18/19.

Richard, Bird. And Sally ,Wallace, 2004. Is it really so Hard to Tax the Hard-to- Tax? : Prepared for a Conference on, *The Hard to Tax Sector, International Studies Program*, Andrew Young School of Policy Studies Stone Mountain, Georgia

Robin, Burgess, and Stern, Nicholas, 1993. Taxation and development, *Journal of Economic Literature*, Vol.31

Robinson, Mark, 2006. *Corruption and Development* **2nd** ed. Frank Cass , New York

Sally Wallace, 2002. Imputed and Presumptive Taxes, International Studies Program working paper, Andrew Young Scholl of Policy Studies, Georgia State University

Schneider. F. and D.H. Enste. 2002. *The Shadow Economy*.Cambridge University Press

SelamawitYirgalem and Parameswaran, Ramaswami, ,2006. Presumptive Taxation in Ethiopia-Prospects and Challenges, Addis Ababa, Ethiopia.

Stern,Richard and Barbour, Paul .2005. Designing a small Business Tax System that Enhances Growth: *Lessons from Africa FIAS,World Bank Group*

Taube G. and Tadesse H.1996, Presumptive Taxation in Sub-Saharan Africa: Experiences and Prospects, *IMF Working Paper*

Ter-Minassian, Teresa, 1997.Fiscal Federalism in Theory and Practice (E.Pub**),** Washingtan*International Monetary Fund* (IMF)

ThuroniyVictor ,2003. Presumptive Taxation of the Hared to Tax" *International Studies Program* working paper 03-25

Thuroniy,Victor,1996. Presumptive Taxation Tax law Design and Drafting, *International monetary Fund (IMF)*

Webber,C. and Wildavsky, A., 1986.*A History of Taxation and Expenditure in the Western World*Simon and Schuster, New York

Yitzhaki,Shlomo, 2006. Cost Benefit Analysis of Presumptive Taxation, *International Studies Program Working Paper Series, at AYSPS,GSU paper0714, International Studies Program, Andrew Young School of Policy Studies,* Georgia State University

Yohannes. M and Zerihun.A (2013), assessing the gaps and problems that exist between the business community and tax authority of dire dawa administration, *Developing Country Studies,*Volume No.2 Issue No.2 June 2013,167-174.

FACTORS AFFECTING COMMUNITY PARTICIPATION IN SUSTAINABLE LOCAL ECONOMIC DEVELOPMENT: THE CASE OF KAMBATA TAMBRO ZONE

HANNA ABERA

ABSTRACT

The main purpose of this study was to examine factors affecting community participation in sustainable local economic development: the case of KambataTambro Zone.Descriptive survey and phenomenological research design, which incorporates both qualitative and quantitative methods was employed. A sample population of 350 is determined by computing the target population of 26,456 with a confidence level of 95%andanerrorof0.05. Data were collected using both primary and secondary sources through questionnaire, interview and observation. The collected data were analyzed quantitatively and qualitatively with descriptive and inferential analyses. It was found that the participation of community inlocal development activities was very low. It was found out that there was no event, system, and strategy that directly participate the community in the designing and evaluation stage of the projects. There were no representatives of beneficiaries in the management team and they had no role in the decision making processes. This lack of participation is due to socio-economic and cultural aspects of societies that retain traditional gender roles, which only locate and position community for domestic affairs thus undermining their position in public spaces as evidenced through the results of binary logistic regression. The results show that the government officials don't work sufficiently on its role to enhance community participation. As a result, it was recommended that government should intensively work on participating communities in all phases of economic development activities including need assessment, planning, implementation and monitoring as well as evaluation and the society should abolish some beliefs that hinder community from participating in community development and embrace different capacities bestowed on different people in the community.

Key words: Participation, Determinants, Community, Economic Development

INTRODUCTION

This chapter deals with the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, the scope of the study, operational definition of terms, limitation of the study, and organization of the study.

Background of the Study

The term Development is complex, contested, ambiguous, and elusive. However, in the simplest terms, development can be defined as bringing about social change that allows people to achieve their human potential (UNDP, 2010). An important point to emphasize is that development is a political term: it has a range of meanings that depend on the context in which the term is used, and it may also be used to reflect and to justify a variety of different agenda held by different people or organizations (Yusuf et al., 2018).

The idea of development articulated by the World Bank, for instance, is very different from that promoted by Greenpeace activists. This point has important implications for the task of understanding sustainable development, because much of the confusion about the meaning of the term 'sustainable development' arises because people hold very different ideas about the meaning of 'development' (Adams 2009). Another important point is that development is a process rather than an outcome: it is dynamic in that it involves a change from one state or condition to another. Ideally, such a change is a positive one - an improvement of some sort (for instance, an improvement in maternal health). Furthermore, development is often regarded as something that is done by one group (such as a development agency) to another (such as rural farmers in a developing country).

Globally, as Prokopy (2005) defined, participation is people’s involvement in planning, in implementing programs, their sharing in the benefits of development programs and their involvement in efforts to evaluate such programs. It has been argued that particularly, CD participation can contribute to the achievement of five main objectives of projects: effectiveness, efficiency, empowerment, equity, and coverage (Prokopy, 2005).

In the last 10 years, many claims have been made for both the theory and the practice of women's increased participation in the management of domestic projects. This is said to have contributed both to increasing project efficiency and effectiveness as well as to empowering women (WB, 2019).

Economic development and growth are tied together in significant ways. Growth is usually an important element in economic development process because growth provides the resources needed for development (Blair & Carroll, 2009). Scholars distinguished between Economic Growth and Economic Development‖ that growth is an increase in the overall size of the local economy while development requires that [both quantitative] and qualitative improvement occurs (Partridge & Rickman, 2003 as sited by Blair & Carroll, 2009). Economic development implies that the welfare of residents is improving and improvement might be indicated by increase in per capita income but this alone is an incomplete indicator of how well the economy of residents of a region is doing. Many other quantitative and qualitative factors are associated with welfare (Blair & Carroll, 2009). Out of which equity and sustainability are seen as positive changes.

This study is designed to take up issues with the Local Economic Development which lays its foundation on local and regional level dynamics in the socio economy and polity. Previously, economists have studied local economic development as a subject distinct from national economic development but today, observers view local economies as the critical building blocks of national development (Blair & Carroll, 2009). From this it can be inferred that national economic development is the sum total of economic developments in every locality. Therefore the local economic developments have to be sustainable to bring about sustainable development at national level.

Directly or indirectly, local effort for development is being taken place in developing countries including in Ethiopia. The studies in different times regarding the local economic development indicated that there was lack of local view for economic development. In Ethiopia, participatory effort for local economic development was started in the imperial regime and continued in the

Derg regime and continued up to this time molded by the political and economic ideology of the time. Peasants association and the urban dwellers association were functioning during the Derg regime but their aim was manipulating the local community to strengthen their government.

In participatory development work the participation of the community on their free will, involvement on the decision making regarding issues that affect their live, etc. and their attitude for the Participatory development work done in their locality, and the contribution of their work for sustainable local economic development are the thing scrutinized. Sustainable local economic development is more achieved through collaborative campaign in local and regional level. Therefore community participation (fair, equitable, holistic) is necessary. Any development policy and strategy must be designed in collaboration between the community and the government and other stakeholders.

Participatory development is the most important approach that enables local communities to help themselves and sustain efforts in local development projects. Botes and Rensburg(2000) justified this fact that communities are no longer seen as recipients of developmental projects; rather they are critical stakeholders that have an important role to play in management of developmental projects in their areas. Currently, developmental activities are being designed with the proclaimed motive of giving power to local communities to manage their own developmental activities. And the question of community participation is directly linked with sustainable development cannot be realized (OECD, 2010) Multilateral agencies such as the World Bank have also placed greater emphasis on community participation as a way to ensure development sustainability because participation of community is a mechanism enables that and enables local people to determine their own values and priorities and act on their own decisions (Korten, 1980).

Currently participatory works are being done by the local communities in different urban and rural areas in Ethiopia. The selected area for the study is Durame town administration in KembataTembaro Zone and there are development activities undertaken by the communities of the town for local development. The study focused on KedidaGamelaworeda. The participatory development work is supported by the town administration and voluntarily organized community groups and a regulation is also designed to govern the participatory development works.

Statement of the Problem

Community economic development and local economic development are two interchangeable economic terms. Community development could not be achieved without community participation. Community participation is the main factor which can effect on processes of community development (Samah&Aref, 2011). The other concept in this topic need to define clearly is local economic development is essentially a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area (Zaaier& Sara, 1993).

The late 1980’s and the 1990’s brought an increased focus on local economic development involving partnership among representatives of local public and private socio economic interests. Internationally, vast numbers of studies have been conducted in wide array via community participation, local economic development and its strategies based on different culture, practice and governance system.

DinberuTadesse (2014) conducted a research on the link between sustainable local economic development and community participation by using mixed research method which includes both Running head: Assessing Community Participation in Sustainable Local Economic development by qualitative and quantitative research design with particular reference to three Woredas of Lideta Sub-city in Addis Ababa and found that participatory local community economic development work is not a new thing that was started from zero; it has and is being under way at different time and the local communities are not fully involved in the participatory local community economic development work from planning to evaluation phase. The study also identified key problems that are visible in the study areas including lack of public interest to be involved in participatory local community economic development work

Cognizant of the existing literature in the international level it might be possible to say community participation and local economic development is a highly researched issues. However, in African countries including Ethiopia, the number of studies on community participation and local economic development are minimal. When we look at the existing literatures in Africa countries, we could know the experiences of some countries including Ethiopia in particular. The existing published and unpublished studies in Ethiopia are limited to show community participation level, local economic development level, and institutional set up, the modus operandi and key problems of local community economic development.

And the question of participation is inextricably linked to local economic development, for without a plurality of actors and approaches, sustainable development cannot be realized (United Nation's University, 2006). But from the informal observation made, Community members are often complaining that there is a problem in involving the community in decision making and in the works undertaken by the community and the effects of the participatory works are not as such visible as well. This has created a gap in the participatory development activities in the Durame forced the researcher to carry out such kind of scientific study. Hence, this study focused on examining g factors community participation in sustainable Local Economic Development: the Case Of kembataTembro zone Durame town administration.

Objectives of the Study

General Objective of the Study

The general objective of the study was examining factors affecting community participation in sustainable Local Economic Development: the Case of kembataTembaro zone.

Specific Objectives of the Study

- To assess the extent of participation of the community in local community economic development work;

- To identify the challenges of community participation in local development in Durame town administration.
- To identify factors that affects the effective community participation of local development in Durame town administration.

Research Questions

- To what extent of participation of the communities in local economic development work?
- What are the challenges of community participation in local development in Durame town administration?
- What are the factors affecting the effective participation of local communities?

Significance of the Study

This research may be beneficial to the development sector since it may provide insight on the community participation and its determinants on community development programs. The information can be used to ensure that more community participates in such economic development through alleviating impediments and promoting those factors that enable their participation.

This study may similarly be valuable to policy makers in Ethiopia at large in identifying gaps in policy formulation as far as participation of community in development programs is concerned and therefore design relevant policies and mechanisms that may even ensure practicability of the already existing legislations and policies on gender equality.

This study may also help to fill research gaps on the area of local community's taking part in the development sector at community level. To scholars and academicians, the findings of the study may be useful as a literature source as well as a stepping stone from which future studies may be conducted in the area of community participation in community development areas for further research may also be identified from this study.

Scope of the Study

Conceptually, this particular study was delimited to local economic development and its challenges. Although local economic development program is carried out in national, regional and Zonal level with primary focus on community participation as core element and it was not possible to study the whole Zones. This study was also delimitated thematically, focused on assessing community participation in local economic development. Geographically, it was confined to Durame town administration, in KembataTembaro zone, Southern Nations Nationalities and People regional state (SNNPRS). Methodologically, it was conducted thorough descriptive research design that incorporates both quantitative and qualitative approaches.

Limitation of the Study

In conducting this study, different challenges were encountered. Most of the problems are faced during the collection of relevant data. The problem of absence of documented records of the developmental activities undertaken by the study area also was another problem and the researcher was forced to go to town administration frequently to obtain the documents. The researcher faced problem during conducting of FGD. The participants were not come together from different areas. This problem remedies by the facilitator office and some individuals that I know personally. The researcher was being also in a serious financial problem in conducting the study because the whole expenses cover by the researcher.

Operational definitions of Terms

Capacity building: is a process of enhancing and strengthening the skills, instincts, potentials, processes and resources required by communities.

Community Based Development: The term in the study stands for projects and development activities which are limited to a certain community

Community development: According to the United Nations it as a process where members of the community come together and collectively act and create solutions to communal problem (2010)

Participation: The term meant the level of involvement in decision making and other community issues.

Organization of the Study

The study was organized in to five chapters. Chapter one deals with introduction part includes: - Background of the Study, Statement of the problem, research question, objective of the study, Significance of the study, scope and limitation of the study, The second chapter presents a review of related literature on the theoretical, conceptual, and empirical issues that provide a brief framework for the study, chapter three deals with methodology of the study, chapter four deals with data analysis and interpretation. Finally, chapter five deals with summary of finding, conclusion and recommendations of the study. At the end, references, appendixes and other relevant documents were attached.

RESEARCH METHODS

This section deals with the methodology of conducting this thesis. Research design, participants, sampling techniques, instruments of the study, procedures of data collection and data analysis are explained. In addition, eligibility criteria, data quality assurance and ethical consideration are elaborated.

Description of the Study area

KembateTembaro Zone is found within the Ethiopia Sothern Nations, Nationalities, and Peoples' Region (SNNPR). It is **185** km away from on capital town of Zone (Durame) and **275** km away from Addis Ababa. The Zone is bordered on the South by Wolayita Zone, on the Southwest by Dawuro Zone, on the Northwest by Hadiya Zone, on the East by the Halaba Zone, and on the Southeast by an exclave of the Hadiya zone.

Based on the **2007** Census conducted by the **CSA**, this KembataTembaro zone has a Total population of **1,080,837** of whom **536,676** are Men and whom **544,161** are Female; with an area of **1,355.89** square km, The Zone has a population density of **502.13**, while **97,797** or **14.36**% are urban inhabitant. The main economy is crop production (Such as Wheat, Teff, Sorghum, Barley, Bean, Coffee, and Others) supplemented by livestock rearing (Sheep and Cattle). The main source of cash for the middle and better off are sale of Crops, Livestock and Some others.

Location of DurameTown

Durame town is located in Southern Nation, Nationalities and peoples Regional State at a distance of 125 km North West of Awassa and south of Addis Ababa at a distance of 352 km. It is the capital of Kemebata and Tembaro Zone and centre of KedidaGamelaWereda. The Town covers a total area of 538 hectares, and master plan supported area of 1600 hectares

Climate

The climate of the area is dominated by Tropical Climate /with distinct dry winter to the western and southern east part of the study area and Warm Temperate Rainy Climate /with distinct dry month in winter in the central and northern part highlands of the project area.

Rain fall

In general the rainfall in the study area is a bimodal type and the main rainy seasons are from June to October and March to May. The maximum rainfall over the northern high lands of the Catchment area reaches as high as 200 mm mostly in April/September and over the southern-east portion reach 170 mm in April/May. The analysis of monthly rainfall indicates that the rainfall pattern over the project area is predominantly bimodal (i.e. the rainfall occurs over a continuous period of time, but dominated by two rainfall peaks), in general the wet season lasting from March to October.

Temperature

The monthly temperature data used in this study are the minimum, maximum and the mean temperature. The monthly minimum and maximum temperature in Durame as per the data covering the period from 1986 to 2005 is 14 and 26 degree Celsius respectively

General Socioeconomic Information

The Town Water Supply and Sanitation Improvement Program is designed for raising the coverage, quality and sustainability of the Water Supply and Sanitation Services through improved capacity of stakeholders in the sector. The existing situation in each of the project towns, with respect to Water and Sanitation service are found below satisfactory level in terms of quantity, quality and management. The financial performance has also been in compatible thus, below the cost of service delivery and running costs. Furthermore, the existing facilities phased out their designed life span with high proportion of water constitute as nonrevenue water. These and other technical problems in the water supply services call for investment intervention to enable sustainable and efficient provision of safe water for towns' water supply.

Durame Town Water Supply Service Enterprise is one of the four towns selected to benefit WB/ IDA loan and grant to improve the water supply and sanitation services. The Town of Durame is located at a distance of 125 kms North West of Awassa and south of Addis Ababa at a distance of 352 kms. It is the capital town of Kembata and Tembaro Zone and center of

KedidaGamelaWereda. The Town covers a total area of 538 hectares, and master plan supported area of 1600 hectares.

Durame Town is currently undergoing a civil service reform program. It has public elected administrative council, executive organs and town court. The town administration is divided into 3 kifleketemas. The areas surrounding the Town are potentially rich in agricultural products with proper routes for collection, marketing and distribution of these products. The area is characterized by sub-tropical vegetation.

Durame is a moderate urban town with about 24454 population (2007 CSA Census) of which 12162 male and 12292 female. The main livelihood of the population is based on petty and small scale trading of agricultural products and merchandises for which the Town Council is currently supporting through trade extension development program. In this section the socio- economic profile of Durame that include demography, economic, social services, water supply and sanitation issues are discussed in brief.

Demography

The demography profile of Durame Town highlights issues of population size and growth, distribution of population by sex, age and house hold size, religious affiliation, and distribution by Kebeles. According to CSA population count of May 2007, the total number of Durame town population has been found 24,454 for the year 2007/8. Out of this the male population were 12,162 (49.8%) and the females were 12,292 (50.2%) and the 2008 population figure obtained from the town's municipality is 42815. There is discrepancy between population figure of 2007 population and housing census and municipality figures and as per the recommendation of the client the municipality figure was taken for population projection as per the recommendation of the client. Taking the 2007 preliminary CSA census shows projected population size of Durame Town to year 2030 it becomes 104,648. The average house hold size in the Town for the surveyed household is 7 persons per household, with maximum family size in the array being 21 persons/household and minimum 1.

Economic Activities

The majority of the people in the town are driving their livelihood by undertaking small and medium scale trade. The major undertakings in Durame town include small scale trading and micro enterprises, hotels, retail trading, cereal marketing, flourmills, pastries, cloth making (waving and sewing) and livestock products marketing etc. Regarding industrial activities, there are several coffee washing and processing medium scale industries in Durame town.

Research Design

In this study descriptive research design was employed. The research design of the study was supported to use mixed research design meaning that both qualitative and quantitative research approaches. As De Silva (2010) explained, “Mixed methods provide the opportunity for presenting a greater diversity of divergent views”. From such point of view, using a combination of quantitative and qualitative methods of analysis also reduces the limitation of each approach or helps to get more reliable data. In addition the (De Silva, 2010) indicate that, “It is advantageous to use mixed research for analysis as together the data analyses from the two methods are juxtaposed and generate complementary insights that together create a bigger picture.”

Research Approach

Method is a style of conducting a research work which is determined by the nature of the problem (Singh, 2006). To realize the purpose of this study mixed method (qualitative and quantitative) through embedded approach was employed. According to Cresswell (2018), in the mixed methods, the distinction between sequential and concurrent usually refers to the combination of concurrent/independent and sequential/dependent, and to the combination of data collection and data analysis. It is said that in a concurrent design, the data collection and data analysis of both components occurs (almost) simultaneously and independently. As a result, for this particular study concurrent design was employed.

The qualitative method was employed to the study with the information gained by open ended questions and interview. The reason why this method used was because of the need by the researcher to collect and analyze quantitative and qualitative data and to confirm findings from different data sources. According to Creswell (2018), the mixed methodology focuses on collecting and analyzing both quantitative and qualitative data in a single study is important to triangulate the findings.

Population, Sample Size and Sampling Technique

For the success of this study all three sub cities are purposively selected. The justification all the three have been effectively managed in the study and gain detailed data. The total of 26, 456 households are taken to determine manageable sample size.

According to Yamane 1967 which was retrieved by Teshome(2019), a means of determining sample size from large population need to become representative possible sample size. By using the formula with confidence level: 95%, degree of variability: 50% (Maximum Variability), sample error: ± 5% and makes easy to determine middle representative sample size from large population. Based on the formula sample size determination formula 202 households were taken as a representative sample.

In Durame town the total number of households is probably around 26,456. There are 3 sub cities and the researcher will investigate all the three sub cities in the town i.e. Leino, Zeraro and ArogeArada k/ketema (sub cities). The total number of households in each sub city has been obtained from each sub city administrative office and comprised 26,456. To determine the appropriate sample size for the study; the researcher deals with three possible options which can provide different sample sizes. The basis for determining the sample size in each option is the level of precision or sampling error, the confidence level and the degree of variability in the attributes being measured.

In this regard, the researcher has been used option 2 to determine sample size. Since the population is large the following simplified formula has been applied: This study was applied simplified formula developed by Yamane, (1967) and reviewed by Teshome,(2019);

$$n = \underline{\quad N \quad}$$

$$1+N(e)^2$$

Where: N = Population Size n = Sample Size e = Precision (Sampling Error): 5%

Accordingly, to determine sample size the researcher assumed option 2.In this scenario, the researcher assumed the confidence level, the degree of variability and the sampling error as follows:

$$n = \frac{26456}{1+26456\,(0.05)^2}$$

$$n = \frac{26456}{1+66.14}$$

$$=394$$

Under qualitative method the sample selection has been guided by principles of non-probability. Purposive sampling technique was employed in selecting the representative sample from different levels of committees and officials. In selecting the representative sample size of the community members who were engaged in local economic development and active participants of community, probability sampling technique was employed.

SourceofData

Inthisstudy,bothprimaryandsecondary data was usedtocollectadequateinformation about thecurrentstatusinthe town administration in selected kifle-ketemas (sub-cities).

PrimarySourceofData

Primarydata mainly, interview wascollectedfromcluster supervisors, Kebele Board head andDAs (development Agents) whereas questionnaire were dispatched to household heads.

SecondarySourcesofData

The secondary data sources are legal documents. These documents include reports, policydocuments and strategies, action plans, annual abstracts, community participation andfinancing guidelines and others. The documents were collected fromkebele, kifleketema and ZoneOffice.

Methods of Data Collection

A questionnaire, interview, and document review was the main data gathering instruments to collect adequate data and for triangulation purpose. Therefore, employing multiple data collection instruments helps the researcher to combine, strengthen and amend some of the inadequacies of the data and for triangulating it (Cresswell, 2018).

Pilot Testing of theInstrument

According to Mugenda and Mugenda (2012) a pilot sample of 10% is acceptable. Therefore, the piloting study was conducted in one day, and was not part of the final study. This involved 10% *39 respondents, these respondents were not taken part in the main study to avoid chances of bias. The Pilot testing involves testing the research instrument in order to determine the suitability in actual field conditions (Kumar,2010).

The researcher employed pilot study in testing the validity and reliability of the data collection instruments. This was done for the testing of research instrument to be used in the main study and time frame of answering the questionnaire.

Validity of theInstrument

Research instrument's validity is the extent to which a sample test objects denotes the content the test is intended to evaluate (Mugenda&Mugenda, 2012). For this study, data collection instruments were pre-tested for validity via pilot study of a small sample size of 39 respondents from unselected kebele of Durame town administration.

Reliability of theInstrument

According to Bowlin (2009), reliability is measurement's consistency and is often evaluated by the test–retest reliability technique. Reliability was enhanced by incorporative several related objects on an evaluation, by examining a varied sample of people and by even testing procedures. The survey instrument was subjected to reliability analysis was done through test-retest method. This method was applied on 39 respondents who were issued with the measuring questionnaires within an interval of oneweek. Accordingly, to measure the reliability as indicated in (Baharin et al., 2015), this study used the Cronbach alpha values. The Cronbach alpha provides a coefficient of inter-item correlations. This is a measure of the internal consistency among the items in the tool. It is the average correlation among all the items in question, and is used for multi-item scales/questionnaire. The reliability test was held using the rule stated in (Baharin et al., 2015). That is, Cronbach's Alpha value that ranges from 0.9 – 1.0 taken as excellent, 0.8 - 0.89 as very good, 0.7 - 0.79 as acceptable, 0.6 - 0.69 questionable while 0.5 - 0.59 as a poor and the value less than 0.5 as unacceptable. According to (Sekana and Bougi, 2010; cited in Baharin et al., 2015), the closer Cronbach's alpha is to 1.00, the higher the internal consistency reliability was.

As indicated in table below, the Cronbach's Alpha result shows that the reliability of the three objectives items in the questionnaire which were employed for community participation, filled by the sampled respondents are ranging from 0.716 to 0.872. This implies that the reliability of the instrument is more than the acceptable standard.

Table 1: Reliability Test Results of the Variables

No	Variable	Cronbach's Alpha	No of Items
1.	To assess the extent of participation of the community in local community economic development work	.798	19
2.	To identify the challenges of community participation in local development in Durame town administration.	.872	5

3.	To identify factors that affects the effective community participation of local development in Durame town administration.	.811	16
Average		**.827**	

Source: Author construct from Survey Data of SPSS output, 2023

Therefore, the above reliability test result indicated that all the items in the questionnaire were suitable and employed to conduct the actual study.

Method of Data Analysis

The following statistical analyses were employed to examine the status, of participation and its contribution and the challenges of economic development. Cross-tabulations and descriptive statistics like percentage and frequency were usedto describe some background characteristics of households including the nature of work they do; time spent in different paid and non-paid activities and their status. Mean and standard deviation were computed to items collected in questionnaire. Moreover, interviews and document review issues were presented and discussed in themes.

Ethical Consideration

In this study prior to conducting interview and or distributing questionnaires, a participant were told. Confidentiality of information was assured by maintaining anonymity. The information sheet and consent was provided for respondents to read for those who can read and the interviewer was read the paper for those respondents who cannot read. Before each interview, the aim of the study, possible benefit and side effects (if any) were clearly explained for study participants.

Each respondent was assured that the information were provided is confidential and used only for the purpose of research. The information obtained from the respondents was identified by their code numbers. The study was conducted entirely on voluntary base. Informed consent was obtained from all study subjects after the explanation of the purpose of the study. To protect plagiarism, the researcher made paraphrasing and summarizing ideas and putting appropriate citation.

DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS

Characteristics of the Respondents

Table3 showsthegeneralcharacteristicsoftherespondents.Amongtherespondents56.28%aremalesandtheremaining43.71%arefemales.Theiragecompositionisthat, the highest number of the respondents is 36 and above years old which comprises44.85%ofthetotalrespondents.Andtheremaining26.57%oftherespondentsarebetween26–35yearsofage.Regarding theeducationleveloftherespondents20.57%are below grade8 and 48.28%are between grade8and12. 23.42% of therespondents are10/12+1/2/3anddiplomaholders.Theremaining7.71% oftherespondentsholdeducation levelofFirstDegreeandabove.Regardingthejobcondition,themajority ofthe respondents(48.28%) are private workers(Privateworkersinthiscontextincludes employeesinprivateorganizations,andentrepreneursandotherswhogeneratesincomeby themselves) and29.42%aregovernmentemployeeswhiletheremaining22.28%are job seekers.Herethepercentageofjobseekersisvery large.Accordingtothedataobtained, the LEDWs are creating a temporary employment opportunitybut according to Key informants and the secondarydata, sincenow.

Thereis no anymicro, small, medium or large industries created as a result of the PLEDWswhichcouldbecreating permanentjobopportunity.Besidethis,exceptsomeof theworkactivitiestheLEDWisdoneinvoluntaryinvolvementofthecommunity without regularpay.

Regarding theincomelevel, amongtheemployed residents (privateand government)23.13%oftherespondentshaveamonthlyincomeoflessthan1000birr; 38.56 % of the respondent'sincome levelisbetween 1001-2500 birr. 21.14%of the respondentshaveincomelevel2500–4000birrandtheremaining 17.13%ofthe respondents have income levelgreater than 4000birr.Table 3 shows all the characteristicsoftherespondentsandfor moreclarificationthe age,sex,educationallevel, job condition and incomelevel of therespondentsis represented in theTable3 below.

Table 2: Generalcharacteristics of therespondents

No	Description		Numberofrespondents	Percent
1.	Sex	Male	197	56.28%
		Female	153	43.71%
2.	Age	Bellow 25	15	4.28%
		26-35	93	26.57%
		36-45	157	44.85%

		Morethan 46	85	24.28%
3.	Educational qualification	Bellowgrade8	72	20.57%
		8-12 grade	169	48.28%
		10/12 +1/2/3	44	12.57%
		Diploma	38	10.85%
		Degree	23	6.57%
		Masters and Above	4	1.14%
4.	Job condition	Gov’t employee	103	29.42%
		Private workers	169	48.28%
		Job seekers	78	22.28%
5.	Income level per month	Below 500 birr	45	12.85%
		500-1000 birr	36	10.28%
		1001-1500 birr	39	11.14%
		1501-2500 birr	96	27.42%
		2,500-4,000	74	21.14%
		4001-6000 birr	45	12.85%
		Above 6000 birr	15	4.28%

Source: Field work, 2023

Descriptive statistics Results

The level of community participation in local development works

The main purpose of this section is to analyze the level of community participation in local development activities. The levels of agreement ranged from very low to very high in five

Likert-scaling approaches [**Where 5 very high; 4 -high; 3 - Moderate; 2 -low; 1 – very low**]. For the purpose of analysis, the respondents mean rate values categories accordingly, the mean value of ≥ 3.90 as very high 3.3-3.89 as high 2.50-3.29 as moderate, 1.80-2.4 as low, ≤ 1.79 as very low. Data resulting from the questionnaires are presented in Tables in the following sections and discussed.Each item is analyzed based on the data obtained through questionnaires responded and further backed by the data obtained from interview and document analysis.

Level of Community Participation in Need assessment

Table 3 Level of community Participation in Need assessment

No	Need assessment	Responses	F	%	Mean	SD
1	Communities are engaged in examining in the necessities of the economic development works	Very high	30	13.76147	1.9994	1.001
		High	11	5.045872		
		Moderate	3	1.376147		
		Low	129	59.17431		
		Very Low	45	20.6422		
2	Community are participated in identifying the major thrust areas of works	Very high	14	6.422018	1.6781	1.111
		High	36	16.51376		
		Moderate	56	25.68807		
		Low	88	40.36697		
		Very Low	24	11.00917		
3	Community are participated in	Very high	21	9.633028	1.7821	1.011

	mentioning the roles of economic development works	High	15	6.880734		
		Moderate	16	7.33945		
		Low	98	44.95413		
		Very Low	68	31.19266		

Source: Survey Result, 2023

The researcher intended to know the level of Community participation in community development works especially in need assessment stage. Accordingly, in item 1 of table 4 above majority of respondents mentioned that the level of community participation engagement in examining in the necessities of the works is low. The mean and SD value of [1.9994] and [1.001] respectively show that community engagement is very low. Moreover, according to the interview made with one of the community in the organization they were not invited in assessment stage of the tasks. From this analysis one can understand that there was no community participation in need assessment before inducing the projects. Supporting this one of the interviewee said:

> *"We understand the need of all community members to be involved in development projects especially in need assessment stage in specific are very important. However, we communitywere engaged after all stage of the project implementations was completed. Participating* community *was quietly ignored. For example, I was in this project I am the only women who participated but I also engaged after everything was completed. Project planners and local women must communicate in a two-way process before the introduction of new projects."*

As illustrated in Table 4 the respondents were asked if they participated in community developments activities undertaken in identifying the major areas of tasks. Majority of the respondents stressed that their participation in identifying the major areas of the projects was low. It was presented by the mean and SD value of 1.6781 and 1.111 respectively that their participation was very low. Kasiaka (2004) contends that there are different levels of which an individual can claim to have participated in project activities whereby attending meeting and yet the person cannot give any idea Secondly, one may be involved in supplying local materials or offer free labor force, Thirdly, a person can take part in the first two stages as well as monitoring the project course. Though to understand the level of this person have to participate in all phases of project management. Community is participated in mentioning the roles of projects were the item asked in the above table. Majority (76%) of the respondents mentioned that their role either low or very low. It was presented by the mean and SD value of 1.6781 and 1.111 respectively shows that the participation of community in mentioning the roles of project was very low as well.

Level of community Participation in Planning

Table 4 Level of community Participation in Planning

No	Planning activities	Responses	F	%	Mean	SD
1	Communities are participated in setting vision of the economic development works	Very high	5	2.293578	2.101	1.010
		High	13	5.963303		
		Moderate	14	6.422018		
		Low	114	52.29358		
		Very Low	72	33.02752		
2	Communities are participated in setting the mission of the economic development works	Very high	9	4.12844	2.231	1.110
		High	33	15.13761		
		Moderate	66	30.27523		

		Low	98	44.95413		
		Very Low	12	5.504587		
3	Communities are participated in setting the goals and objectives of the economic development works	Very high	7	3.211009	1.977	0.999
		High	25	11.46789		
		Moderate	24	11.00917		
		Low	89	40.82569		
		Very Low	73	33.48624		

Source: Survey Result, 2023

According to table 5 of item 1 above, respondents were asked whether they participated in setting vision of the economic development works or not. Hence, the mean value of 2.101 and SD value of 1.010 shows that their participation in setting vision of the economic development works was low. An interviewed respondent also assured that they were not participating in such activities. On contrary, UN report (2021) stressed that Gender roles and inequalities affect women's, girls', men's, boys' and persons of diverse gender identities' participation in community and decision-making processes, in all their diversity and across the life cycle. The community participation in first phase of any economic development works services lessens the burden of decision making progress.

In item 2 of table 5 also indicates that community participation in setting the mission of the economic development works is low as approved by the mean and SD value of 2.231 and 1.110 respectively. Their participation in setting the goals and objectives of the economic development works is also very low according to the result of mean and SD 1.977 and 0.999 respectively. Moreover, Development Officer explained as they rarely participate in the planning stage sometimes but not always. However, most of the time, beneficiaries do not participate during the design and planning stage of new economic development works area because the offices itself designs and plan the projects and then implement the activities. However, respondents believed that participating communities is mandatory. Supporting this one of the interviewed managers stated that through empowering and mobilizing communities participation in the organizations every activities, the contribution to the development processes, the promotion of communities political, economic and civic rights and the expansion of women's access to justice through improving psychological well-being among women and girls, and combating gender-based violence.

Both the staff and community beneficiary study participants confirmed that nothing at all related to beneficiaries' participation at the planning or designing stage of the project. So, it shows there were no system established and no concern for facilitating regularly participating beneficiaries in the economic development works process. From these, one can understand that participating community in every activities of the economic development works is significant.

Level of Community Participation in implementation

Table 5 Level of Community Participation in implementation

In this stage from the response of informants from the two sides that were the staff and the beneficiaries explained there were better participation of beneficiaries compared from the two stages though the gap of men and community is very high. Some respondents stated that, the reason for the high involvement of community beneficiaries at the implementation stage is that this stage, which is concerned with the day-to-day activities, cannot be carried-out without the involvement of the beneficiaries. Therefore, implementation of the economic development works without involving the beneficiaries is unthinkable.

No	Implementation activities	Responses	F	%	Mean	SD
1	Communities are engaged in carrying out the activities of the economic development works	Very high	19	8.715596	1.622	0.190
		High	14	6.422018		

		Moderate	24	11.00917		
		Low	55	25.22936		
		Very Low	106	48.62385		
2	Community get equal share with men in overall activities of the economic development works	Very high	23	10.55046	2.331	0.104
		High	24	11.00917		
		Moderate	69	31.65138		
		Low	59	27.06422		
		Very Low	43	19.72477		
3	Community participated in all aspects of the economic development implementation	Very high	2	0.917431	2.051	0.907
		High	26	11.92661		
		Moderate	31	14.22018		
		Low	102	46.78899		
		Very Low	57	26.14679		

Source: Survey Result, 2023

Communities are engaged in carrying out the activities of the projects was the item asked community to respond. Hence, the mean and SD value 1.622 and 0.190 respectively shows that their participation in carrying the activities of the economic development works is very low. The second item, Community get equal share with men in overall activities of the economic development works, is also shows low share in the organization with men as shown by the mean and SD value of 2.331 and 0.104 respectively. This shows that equality between women and men in the work has seen closing gender gaps has stalled.Persistent disparities remain between women and men, including in labor participation, pay for work of equal value, representation of women in high-paying occupations and managerial positions, and the distribution of unpaid care work.

Moreover, in economic development works, community participation in all aspects of the economic development works implementation is also low as indicated by the mean value of 2.051 and SD value of 0.907. ILO estimates indicate that, were the G2025 by 25” target (to reduce the gap in participation rates between men and women by 25 per cent by the year 2025 to be realized globally, such an outcome would raise global GDP by 3.9 per cent, or US$5.8 trillion (equivalent to raising average global GDP growth over the next eight years by almost half a percentage point per annum) (ILO, 2020).

Gender inequality restricts the talent pool employers draw from and impedes the development of new ideas, which is critical for entrepreneurship and economic diversification, the important drivers of sustainable growth. Thus to attain this estimation every organization and government sectors need to work hard in community participation and empowerment in overall aspects of the economic development works. Studies show that the success of an economic development works indeed will not be separated from the participation of the community at the work site, which became the economic development works implementer. In practicing a long-term economic development works implementation, including policy instruments, standards, and procedures to be met by the developer, a policy should be implemented to the area and scope of community life that exists around the programs. One of the policies that must be done is to require the participation of villagers, especially the entire community (UN, 2020).

]

Level of Community Participation in Monitoring

Table 6 Level of community Participation in Monitoring

No	Monitoring activities	Responses	F	%	Mean	SD
1	Communities are participated in preparing controlling guidelines to the economic development works	Very high	20	9.174312	1.566	1.115
		High	16	7.33945		
		Moderate	36	16.51376		
		Low	45	20.6422		
		Very Low	101	46.33028		
2	Communities are participated in overviewing the ongoing process of the economic development works	Very high	33	15.13761	2.535	1.041
		High	38	17.43119		
		Moderate	51	23.3945		
		Low	43	19.72477		
		Very Low	53	24.31193		
3	Communities are participated in setting a checklist to monitor	Very high	17	7.798165	2.019	0.998
		High	22	10.09174		
		Moderate	31	14.22018		
		Low	108	49.54128		
		Very Low	40	18.34862		

Source: Survey Result, 2023

Participation does not distinguish between tribe, religion, family relations, physical condition, gender and age. However, according to Pranoto (2001), human involvement can be identified by different stimulations and impositions. Thus, it is necessary to distinguish voluntary participation and the nature of the provocation (instigated partnership). The same is true of the involvement for community. Monitoring is one the major activities in economic development works success factor. It needs intensive participation community more to make sure the ongoing procedure of the economic development works.

As indicated in the table above, all the monitoring activities are found to below as shown by the mean and SD value of 1.566 and 1.115, 2.535 and 1.041, 2.019 and 0.998 respectively that community were not actively participated in monitoring activities in economic development works.

According to the manager mentioned, the low participation of community in the economic development works in this study indicates a lack of awareness to increase the involvement of community in every economic development activity. In this case, communities do not have the opportunity and the power to influence and make decisions in the economic development works. Their existence is deliberately weakened by the social structure and system built by economic development works in its participation. Although there is a special meeting for communities through FGD, it is not done continuously so it has not been able to break the confidence of communities to do more and give inputs that can influence the existing policy. This fact identifies that understanding and equality within the scope of the economic development works are still fragile.

Besides, the social worker of some offices said the following;

> *Community did not participate in planning. The reason for including the social worker in the management team and participating in management teams is this; on behalf of the beneficiaries, the social worker could raise the questions and concerns of the beneficiaries to the Management Team.*

The researcher also observed that the participation rate of community is feeble, mostly only at the level of Tokenism, where the role is only heard and allowed to argue, but their views and opinions have not influenced policy. Even in the economic development works the participation level is lower, only at the Non-Participations level, because their involvement is to formality not to express opinions about the activities

Level of community Participation in Evaluation

Table 7 Level of community Participation in Evaluation

No	Evaluation activities	Responses	F	%	Mean	SD
1	Communities are participating in evaluating the strengths and weaknesses of the economic development works	Very high	2	0.917431	2.141	0.985
		High	4	1.834862		
		Moderate	11	5.045872		
		Low	102	46.78899		
		Very Low	99	45.41284		
2	Communities are participating in making decision on the process of economic development works	Very high	4	1.834862	1.652	1.041
		High	4	1.834862		
		Moderate	26	11.92661		
		Low	78	35.77982		
		Very Low	106	48.62385		
3	Communities are participating on rating the	Very high	3	1.376147	2.341	0.990

	activities of economic development works	High	5	2.293578		
		Moderate	33	15.13761		
		Low	129	59.17431		
		Very Low	48	22.01835		

Source: Survey Result, 2023

Even if the economic development works may have different steps from the designing up to evaluation, this study only tried to see three of them that were designing, implementation, and evaluation of the economic development works in Durame town administration. Therefore, the data obtained from the research finding showed as there were differences in the stage of the economic development works in participating community. According to UN, (2020), evaluation states that evaluation is conducted within projects for three equally important purposes that together support the overall delivery of results. First, it is a means to demonstrate accountability to stakeholders, including individuals who are rights holders and duty bearers, in managing for results. Second, it provides credible and reliable evidence for decision making in relation to the economic development works to improve results. Third, it contributes important lessons learned about normative, operational and coordination work in the areas of economic development works to the existing knowledge base.

In the evaluation stage, the data obtained from study participants indicated that the participation of community is low even compared with the implementation stage in the organizations. In the case of Durame town administration, they have quarterly evaluated the program and the economic development works by the staff members only. However, as the study participants mentioned and the researcher observed the memo of the organization, the community at large was not participating in these meetings even if their issues rose by the staffs. It was dominantly held by office workers.

As indicated in the above table, the participation of communities in evaluation stage low and very low as mentioned with the mean and SD value of 2.141 and 0.985. In general, the quality of evaluations is inadequate for economic development works to assess differences in benefits between all communities and their relationship to overall project outcomes. Hence, the Durame town administration organization lost all of the stated benefits mentioned by UN, (2020). As a result, systematic attention to gender issues in activity design, implementation and monitoring also appears to be rare, except for those activities which are specifically and directly aimed at promoting equality.

Hence, it can be concluded that most of the benefits identified address communities practical needs. Evaluations of interventions which aim to promote equality, and which are targeted at women (such as Gender Equality), show the strongest evidence of strategic changes in gender relations, most often increased participation in decision making. Whether or not strategic changes in gender relations have been planned, findings reinforce the importance of local social and institutional context and partner commitment in order for benefits to be sustained.

Determinants of community participation in development activities

The main purpose of this section is to examine the possible determinants of community participation in economic development activities. The levels of agreement ranged from strongly disagree to strongly agree in five Likert-scaling approaches [**Where 5 strongly agree; 4 -agree; 3 - Neutral; 2 -Disagree; 1 – Strongly disagree**]. For the purpose of analysis, the respondents mean rate values categories accordingly, the mean value of ≥ 3.90 as strongly agree 3.3-3.89 as agree 2.50-3.29 as Neutral, 1.80-2.4 as disagree, ≤ 1.79 as strongly disagree. Data resulting from the questionnaires are presented in Tables in the following sections and discussed.Each item is analyzed based on the data obtained through questionnaires responded and further backed by the data obtained from interview and document analysis.

Table 8 Socio-cultural factors those determine community participation

No	**Socio-cultural Factors**	**Responses**	**F**	**%**	**Mean**	**SD**

1	Social structure determine their participation	Strongly agree	88	40.36697	3.412	1.012
		Agree	76	34.86239		
		Neutral	30	13.76147		
		Disagree	13	5.963303		
		Strongly disagree	11	5.045872		
2	The tradition of the community determines community participation	Strongly agree	114	52.29358	3.911	1.113
		Agree	56	25.68807		
		Neutral	12	5.504587		
		Disagree	14	6.422018		
		Strongly disagree	22	10.09174		
3	The customs/ norms of the community determines community participation	Strongly agree	111	50.91743	3.514	1.104
		Agree	45	20.6422		
		Neutral	32	14.6789		
		Disagree	21	9.633028		
		Strongly disagree	9	4.12844		
4	The beliefs in the community determines participation	Strongly agree	106	48.62385	3.501	1.100
		Agree	72	33.02752		

		Neutral	16	7.33945		
		Disagree	19	8.715596		
		Strongly disagree	5	2.293578		

Source: Survey Result, 2023

In table 9 above, four sociocultural related items are presented to the respondents and it was found that all the stated items are the factors those determine community participation in community development activities. From these factors social determine their participation it the item found in number 1 and majority of the respondents mentioned that it can highly determine their participation. The mean and SD value (3.412 and 1.012) also approves that it can determine community participation as well. For instance, one of the social structures is early marriage. in line to this interviewed individual also supported that if women had get early marriage, they would not expose themselves for further community services rather they hide themselves and spent much of their time at home.

Dagne (2019) stated that early marriage is occurred when one or both of the spouses are below the age of 18 years at the time of their first marriage. It is one of the major traditional practices in Ethiopia; which has significant physical, intellectual, psychological and emotional effects and reduces educational opportunities and the chance for personal growth for girls. As a result, women at large can hide themselves because of mentioned problems above. Thus, from these, one can understand that early marriage is one the social structure factor that determines community participation in community development.

Generally, men are expected to be somber, brave, respectful and financially stable individuals. Meanwhile, the cultural ideal is characterized as a virginal and beautiful girl. Female sexual modesty is considered to be especially important. These cultural ideas of masculinity and femininity tend to dictate men and community participation particularly women in many activities in Ethiopia. This is most noticeable when observing men and women’s roles when hosting or cooking. For example, labor jobs (such as farming) are often seen to be inappropriate for women. It is an expectation that only men should kill animals, whilst women should cook and prepare them for food. Men are generally not meant to set foot in the kitchen or contribute to domestic chores. Hence, The Tradition of the community determines participation in economic development.

The Customs/norms of the community determine their participation. Pearson and Schmidt (2018), stressed that women in Ethiopia are subject to unfavorable treatments in society, due to numerous restrictions and prohibitions. Their participation in community affairs is limited. Women are considered weak, and their interactions with people (and animals) are sometimes restricted. Their access to good quality and quantity food is also generally at stake as priority is always given to men and boys. This is further complicated during drought where resource scarcity squeezes women's share even further.

Therefore, it is important to note that Ethiopians are expected to be very hard workers and capable people. The divide in gender, roles of tasks emphases complementary relations in labor while men are generally the primary income earners, their wives are expected to partake in just as much work at home. Some argue that while boys get the hardest (physically) household tasks, girls have the more time-consuming ones. For example, food preparation can take hours. This difference means that some women or girls may have less time to attend community participations, school or concentrate on their career, unless the family has a servant.

Table 9 Economic factors those determine community participation

No	Economic Factors	Responses	F	%	Mean	SD
1	Family income determines community participation in economic development projects	Very high	78	35.77982	3.784	1.132
		High	67	30.73394		
		Moderate	56	25.68807		
		Low	10	4.587156		
		Very Low	7	3.211009		
2	Source of income determines community participation in economic development projects	Very high	105	48.16514	3.899	1.121
		High	64	29.3578		
		Moderate	10	4.587156		
		Low	15	6.880734		
		Very Low	24	11.00917		
3	Having additional income determines participation in community development projects	Very high	85	38.99083	3.794	1.101
		High	60	27.52294		
		Moderate	38	17.43119		
		Low	28	12.84404		
		Very Low	7	3.211009		
4	Access to credit determines community	Very high	100	45.87156	3.897	1.051

	participation in community development projects	High	65	29.81651		
		Moderate	21	9.633028		
		Low	13	5.963303		
		Very Low	19	8.715596		

Source: Survey Result, 2023

Family income determines community participation in community development projects. There is a cultural expectation that men will provide for their wife financially. Therefore, they usually wait until they finish school, get a job and can adequately support a couple before seeking to marry. On the other hand, an unmarried woman's desirability and chance of marriage reduces as she ages; people are likely to become increasingly suspicious of an unmarried woman's chastity. There is a strong stigma surrounding premarital sex, especially for women. Therefore, it is rarely admitted if it occurs.

Having additional income determines participation in community development projects. Personal wealth ownership, financial and material opportunities available for individuals are directly related to individuals' vulnerability to the negative consequences, mainly for women participation. According to Brockington (2001), women and girls have significantly lower livestock and land ownership, compared to men and boys. This is very common in many African societies which are usually patriarchal and men control household wealth. The disproportionate wealth distribution between men and women highly affects their participation in community services. Hence, from this tale items it can be concluded that economic factors can highly affect and determine participation in community development projects.

Table 10 Institutional factors those determine community participation

Iii	Institutional Factors	Responses	F	%	Mean	SD
1	Capacity building Training determines community participation in community development projects	Very high	182	83.48624	4.121	1.000
		High	14	6.422018		
		Moderate	11	5.045872		
		Low	6	2.752294		
		Very Low	5	2.293578		
2	Availability of NGO’s determines	Very high	65	29.81651	3.745	1.018

	community participation in community development projects	High	45	20.6422		
		Moderate	89	40.82569		
		Low	10	4.587156		
		Very Low	9	4.12844		
3	Participation in other institutions determines community participation in development projects	Very high	77	35.3211	3.651	1.120
		High	44	20.18349		
		Moderate	76	34.86239		
		Low	12	5.504587		
		Very Low	9	4.12844		

Source: Survey Result, 2023

Capacity building training determines community participation in development projects. Capacity building refers to the process of changing attitudes and behaviors-imparting knowledge and developing skills while maximizing the benefits of participation, knowledge exchange and ownership. When community takes some termly prepared training, they become participatory. This means it has a positive impact to participation in community development projects. Pearson and Schmidt (2018), stressed clearly that supporting a stronger role for community contributes to economic growth, it improves child survival and overall family health, and it reduces fertility, thus helping to slow population growth rates, generally, for all community issues.

In short, investing in community is central to sustainable development. The above table results also indicates that capacity building trainings gives a chance of participation in community development projects with the mean and SD value of 4.121 and 1.000. Moreover, (Bird, 2015) stated that the representation of community participating in the development projects of both state and non-state institutions has been poor over the last years. This is an issue that has raised great concern not just among activists but also in regional and international organizations causing pressure for interventions to be put in place in the form of policies andlegislations.

One of the item presented to the respondents was availability of NGO's determines community participation in development projects. They mentioned that it can determine their participation. The availability of NGOs enables nonprofit organizations and their leaders to develop competencies and skills that can make them more effective and sustainable, thus increasing the potential for charitable nonprofits to enrich lives and solve society's most intractable problems. It is also approved by the mean and SD value 3.745 and 1.018 respectively. As indicated in the background section of this study, the importance of training and capacity building issues have very important to community for instance a Deepa and Fawcett, (2001) stated that broad analysis of policy and project literature reveals that the domestic projects elucidates that community participation in projects at the community level has very limited and on some projects which participation was held, it contributed to empowerment as well as to project efficiency. So, this indicates that when community have got a chance of participation in projects, their contribution would be invaluable.

In general developmental activities undertaken by the institutions presented in table indicated that the PLCED is not effectively concentrated on locality development. Hence it can be generalized that the PLCEDW is effectively furnishing the ground for further development. The second is business development in which the PLCEDW must create conducive environment for businesses to flourish and develop. Business support centers, research and development and business clusters are the most important things for business development. In the study areas the mechanism for supporting business activities are not yet established and research and development works either in private business research centers or government unit are not undertaken to support the small businesses in idea and expertise. Business integration and conglomeration also is absent despite its importance in boosting business opportunities and synergy.

As per the interview conducted with the owner of subcity community participation work process, a business network is not created by the PLCEDW. Market relationship between the PLCEDWs and the entrepreneurs and micro and small enterprises does not exist in the study areas. This shows that the PLCEDWs are not furnishing the ground for business development. The business development alone is not the only contribution of the PLCEDW, hence third component i.e. advanced and developed communities, must be created as a result of the PLCEDW. The whole concept of human resource development is equipping the community with modern knowledge, skill and attitude.

Investigation of the study areas in this regard is also conducted by interview, FGD and observation. The result shows that such kinds of activities are not undertaken in the study woredas. Therefore the PLCEDW should have to create developed community so as to create a community capable of strengthening the participatory community development works. The other important component is creative cities and creative classes. These are also the things that are necessary to be existed in the PLCEDW. And as per the data on hand, neither of the two existed in the study areas. The creative cities are not there to allow the creative classes to bring new things for the locality development.

The challenges of community participation in local development in Durame town administration

Emanating from the analysis of the data, five themes emerged indicative of a range of challenges faced by communities in terms of participation in community-based development activities in Durame town administration. These are elitism, greed and corruption; leadership conflict; lack of capacity to participate in development initiatives; lack of support from government; and lack of funding and infrastructure. Following is the presentation and discussion of the findings as per responses of the respondents that took part in the study.

No	Challenges of community participation in local development	**Responses**	**F**	**%**	**Mean**	**SD**

1	Elitism, factions, greed and corruption	Strongly agree	113	52.29358	3.933	1.123
		Agree	57	25.68807		
		Neutral	12	5.504587		
		Disagree	14	6.422018		
		Strongly disagree	22	10.09174		
2	Leadership conflict	Strongly agree	123	50.91743	3.622	1.044
		Agree	33	20.6422		
		Neutral	32	14.6789		
		Disagree	20	9.633028		
		Strongly disagree	10	4.12844		
3	Lack of capacity to participate in development initiatives	Strongly agree	110	50.91743	3.614	1.004
		Agree	46	20.6422		
		Neutral	32	14.6789		
		Disagree	21	9.633028		
		Strongly disagree	9	4.12844		
4	Lack of support from the government	Strongly agree	116	48.62385	3.555	1.000
		Agree	66	33.02752		
		Neutral	16	7.33945		
		Disagree	19	8.715596		

		Strongly disagree	5	2.293578		
5	Lack of funding and infrastructure	Strongly agree	116	48.62385	3.644	1.130
		Agree	62	33.02752		
		Neutral	16	7.33945		
		Disagree	8	8.715596		
		Strongly disagree	10	2.293578		

Source: Survey Result, 2023

Elitism, factions, greed and corruption is one of the challenges mentioned by the mean and SD value of 3.933 and 1.123 respectively in the above table. The ugly head of elitism reared its head with respondents indicating the uneven distribution of benefits from development initiatives as these are mostly directed to a few local elites. This is further exhibited in the conduct of community leaders and elites treating development initiatives as personal wealth accumulation exercise, often at the expense of the whole community or the development itself. Such undertakings often compromise the integrity of development initiatives through the creation of factions within the community, which lead to corrupt practice including nepotism, thereby diminishing interest to participate in ordinary members of the community. This is supported by narration from respondents stating the following:

> *"No matter how good a development plan might be, there will always be people who will have their own agendas for a particular development. It is therefore up to traditional leaders and general leadership to ensure that they select the right people". "They want to make sure that any kind of development there must be something for them to get anything for that particular area". "There seems to also be some occurrences of factions between the village chief, local members and business people. This causes segregation and has a negative influence on development". "Corruption is also a factor, and this discourages people from*

participating. Sometimes individuals aim for personal benefit rather than that of the community".

The narratives indicated above give credence to literature critical of the behaviour of elites in rural communities. This is seen in their hesitation to allow ordinary members of the community to obtain a piece of the pie of development initiatives simply because of their social standing, poor or lack of education and lack of connection to the corridors of power. This is attributed to structural limitation of community participation. This is also seen the responses that mirror Mustapha et al.(2019) finding indicating the concentration of power in the hands of public administration who see ideas of professionals more valuable than those of local people due to their low levels of education. Consequent to this viewpoint, is the creation of elites, who are then placed in positions of power, thereby leaving community members behind in terms of politics and economic activities.

The other challenges which asserted by the respondents is Leadership conflict by the mean and SD value of 3.622 and 1.044 respectively. Rural areas and many other countries in the world are subject to the challenge of two types of leaderships, namely, traditional and political. Durame town administration is no stranger to the challenge. This has often resulted in strained relations between the two institutions to the detriment of development initiatives, which are often followed by adverse consequence for the very communities that both leaderships claim to care about. These challenges are clearly oriented in by respondents as follows:

"Traditional leaders and ward councilors are not working together in some of the projects. Traditional leader believed that they owned the land, whilst some local communities preferred to work with ward councilors. This then lead to lack of cooperation". "Because you find out that some of the people or the local communities they prefer to the ward committee… to ward councilor rather for any kind of development that they're interested on. On the other hand, there's a chief here or a traditional leader that says 'We own the land, the land belongs to us. If government or whoever who want to develop this area must come to the chief

> *because the land belongs to the chief.' So, this kind of… kind of not good cooperation between the traditional leaders and the ward councilor"*

The above rhetoric asserts truth to the limitations formulated by Tosun (2000). This rings true to operational limitations where a lack of co-ordination between traditional and political leadership is common (Tosun,2000). Such lack of co-ordination hinders community participation in development initiatives and further hampers the destination from developing tourism as a considerable economic activity worthy of investment in time, financial resources and an economic sector capable of creating employment opportunities.

It must be noted that the realization of community participation in development initiatives such as tourism require collective collaboration of all stakeholders including contradictory leadership style of both institutions inclusive of their different ideological outlook in areas such as administration and management of projects together with the distribution of wealth and power for the benefit of the community and the area at large.

On the other hand, Lack of capacity to participate in development initiatives was found to one of the challenges with the mean value of 3.614 and SD value of 1.004.Respondents indicated a chronic shortage in capacity, disenabling them from meaningfully participating in development initiatives in the area. This is made evident by declarations stating the lack of knowledge, information and understanding of development amongst members of the community. This is further exacerbated by the low levels of education and literacy amongst members of the community coupled, with their inability to communicate in Amharic, as this is the language mostly used in development circles (especially in some projects) particularly in Tourism. This issue is further compounded the lack of interest of the youth in education, and the community's awareness of markets which leaves them ill-prepared to exploit opportunities presented by development initiatives such as tourism. These concerns are corroborated by respondents' narrations that follow:

> *"It is being uneducated. As I have said that most of us are not educated thus it becomes a barrier to communicate in the English language. We are not able to even converse with the tourists because we do not understand what they are saying". "Illiteracy remains the biggest challenge. Most of us do not understand the English language and as such, are not able to interact with external people, especially developers and tourists". "The lack of education among youth is also a challenge. Youth should be educated about what exactly tourism is and how they can play a role in developing it". "People in the village do not know much about tourism and development and also what they will do with products that can be produced from the area. This makes market intelligence critical".*

The above narratives about the community's lack of capacity to participate in development initiatives coincide with the constraints stated in the White Paper for the Development and Promotion of Tourism in South Africa (2018), that indicate a need for previously neglected groups (especially in rural areas) to be introduced to community-wide tourism awareness programmes, as well as a wide range of basic skills that will enable participation in development. This is on the back a study conducted by Scheyvens and Momsen (2019) indicating that rural areas often start on the back foot, given a multitude of inhibiting factors such as lack of education and skills, limited development opportunities, and limited access to tourism enabling infrastructure and markets.

The findings further give credence to the importance of a community being capacitated for active participation in development activities and initiatives aimed at improving their lives. Efforts to ensure that such capacity is realized stem from a lack of capacity, which chiefly discourages the enthusiasm of the community to participate in development initiatives, thereby leading to the failure of the community to recognize benefits and ultimately leading to the development being dominated by the elites within the society.

This can be remedied through indications made in the work of Murphy (2000) as cited in Harun et al. (2019) stating the value of such participation as it assists in the decrease of tension often created by development initiatives that are contrary to the aspirations, needs and capabilities of the host community. Consequently, this kind of undertaking can further assist in the improvement of the community's ability to participate in decision-making processes relating to development, and enhance the resources (human, organizational and infrastructural) that will enable the community to draw upon in the quest to improve their own lives

According to the above table, Lack of support from the government is one of the major challenges asserted by the respondents. They indicated a serious lack of government support for the village. This is shown in comments that paint the government as unresponsive to the needs of the sub cities.

Respondents further indicate avenues in which government could partner with the community to achieve sustainable development. In addition, they give credit to the establishment of the lodge, and the subsequent development of tourism, for the creation and development of services and infrastructure that the government failed to provide. These are stated in the following respondents' dialogues:

> *"Let me just say, we are not getting any of the government benefits. All the developments that that you see here have been brought by establishment of roads (Cole stone) and water pumps (Bono). There is no government involvement whatsoever, in this village". "I am not sure what those obstacles are because we do everything that is required from us such as voting, but still do not see any efforts from the government to develop our area". "I mean I think the Ethiopian government (specifically, Durame administration) doesn't talk to our communities enough. We tell them that our road is terrible, and they don't do anything about it".*

The above rhetoric by the respondents is in sharp contrast with the works of van Niekerk (2019) hailing Ethiopia as a beacon of hope for the community participation arena. This is seen in the country's formulation of legislation that places community participation in the center of development initiatives. This is the legislation that is said to be in place to supposedly afford local communities an opportunity to partake in integrated planning (especially in tourism) following planning processes that were shaped by the history of embedded inequalities that characterized.

In the above table that deals with in the challenges of community development, one of the major challenges is lack of funding and infrastructure which valued by mean and SD value of 3.644 and 1.130 respectively. Lack of funding and poor infrastructure was also indicated as major obstacles to community participation in development initiatives. Respondents commented on the lack of infrastructure, such as roads, that hinders development within the area. This was further exacerbated by an inadequate telecommunication infrastructure, coupled with power (electricity) shortages and lack of a proper transport system to connect the area with other areas. In addition, respondents further state that the development of tourism has seen opportunities (especially entrepreneurial) become available for residents of the sub cities, yet there are no financial resources available for them to exploit such opportunities. These problems have placed participation of the community in development initiatives in midpoint, and are narrated by respondents as follows:

> *"The lack of funds makes it difficult for us to take advantage of development opportunities that arise". "Also the lack of financial support affects our progress". "Firstly, we do not have roads, electricity, housing and water". The above narrations agree with the accounts of the severe lack of infrastructure in rural areas, which limits the participation of rural communities in development initiatives such as tourism. In addition, the absence of adequate transportation services effectively prevents rural communities from participating in the industry, both as potential suppliers of products and services, and as tourists themselves. Consequently, the unavailability of funding and infrastructure disables the core of sustainable development (community participation), which is aimed at improving the lives of the local community.*

Inferential statistics Results on Determinants of community participation in Sustainable economic development projects

The main purpose of this section is to identify the major determinants of community participation in development activities/ projects. Hence, the relation between the dependent and independent variable were statistically analyzed, interpreted and discussed below.

Table 11: Binary logistic Regression result

Community Participation	B	Std. Error	Sig.	Exp(B)**or** AOR
Never Marred	0.043	0.465	0.927	1.044
			.204	
No education	-.620	1.182	.600	.538
Education(1-8)	1.436	.846	.090	4.203
Education (9-12)	-.445	.638	.485	.641
Religion	2.400	.603	.000*	1.019
Family size	-3.270	.553	.000*	.038
Early Marriage	-1.839	.512	.000*	.159
Tradition			.000	
Customs/ norms	1.252	.753	.017	3.498
Beliefs	-2.610	.579	.000*	.074
Source of income	.532	.495	.282	1.702
Additional Income	-1.182	.499	.018*	.307
Access to credit	1.783	.620	.004*	5.945

Capacity Building	-1.366	.536	.011*	.255
Agegroup (25-29)			.517	
Agegroup (30-39)	.348	.741	.639	1.416
Agegroup (40-above)	.577	.503	.000	1.781
HHMI Group (>3000)			.004	
HHMI Group (501-1500)	-2.094	.636	.001*	.123
HHMI Group (1501-3000)	-1.506	.641	.019*	.222
Availability of NGOs	.646	.469	.014	1.909
Participation in government structure	.542	.654	.011	.121
Constant	3.177	1.182	.007	23.969
R^2 Value	0.95			

Source: Own survey, 2023

As mentioned earlier, the binary logit model was selected to identify the determinants of community participation in the study area. As shown in Table 12 below, the binary logistic regression analysis results showed that socio-cultural variables; of Early marriage, Tradition, Customs/ norms and Beliefs; the Demographic variables, Age, Education, Religion, Marital status and Family Size; the Economic variablesFamily income, Source of income, Additional income an Access to credit; the Institutional FactorsCapacity building Training, Availability of NGO's, Participation in gov.t structure were factors significantly associated with community participation in community development projects. Moreover, R-squared values range from 0 to 1 and are commonly stated as percentages from 0% to 100%. An R-squared of 100% means that all movements of a security (or another dependent variable) are completely explained by movements in the index (or the independent variable(s) interested in).In this study of participation, a high R-squared, between 85% and 100%, indicates the mentioned factors moves relatively in line with the participation. A higher R-squared value indicates a more useful beta figure.

CONCLUSION AND RECOMMENDATIONS

Summary of major findings

- It was found that the participation of community in economic development of Durame town administration was very low. The assessments of the participation from the overall process of the economic activities the study focused on the designing, implementation, and evaluation stages. In the town administration, it was found out that there was no event, system, and strategy that directly participated communities in the designing and evaluation stage of the economic activities. Even there was no readiness to participate in them at the study time. In the implementation stage, there was some kind of participation to identify their problems and solve them.
- There were no representatives of beneficiaries in the management team and they had no role in the decision making processes. This lack of participation is due to socio-economic and cultural societies that retain traditional gender roles, which only locate and position for domestic affairs thus undermining their position in public spaces. Beside this, discrimination by male leaders and their lack of self-esteem and low levels of education weaken women more to play a role in their village community even in the implementation of the economic development activities as well..
- All the indicated independent variables were also found that the factors affect participation in economic development activities were found as determining variables with Sign. value of below 0.05 as the analysis of Binary logistics regression. Hence, in the sub cities, the communities were not actively involved in the day to day activities and doing the roles that are expected from them with improving its implementation process

somehow based on their comment and suggestion. In the evaluation of the activities, they had from the leader of the organization that the issues of the communities raised by the staff when evaluating it. So, there was no room to participate the communities as the finding showed.

- One of the function and role of the government officials is to enhance community participation through financial, capacity building and other related support. But the results show that the government officials don’t work sufficiently in this regard. The mean and SD value (2.541 and 1.101) shows that it is moderate. Hence, the government officials need to work hard in supporting women by providing financial support. The representation of women participating in the development activities of both male and female those have been poor over the last years in town administration. This is an issue that has raised great concern not just among the community but also in regional and international organizations causing pressure for interventions to be put in place in the form of policies andlegislations.

Conclusion

From the summary of major findings, community participation in economic development activities was low at all project activities and moderate level at implementation level. From this one can conclude that government managing system is top to bottom. The mangers and project coordinators as well as social workers were not participating community in need assessment, planning and controlling stages of projects.

Evaluations of interventions which aim to promote economic equality were at low status. Weak evidence of strategic changes in community relations indicates that most often low participation in decision making. Whether or not strategic changes in community participation have been planned, the effectiveness of such projects will be failed. Generally, in the town administration, the communities were not actively involved in the day to day activities and doing the roles that are expected from them with improving its implementation process somehow based on their comment and suggestion

Recommendations

The researcher recommends that there is need for community development participation awareness to be done by Durame town administration in order to sensitize beneficiary community on the importance of their participation in community development activities.

1. Government officials should intensively work on participating communities in all phases of projects including need assessment, planning, and implementation and monitoring as well as evaluation.

2. The woreda administration need to reshuffle its strategy of management that should implemented from bottom up approach over top bottom approach.

3. Similarly, the society should abolish beliefs that hinder community from participating in community development and embrace different capacities bestowed on different people in the community.

4. The study recommends that the government should give equal opportunity to both women and men in terms of education, economy and political space. The environment should be conducive for all community to participate in various economic activities.

5. The study also recommends that media should be able to authoritatively highlight the plight of community who takes the courage to get involved in community development as

this acts as a morale tool to other community

Further Research

The study did not extend to assess the participation and perception of other stakeholders which have direct and indirect influences in the process of the projects and programs. This is forinstant agencies that fund the projects of the organizations and also governmental organizations that have the responsibility of controlling and supervising them. It could be important therefore to undertake a study assessing their perceptions and how they are impacted by the communities' participation. It will also be interesting to have a similar study done in other woreda and zone to compare results. This will enable understanding of whether government officials and NGOs from the beginning up to the final stage of their projects they are participated or not participating their beneficiaries can be generalized or are specific and unique to each government structure and NGO

REFERENCES

Alysha B., Claire P & Anita S (2003) the role of participation and partnerships in Local Economic Development in Africa. New York University's Robert Wagner Graduate School of Public Service Capstone: Advanced Project in International Policy, Management, Finance, and Planning Working Paper

A.H.J. (Bert) Helmsing (2001) Local Economic Development New generations of actors, Policies and instruments. A summary report prepared for the UNCDF symposium on Decentralization Local Governance in Africa Institute of Social Studies,

Anne D. S. (2010). Benefits of mixed methods in environmental reporting research: Lincoln University, Commerce Building. Andrés R., P & Sylvia T (2005) Local Economic Development as an alternative approach to economic development in Sub-Saharan Africa.

Andrés R., P & Sylvia T (2005) On Emergence and Significance Of Local Economic Development Strategies CAF Documentos De Trabajo CAF Working Papers the N° 2009/07.

Asnarulkhadi S &Fariborz A., (2011).The Theoretical and Conceptual Framework and Application of Community Empowerment and Participation in Processes of Community Development in Malaysia.Journal of American Science, 2011; 7(2). .

Ayman M. Nour (2011) Challenges and Advantages of Community Participation as an Approach for Sustainable Urban Development in Egypt Associate Prof. of Architecture, Helwan University, Egypt E-mail: a_afify@h elwan.edu.eg.

Blakely, E.J., & Bradshaw, T.K. 2002.Planning local economic development: Theory and practice.3rd edition. California. Sage Publications. Chambers R. (1983). Rural Development: Putting the Last First, Longman, London; CHAMBERS R. (1997), Whose Reality Counts? Putting the First Last, IT Publications,

London. Cole, S. (2007). Tourism, culture and development: hopes, dreams and realities in East Indonesia. Clevedon, UK: Channel View Publications.

Cupples, J. (2005). What is community capacity building? Retrieved 3, October, 2022.

DEDEA (2008) Local Economic Development Information booklet Department of Economic development affairs.

DinberuTadesse (2014) Assessment of Community Participation in Sustainable Local Economic Development: A case of three selected Woredas in Lideta sub-city, Addis Ababa city Administration, Masters of Arts in Public Administration and Development Management.

DPLG, (2005). Case study Experiences in Declining and Thriving Municipalities; Local Economic Development Manual Series, Pretoria: Government Pretoria, January

Francois Meyer (2013) Local economic development (LED), challenges and solutions: The case of the northern Free State region, South Africa North-West University (NWU) South Africa.

Gaventa, J., and G. Barrett (2012), Mapping the Outcomes of Citizen Engagement, World Development, Vol. 40 No. 12, pp. 2399–2410

George Edward (2014) a guide "building community prosperity through local economic development: an introduction to led principles and practices" has been produced by Loc haven management consultants ltd. at the request of the international technical assistance project "Ukraine municipal local economic development"

Guzman H., C & Patricia Auspos (2011) Community Economic Development and Community Change.

Hall, D. R., Kirkpatrick, I., & Mitchell, M. (2005) Rural Tourism and Dimensions of Community Capacity Building, Sustainable Business: Channel View Publications.

Harris, D. D., (1997). Do Colleges Promote Local Economic Development? Tribal College Census Data Shows Marked Important in Personal Income and Poverty Levels. Unpublished doctoral dissertation.Cournell University. Ithaca, NY.

Hindson, D. & Vicente, V. (2005). Whither LED in South Africa? A commentary on the policy Guidelines for implementing local economic development in South Africa. INTERNET (http://www.sarpn.org.za)

ILO (2010) Gender mainstreaming in local economic development strategies: a guide / International Labour Office, Local Economic Development Programme, Bureau for under Equality. Geneva: ILO, 2010.

Joshi, M. et al., (2007) Centre for Environment Education (CEE), the South Asia Youth Environment Network (SAYEN) Secretariat and Swiss Agency for Development & Cooperation (SDC). Sustainable Development: An Introduction: Volume-1.

Kadmiel W (2014) Local Government and Local Economic Development in Southern Africa. Draft for discussion at the Southern African Regional Conference 'Creating opportunity for developmental local government through regional engagement on Local Economic Development' Lilongwe, Malawi.

Kerns, I. (2005). How to develop effective customer satisfaction survey: Guide Star Research Center White Paper. Khanya-AICDD (2006).Investigating pro-poor local economic development in South Africa.Briefing no 1, April 2006. Bloemfontein.

Kothari U. et al. (2001).The case for Participation in Development, in KOTHARI et al, p. 5.

Kwan, B., Frankish, J., Quantz, D., & Flores, J. (2003).A synthesis paper on the conceptualization and measurement of community capacity. Vancouver: Institute of Health Promotion Research, University of British Columbia. Manitoba, (n.d) Community Economic Development for the Local Economic Development officer. Hand book, Manitoba Agriculture, Food and Rural Development.

McNutt, A. S. (1995). Program Development in the Rural Community College. In Killacky and Valadez, 1995, pp. 71-78.

Meyer, D.F. (2013). An exploration of solutions for rural development: The case of the northern Free State. NWU: Vaal campus. Vanderbijlpark (PhD thesis)

Meyer, D. F. (2014). Local economic development (LED), challenges and solutions: The case of the northern Free State region, South Africa North-West University (NWU) South Africa email: daniel.meyer@nwu.ac.za.

Mike R (2000) Assessing community participation in local economic development lessons for the new urban policy. Department of Urban Studies, University of Glasgow, 25 Bute Gardens, Glasgow G12 8RS, UK.

Morgenrood, P (2007): Local Economic New Agenda Development: At the Municipal Level, Government Digest. 26(7). Morgan, D. (2009). Research tools: Participants determination for focus group discussion: Qualitative Research. Sage, UK.

Mufamadi F., (2003). Department of Provisional and Local Government.Local Economic Development Manual Series.Consolidated edition, Chapter 2, section A, 37, and 39. www.dplg.gov.za/documents/manuals/pb204.

Nekwaya, J. H. (2007). Assessing Community Participation in Development Planning and Service delivery.A case study of the Omusati Regional Council. Master of Sustainable Development and management: University of Stellenbosch.

Nespoli, L. A., (1991). Investing in Human Capital: State Strategies for Economic Development.In Waddell, 1991, pp. 17-24.

Nel, E., &Rogerson, C.M. (2005). Pro-poor local economic development in South Africa Cities: Policy and practice. Africa Insight, 35 (2) 5-20.

Newman J., Barnes M., Sullivan, H., & Knops, A. (2004).Public participation and collaborative governance. Journal of Social Policy, 33(2), 203–223.

Nhlakanipho S (2010) an investigation of community participation trends in the rural development process in Nquthu, northern KwaZuluNquthu, northern KwaZuluNatalNatalNatal at the University of Zululand.

OERI, (1996).U.S. Department of Education.Office of Educational Research and Improvement, Washington, DC, USA.

Organizing an LED Strategy, (2003). Local Economic Development, the World Bank Group. Parnwell, Michael. 2008. NGOs and the state.

Desai, V. and Potter, R. (2008) The Companion to Development Studies. Malta: Hodder Education, pp111-115.

Putnam, R. D. (2000). Bowling Alone: the collapse and Revival of American Community.

New York. Rogerson, C.M. (2009). Strategic Review of local economic development in South Africa. Final report submitted to Minister S Shiceka of Department of Development Planning and Local Government (DPLG). Commissioned by DPLG and GTZ. May 2009.

SACN, (2006).State of the Cities Report 2006, South African Cities Network, Johannesburg. South African Cities Network (SACN). 2004. Local economic development of South Africa State of the Cities Report 2004. Johannesburg. SACN.

Samuel P. (1987) Community participation in development projects the World Bank experience, World Bank discussion papers. Manufactured in the United States of America first printing February 1987.

Stohr, W. B. (ed) (1990). Global Challenge and Local Response. London: Mansell Publishing limited.

Speer, J. (2012), Participatory Governance Reform: A Good Strategy for Increasing Government Responsiveness and Improving Public Services? World Development, Vol. 40 No. 12, pp. 2379–2398.

Sproule, K. W. (1996). Community-based ecotourism development: Identifying partners in the process, The Ecotourism Equation: Measuring the Impacts. Bulletin Series, Yale School of Forestry and Environmental Studies, No. 99, New Haven, CT: Yale University, 233-250.

Swinburn G, Goga, S & Murphy, F. (2006) Local Economic Development: A Primer Developing and Implementing Local Economic Development Strategies and Action Plans.

Theron, F. 2005. Public Participation as a Micro-level Development Strategy, in David's, F. Theron& K. J. Maphunye.Participatory Development in South Africa.A Development Management Perspective. Pretoria: Van Schaik Publishers. Tribal College Contribution to Local Economic Development, (2000). American Indian Higher Education Consortium, The institute for Higher Education Policy, http://www.aihec.org

Tuckett, A. (2005) Rigour in qualitative research: complexities and solutions, Nurse Researcher 13 (1) 29-42. Urban institute, (2003) http://www.urban.org/UploadedPDF/411087_LED initiative.pdf

UN Habitat WHO (2001) Community Participation in local health and sustainable development approaches and techniques. World Bank Group Local Economic Development.

UN – HABTAT (2005) The Local Economic Development Series Promoting Local Economic Development through Strategic Planning. Copyright © United Nations Human Settlements Programme.

United Nations Habitat, (2009).International Tripartite Conference on Urbanization Challenges and Poverty Reduction in Africa.Caribbean and Pacific Countries. Nairobi;

World Bank, 2002: Defining LED, available at www.worldbank.org/urban/led/defining.html

Yin, R.K. (2003).Case study research: Design and methods. (3rd ed.). USA, California: Sage publication, Inc.

FACTORS AFFECTING BRAND LOYALTY TOWARDS BEER BRANDS IN THE CASE OF BGI ETHIOPIA, HAWASSA

Meskerem Adugna

Abstract

The purpose of this study was investigating factors affecting brand loyalty towards beer brands in case of BGI Ethiopia, Hawassa City. The study focused on five determinants namely; product availability, social media, product quality, brand image and product price which affect brand loyalty in beer brand. The study used mixed research approach to have a better insight and gain a richer understanding about the effect of those factors on brand loyalty in beer brand and the researcher has employed descriptive research design to objectively answer the research questions. The data, then, analyzed through descriptive and inferential statistics using regression. By the findings, out of the proposed five factors in affecting brand loyalty in beer brand in case of BGI Ethiopia, Hawassa city, the five factors namely; product availability, social media, product quality, brand image and product price were found to be statistically significant. Brand image has positive and statistically significant effect on brand loyalty. The value of beta in Brand image (β=.163) shows the positive effect of on brand loyalty. Thus, the hypothesis is accepted. Social media has positive and statistically significant effect on brand loyalty. The value of beta in Social media (β=.282) shows the positive effect of on brand loyalty. Thus, the hypothesis is accepted. Product quality has positive and statistically significant effect on brand loyalty. The value of beta in product quality (β=.165) shows the positive effect of on brand loyalty. Thus, the hypothesis is accepted. Product price has positive and statistically significant *effect on brand loyalty***.** *The value of beta in product price (β=.027) shows the positive effect of on brand loyalty. Thus, the hypothesis is accepted.Furthermore, on the basis of the research findings, appropriate recommendations and conclusion have been forwarded.*

Key words: Product availability, social media, product quality, brand image, product price and brand loyalty

INTRODUCTION

This chapter introduces readers to the study of factors considered to be loyal to a particular beer brand, in Hawassa. It underlines the importance of the research, its objectives and research questions. Moreover, issues related to, significance as well as scope and limitation of the study are included in this chapter.

Background of the Study

Beer is the world widely consumed alcoholic beverage of several dominant multinational companies, and many thousands of smaller producers. More than 133 billion liters are sold every year (Mulugeta et al., 2017). There is great advantage for beer market due to the demographic structure in Africa. The continent has the largest young working age group in the world. SubSaharan African countries are showing the highest economic growth, and population growth in the world (Doo, 2015). South Africa has the second largest brewery company in the world that is SABMiller. It has operation in large number of African countries including Ethiopia (Lobo, 2016).

The most popular alcoholic beverage in Ethiopia is beer. The first brewery in Ethiopia was established in 1922 by St. George Beer (named after the patron saint of Ethiopia). Brands like Meta and Bedele are also older brands in Ethiopia but have since been acquired by foreign companies and re-branded. The Beer industry in Ethiopia has gone through tremendous growth in the last two decades. It transformed into one of the most competitive industries in Ethiopia with millions of birr spent on advertisements alone. The competitiveness of the industry has led to more investment the farming sector such as in malt production (Mulugeta et al., 2017).

A brand is a product, service or concept that is publicly distinguished from other products, services or concepts so that it can be easily communicated and usually marketed. Branding is the process of creating and disseminating the brand name, its qualities and personality. Branding could be applied to the entire corporate identity as well as to individual products and services or concepts. In today's marketplace teeming with thousands of products and services, all of which are being rapidly commoditized, a brand stands out from the clutter and attracts attention. A brand name can create and stand for loyalty, trust, faith, premium ness or mass-market appeal, depending on how the brand is marketed, advertised and promoted (The Economic Times,2022).

A brand differentiates a product from similar other products and enables it to charge a higher premium, in return for a clear identity and greater faith in its function. A brand is also likely to survive longer than just an undifferentiated product. A brand is akin to a living being: it has an identity and personality, name, culture, vision, emotion and intelligence. All these are conferred by the owner of the brand and needs to be continuously looked at to keep the brand relevant to the target it intends to sell to (The Economic Times, 2022).You can consider a brand as the idea or image people have in mind when thinking about specific products, services, and activities of a company, both in a practical (e.g. “the shoe is light-weight”) and emotional way (e.g. “the shoe makes me feel powerful”). It is therefore not just the physical features that create a brand but also the feelings that consumers develop towards the company or its product. This combination of physical and emotional cues is triggered when exposed to the name, the logo, the visual identity, or even the message communicated (Marion, 2022).

People often confuse logos, slogans, or other recognizable marks owned by companies with their brands. While these terms are often used interchangeably, they are distinct. The former are marketing tools that companies often use to promote and market their products and services. When used together, these tools create a brand identity. Successful marketing can help keep a company's brand front and center in people's minds. This can spell the difference between someone choosing your brand over your competitor's. A brand is considered to be one of the most valuable and important assets for a company. In fact, many companies are often referred to by their brand, which means they are often inseparable, becoming one and the same. Coca-Cola is a great example, where the popular soft drink became synonymous with the company itself. This means it carries a tremendous monetary value, affecting both the bottom line and, for public companies, shareholder value. This is why it's important for companies to protect their brands from a legal standpoint. Trademarks identify exclusive ownership over a brand and/or product, along with any associated marketing tools. Registering trademarks prevent others from using your products or services without obtaining your permission (Will, 2022).

Unlike customer loyalty, which is money-based (prices and discounts), brand loyalty is perception-based (image and experience). Brand-loyal customers believe that a certain brand represents both higher quality and better service than any competitor and the price does not matter. Brand-loyal customers might make fewer total purchases, but the profit margins on their purchases are larger. Once established, brand loyalty is fairly easy to retain assuming, of course, that product quality and service level remain high. Brand loyalty is also less expensive to retain than customer loyalty, which requires constantly offering low prices and regular discounts to maintain best-deal-on-the-market status. Most established brand-name products operate in highly competitive markets, jockeying for market share with new and old rival products, many of them barely distinguishable. To thrive in this dynamic, marketing departments employ various tactics to create and maintain brand loyalty, including monitoring buying trends, analyzing spending data, and designing advertising campaigns targeting their existing-loyal and likely-to-become-loyal customer segments (Carol,2022).

Businesses plan different creative marketing strategies like reward and loyalty programs, incentives, trials and brand ambassadors to create brand loyalty. Those who are loyal to a particular brand do not purchase a substitute brand in case the preferred brand is unavailable. Loyal customers search multiple stores for their preferred brands are more likely to forego their purchase in case the brand is not available. This buying decision can be either conscious or unconscious, however, it is based upon trust that the brand fulfils the consumers. Brand loyalty is based upon emotional involvement which is created between the brand and the consumer. It is perceived by the customer that the brand will fulfill some type of emotional want or physical need in a unique way and which evokes emotions during the process of purchasing and using it (Ahsan, 2022).

Everyone has brands they feel loyal to. For some, it's their coffee shop down the street. For others, it's their internet provider. It could even be a brand you've never purchased from but feel connected to. That pull you feel typically comes from one place: trust. But before we get too deep into it, let's go through the difference between customer loyalty and brand loyalty. The former relies on your products and/or services, while the latter rests on your brand's image. To earn customer loyalty, your brand needs to serve that customer's financial needs and satisfy their expectations. Brand loyalty, on the other hand, is driven by a consumer's connection to your brand. Loyalists are swayed by factors other than the product(s) or service (s) you offer. For instance, you can increase a customer's loyalty with the right pricing strategy, discounts, and customer service. To earn brand loyalty, however, you'll need to connect with them on a personal level (Martina, 2021).

Brand loyalty refers to the consumers' special attachment to a certain product. This is exhibited by the customers repeated purchase of a given product, despite there being other alternatives in the market. In other words, brand loyalty is where a customer repeatedly purchases a product from only one manufacturer, leaving out other suppliers' brands. Brand loyalty is of value to businesses because repeated purchases generate higher revenues as well as customer referrals. Note that apart from the repetitive purchase of a product from one supplier, loyalty can be demonstrated through other behaviors like word-of-mouth advocacy. This is where you tell others how good a product is and why they should continue using it instead of going for a substitute brand. Brand loyalty also exists where customers are willing to purchase a particular commodity at a higher price, despite there being other alternatives going at a lower price.

According to Aaker (1991), brand loyalty is one of the factors that create brand equity. When it comes to brand loyalty, Aaker also states that just by having an intensely loyal customer base, even though it is relatively small, can create significant brand equity for a firm. (Ventures, 2013) argued that the ability of a company to create, maintain and expand a large and loyal customer base over a longer time period is crucial to attain and sustain a premium position on the market.

Basically, those who are loyal to a certain brand don't buy a substitute brand even though the preferred brand is not available. Instead, they would rather search for their preferred brand from several stores. In case they don't find it, they would opt to forego the purchase until the stores are restocked with that particular brand. Note that the consumers' decision to purchase is either conscious or unconscious. Nonetheless, it is highly dependent on trust that the brand accomplishes to the consumers. It is the belief and attitude of the consumers that make up a brand. Consumers always expect the brand to fulfill their emotional or physical needs in a way that is unique (Jason, 2021).

Brand loyalty and customer loyalty may seem synonymous, but they're not. Customer loyalty focuses on the customer's spending. For instance, brands can create customer loyalty by offering lower prices, discounts, and rewards programs–this is also known as transactional loyalty. In 2020, a worldwide survey by Statista found that 62% of customers were loyal to a brand because of their prices. Whereas brand loyalty focuses on customer perception, which can also be considered emotional loyalty. How do customers see your brand? How do customers feel about your brand? Brand loyalty can be associated with so much more than the price of products; it’s also developed by how customers see, feel, and value your brand. In the same worldwide Statista survey, 57% of customers had loyalty to a brand based on customer service, and 54% felt loyalty based on product or service offerings (Skyword, 2014).

Brand loyalty is when customers continue to purchase from the same brand over and over again, despite competitors offering similar products or services. Not only do customers continue engaging and purchasing from the same brand, but they also associate positive feelings toward that brand. Brand loyalty has a lot to do with how customers perceive your brand, its actions, and its values. And it’s an important way to help retain customer loyalty and increase repurchase rates.Companies with strong brand loyalty will see its customers repeatedly buy its products or services, regardless of changes in price or convenience. Frequent purchasers of one company's product are less likely to be swayed by the marketing messages of competitors, thus increasing the chances that those customers will continue to conduct business with the company.In addition to having higher sales than those without brand loyalty, companies that have successfully established a loyal following can enjoy a growing customer base as well. Loyal customers have the potential to turn into open advocates and brand ambassadors for a company. Satisfaction with a business will drive them to spread brand awareness and refer new customers, effectively providing a company with costless advertising (Skyword, 2014).

Statement of the Problem

The brewery industry is extremely competitive, with private labels greatly influencing the environment. It is indispensable to deal with the competitors, changing customer tastes and preferences. To improve the beer market share, the marketers need to understand customer insight in. In today's marketing environment, consumer preference is continuously changing and becoming highly diversified, buyers were exhibiting diversified, unanticipated and surprising purchase behavior. In these circumstances it becomes necessary for firms to ascertain diversified needs, desires of consumers and produce product accordingly. Marketer's ability to create strong brand depends on thoroughly understanding customers profile about why they prefer one brand over competitors. Companies with better and superior information can able to develop better product and execute better marketing programs towards their customer.Marketers identified many benefit of loyal customer which includes, willingness to pay higher prices, costs less to serve and can refer new customers to the enterprise, less price sensitive have been found to be attracted by sales promotion than non-loyal customers.

Hika (2020) studied Factors Affecting Brand Preference, the Case of Beer Brands in Nekemte Town, Ethiopia that the purpose of this study was aimed to examine the factors affecting consumer brand preference of beer products in Nekemte Town. The study tried to identify the influence of eight determinant factors of brand preference on beer consumers. And emphasize on creating awareness and leaving a positive impression on their pages in order to increase consumer's preference for the company beer brands and improve their positioning.

According Getye (2019) studied Factors Affecting Customer Loyalty within Beer Industry, In Case of Addis Ababa City that the purpose of this study was to examine factors that affecting customer loyalty within beer industry in case of Addis Ababa City. The study focused on four determinants namely; advertising influence, consumer's situational variation, product quality and reference group's influence which affect customer loyalty in beer industries.

As Mulugeta Negash, Tesfaye Gedion and Asnake Tsegay (2017) stated Levels and factors of brand loyalty towards beer brands, the study was done in Ethiopia three cities. The success of any business is highly dependent on getting and maintaining customers.The result of the research clearly indicated that breweries must focus on the ten most significant brand loyalty factors, and adjust their overall marketing strategy according to the beer consumers' loyalty level. Due to brand proliferation of beers in Ethiopian context, the level of brand loyalty has to be taken as segmenting criteria to develop marketing strategies and decisions.

Thus, this research was developed to address the practical problems of brand loyalty situation and recommending empirical recommendations that would address the problem to fill the theoretical, empirical and methodological gaps identified in various studies related to the product quality, product price, product availability, brand image and social media influences.Therefore, this study was conducted to examine factors affecting brand loyalty towards beer brands in case of BGI Ethiopia, Hawassa.

Objective of the Study

General Objective

The general objective is investigating factors affecting brand loyalty towards beer brands in case of Hawassa.

Specific Objective

- To examine the influences of brand image on brand loyalty of beer brands
- To examine social media influence on brand loyalty of beer brands
- To examine the effects of product quality on brand loyalty of beer brands
- To examine the influence of product price on brand loyalty of beer brands
- To examine the effects of product availability on brand loyalty of beer brands

Research Questions

1. What are the influences of brand image on brand loyalty of beer brands in BGI Ethiopia, Hawassa?
2. What are the influenceof social media inbrand loyalty of beer brands in BGI Ethiopia, Hawassa?
3. How quality of product have an effect on brand loyalty of beer brands in BGI Ethiopia, Hawassa?
4. How price of product have an effect on brand loyalty of beer brands in BGI Ethiopia, Hawassa?

5. How availability of product have an effect on brand loyalty of beer brands in BGI Ethiopia, Hawassa?

Hypothesis of the study

H1: Brand image has significant positive effect on Brand loyalty.

H2: Social media has significant positive effect on Brand loyalty.

H3: Product quality has significant positive effect on Brand loyalty.

H4: Product Price has significant positive effect on Brand loyalty.

H5: Productavailability has significant positive effect on Brand loyalty

Significance of the study

This study was very significant in assessing factors affecting brand loyalty towards beer brand,in case of BGI Ethiopia,Hawassa. Many parties will be benefit from the findings that emerged from the results of the study and these are the following organ that will be benefited;

Government: Government might be concerned in knowing which companies operate successfully or failed to take the necessary measures so as to avoid crises of the bankruptcy in these companies.

Academician: academicians could have a chance to know the determinant of customer loyalty on Beer Companies which supports students to be familiar with it and find out a solution on their teaching and learning process.

Investors: Investors could be fascinated in such studies in order to protect their investment, and directing it to the best investment.

Customers: Customers may possibly involve in knowing the ability of beer companies to provide a better beer product based on the indicators of success of the companies.

Management: Administration could be interested in identifying indicators of success and failure to take the necessary actions to improve the customer's number in the company and choose the right decisions.

This research was help to identify consumers' brand loyalty and guide brewery factories to adjust their marketing strategy with consumer's loyalty. Consequently, understanding brand loyalty contributes to build strong brands and able to develop long-term relationship with consumers. Additionally, this study washaving importance in providing a better ground for beer company's sales managers, business professionals, business initiatives and policy makers.The research washelp for research practitioners who are interested in improving their knowledge in the subject of brand loyalty.

Scope of the study

The study was focus on the factors affecting brand loyalty towards beer brands in case of BGI Ethiopia, Hawassa.The study was be carried out in Hawassa city on the customer of BGI Ethiopia. Because of time, access, cost and other restriction the study population is limited only in Hawassa city. More over the study was also consider the age group of above 18, since the law of Ethiopian strictly forbids alcohol below the age of 18.

Limitation of the study

Besides, Questionnaires were not fully returned and some of the customers were not willing to fill the questionnaires properly and timely.With regard to sample size and sampling technique used; a small sample of participants was selected through sampling technique and it may not fully represent the behavior of the entire population (all brewery consumers). Furthermore this research focus only on factors underlining brand loyalty of customers in beer brand and the study did not include other alcoholic beverages. So that generalizing the results of the study to other alcohol beverages is not recommended.

Definition of key terms

Brand loyalty was referred to a unique customer's perception toward particular brands by believing that a particular brand performs better than the others in the market.

Product quality was the customer's perception of the overall quality of a product or service.

Productprice is the perceived pricing in terms of the specific monetary value that a customer attaches to goods and services

Product availability is the easily and readily accessibility and the convenience to gain the products on time.

Brand image is a unique set of associations in the mind of the customer concerning their favorite brand.

Social media was referred to the collection of online communications channels to community-based input, interaction, content-sharing and collaboration.

Organization of the Thesis

The research paper is organized in to five chapters. Chapter one is an introduction part where back ground of the study, statement of the problem, objectives of the study, scope, significance and limitation of the study are presented. Chapter two is review of literature in which theories, empirical evidence and conceptual frame work are identified. Chapter three contained research methodology where research design, research approach, population, sampling method, sample size, sources of data, instruments, data analysis technique and model specification were covered. Chapter four focused on the results and discussion in which the findings result that are interpreted. Finally, chapter five presents the conclusions, summary of major findings and forwarded recommendations.

RESEARCH METHODOLOGY

This chapter presents a detail discussion about the type of research design employed in the study. Topics related to research approach and method, research design, population and sampling/sample size and sampling techniques/, type of data source used, data collection method, data analysis techniques and subjects of the study are included. Finally, ethical consideration are also part of this chapter.

Description of the Study Area

B.G.I ETHIOPIA PLC is a company located in Addis Ababa, Ethiopia. The company is mainly working in Beer Factories business sectors. BGI has three brewery factories around the country including Addis Ababa, Kombolcha and Hawassa and is currently undertaking the construction of winery around Zeway. BGI Ethiopia is a private company that has been in the industry for 24 years. The company currently specializes in the Food & Beverages, Distillers, and Brewers& Wineries areas. The position of the CEO is occupied by Laurent Lescuyer. Its headquarters is located at Addis Ababa, ET.

BGI is a large-scale brewery and beverage production wing of Group Castel, operating in over 53 countries. Since 1998, BGI Ethiopia has been operating in the production and distribution of beer, wine and other beverages. BGI owns six breweries including the iconic St. George Brewery in Addis Ababa, the Kombolcha Brewery, the Hawassa Brewery, Zebidar Brewery, and Maychew Northern Brewery, and quite recently Meta Abo Brewery producing more than 4 million Hectoliters of beer (bottles and draft) annually. BGI Ethiopia P.L.C. also owns and manages the Castel winery and vineyard located in the town of Zeway. Established in 2012, the winery produces 12,000 Hectoliters of different wine varieties annually under the brand names Acacia and Rift Valley. BGI Ethiopia's products are distributed by partner agents in all corners of the country and exported internationally to North America (USA and Canada), Europe (UK, Italy, France, Germany, Switzerland, Belgium, Netherland, etc.) Middle East (Israel and UAE), Australia, Africa (Kenya, Tanzania, South Africa, South Sudan, Djibouti, etc.), Asia (China, Japan, etc.)(Fasika ,2015).

Research approach

Quantitative research is the process of collecting and analyzing numerical data. It can be used to find patterns and averages, make predictions, test causal relationships, and generalize results to wider populations.This is because it allows the researcher to gain a depth and breadth of understanding on a specific concept while offsetting the weaknesses that are inherent when using either approach alone. Therefore, for this study Quantitative research approach was used to see the relationship between brand loyalty and its effect on beer brand.

Research design

The research design intended to provide an appropriate framework for a study. A very significant decision in research design process is the choice to be made regarding research approach since it determines how relevant information for a study will be obtained; however, the research design process involves many interrelated decisions. Here for this research I were used descriptive research design.In Descriptive Research Design, the scholar explains/describes the situation or case in depth in their research materials. This type of research design is purely on a theoretical basis where the individual collects data, analyses, prepares and then presents it in an understandable manner. It is the most generalized form of research design. To explore one or more variables, a descriptive design might employ a wide range of research design.

Data sources

The required data to investigate factors affecting brand loyalty towards beer brands is primary data wascollect from BGI customers. A data source may be the initial location where data is born or where physical information is first digitized, however even the most refined data may serve as a source, as long as another process accesses and utilizes it.

Population of the study

A research population is generally a large collection of individuals or objects that is the main focus of a scientific query. It is for the benefit of the population that researches are done. However, due to the large sizes of populations, researchers often cannot test every individual in the population because it is too expensive and time-consuming. This is the reason why researchers rely on sampling techniques. On this proposal the population was the customer of BGI Companyregistered in Hawassa city, which is aninfinite population. Theinfinite population is also known asuncountable population in which the population can't be counted.

Sampling design

Sample size determination

When we survey a large population of respondents, we're interested in the entire group, but it's not realistically possible to get answers or results from absolutely everyone. So we take sample of individuals which represents the population as a whole. The target population for this research has infinite number of consumers for beer. Thus, a large population's sample size is determined with the help of the following formula (Saunders et.al, 2009):

n = (Z score) ^{2}*SD*(1-SD)/ e^2

Where,

n= is the minimum sample size required

Z score= is the z value corresponding to the level of confidence required which is 1.96

SD= is the standard deviation which is 0.5

e= is the margin of error which is 0.05.

Thus, the minimum sample size = $(1.96)^2 * (0.5) * (1-0.5) / (0.05)^2 = 384$

Sampling techniques

Probability sampling involves randomly selecting a sample, or a part of the population that you want to research.To qualify as being random, each research unit (e.g., person, business, or organization in your population) must have an equal chance of being selected. This is usually done through a random selection process, like a drawing. On this research I was usedstratified sampling techniques because BGI have three different products. In stratified sampling, researchers divide subjects into subgroups called strata based on characteristics that they share (e.g., race, gender, educational attainment).

Date collection Tools

Questionnaires

A questionnaire is a printed set of questions, either open-ended or closed-ended. The respondents are required to answer based on their knowledge and experience with the issue concerned. The questionnaire is a part of the survey, whereas the questionnaire's end-goal may or may not be a survey.Questionnaires are a simple, straightforward data collection method. Respondents get a series of questions, either open or close-ended, related to the matter at hand.For this research I was usedLikert scale. Likert scale consists of a statement or a question, followed by a series of five or seven answer statements. Respondents choose the option that best corresponds with how they feel about the statement or question.

The questionnaire has two parts. The first section is about personal detail which includes Age, gender, education, frequency of consumption, consumer's beer consumption experience, loyalty ranking and level of overall loyalty of beer. Part two is related the underlying variables of brand loyalty. Six variables were considered to see the factors that consumers use to make their brand loyalty decision. The measurement used for these variables was Likert scale (5 point likert scale)

Method of data analysis

The questionnaires was distributed, collected, coded and analyzed using the statistical package for social science (SPSS). The data was analyzed using both descriptive and inferential statistics. Descriptive analysis includes frequency of distribution (to interpret demographic variables of respondents) and mean (to find the mean sores of loyalty dimensions) and inferential analysis was used for hypothesis testing that include correlations and regression. Multiple Regression analysis was used to test hypotheses and identify the significant factors influencing brand loyalty. Multiple regression analysis was used to examine the relationship between the five independent variables and one dependent variable.

Validity

Validity is concerned with whether the findings are really about what they appear to be about (Sounders et. al., 2003). Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure (Sounders et. al., 2003). The content validity was verified by the advisor of this research, who looks into the appropriateness of questions and the scales of measurement. Numbers of different steps are taken to ensure the validity of the study:

- Data was collect from the reliable sources, from respondents who have experience in using the product of beer.
- Survey question was made based on literature review and frame of reference to ensure result Validity.

Reliability

Reliability is the degree to which the measure of a construct is consistent or dependable (Bhattacherjeend, 2012). Measurement reliability of a scale may be obtained by one of the following methods: test-retest, alternative forms and internal consistency. To measure internal consistence cronbach's alpha is the most widely used measure to assess the reliability. In this study Cronbach's coefficient alpha was executed. Cronbach's coefficient alpha is an estimator of internal consistency. Alpha coefficient ranges in value from 0 to 1. The higher the score, the more internally reliable the generated scale is. Cronbach's coefficient alpha value over 0.7 is believed to be acceptable reliability coefficient (Pallant, 2005).Thus, for this study, a Cronbach's Alpha score of .70 or higher is considered adequate to determine reliability. To increase the reliability of the survey, five-scale system (Likert scale) questionnaires was used. Additionally, in order to test the internal consistency of variables in the research instrument Cronbach's alpha coefficient was used and the variables have 0.811 Cronbach's alpha calculated.

Table 12Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
.811	.754	34

Source: Own Survey, computed in SPSS, 2023

Research Model

The objective of this study was investigated factors affecting brand loyalty towards beer brands in case of BGI Ethiopia, Hawassa. Accordingly, to test factors affecting brand loyalty towards beer brands in case of BGI Ethiopia, Hawassa, I was used a linear regression model in thefollowing form.

$BL = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 4X5 + \varepsilon$

Where,

BL= Brand loyalty

α =Constant

β=Coefficient of estimate

X1 = Product quality

X2 = product price

X3 = product availability

X4 = Brand image

X5 = social media

ε = the error term

3.9 Ethical consideration

The goals of human research often include understanding real-life phenomena, studying effective treatments, investigating behaviors, and improving lives in other ways. What you decide to research and how you conduct that research involve key ethical considerations. Ethical guidelines for research are principles that protect morality and guide researchers when they conduct research; they keep researchers accountable, thus, ensuring proper use of funds and avoidance of research misconduct. Moreover, these ethical considerations in research guarantee that the public can trust the research. On this research I try to have sincerity, honesty, objectivity, privacy and confidentiality of research ethics. In order to keep the confidentiality of the data to be given by respondents, the respondent is not beingrequired to write their name and assure the anonymity and confidentiality of their response. The purpose of the study was disclosed in the introductory part of the questionnaire.

DATA ANALYSIS AND RESULT PRESENTATION

This chapter presents the data analysis and discussion of the research findings. The data analysis was made with the help of Statistical Package for Social Science (SPSS v. 27). The demographic profile of the study sample, brand loyalty ranking and respondents level of brand loyalty have been described using descriptive statistics. Furthermore, descriptive statistics were used to analyze variables of brand loyalty. To test hypothesis and achieve the study objectives, different inferential statistics were employed. By using ANOVA the mean difference between demographic profile of respondents and underlying factors of brand loyalty were analyzed.

Multiple linear regressions were also employed to test hypothesis and achieve the study objective that focuses on identifying the most important underlying factors of brand loyalty. Pearson correlation coefficient and Cronbach‘s alpha were used to test goodness and internal consistency of the measure. In order to make the collected data suitable for the analysis, all questionnaires were screened to be complete. Out of the 384 distributed questionnaire 374 response has been obtained and found to be valid and used for the final analysis.

Descriptive Analysis

Demographic Profile of Respondents

This section summarizes the demographic characteristics of the sample, which includes age of the respondent, gender, education level, and occupation. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the number of respondents, proportion of males and females in the sample, range of age, occupation, and education level, so that the analysis could be more meaningful for readers. In addition to this, the differences between demographic profiles of respondents on the factors they consider to be loyal to a particular brand were analyzed by using ANOVA (the detail is presented later in this chapter).

Table 4.1 Demographic Profile about Respondents

No.	Demograhics		Frequency	Percent
1	Gender	Male	359	96.0

		Female	15	4.0
		Total	374	100.0
2	Age	18-30	90	24.1
		31-45	199	53.2
		46-60	67	17.9
		Above 60	18	4.8
		Total	374	100.0
3	Education Level	High School	79	21.1
		Diploma	125	33.4
		Degree	159	42.5
		Masters Degree	11	2.9
		Total	374	100.0
4	Occupation	Unemployed	23	6.1
		Student	23	6.1
		Salaried	141	37.7
		Business man/woman	173	46.3
		Other	14	3.7
		Total	374	100.0

Source: Survey Result, computed in SPSS, 2023

Table 4.1 visualizes the demographic profileof 374 respondents. In terms of gender, 96.0% of respondents were male and 4.0% were female. The numbers of male respondents are much higher.

Regarding the age of respondents, the sample population is largely dominated by the age group of 31-45(53.2%) followed by the group comprise age of 18-30(24.1%). The rest of the respondents consist with the age of 46-60 (17.9%) and above 60 (4.8%).

Education plays important role in influencing human action, the impulse and motives that sustain and regulate all mental activity and behavior of individual (Bytiqi, 2008). Based on the educational classification 2.9% of respondents have master's degree , 42.5% of respondents hold a degree, 33.4 % of the population represents diploma holders, 21.1% are high school. This shows that more than 41.5% of the respondents are degree holder.

Coming to the occupation of the respondents, much of the respondents were mix of business persons and salaried persons which covers 46.3% and 37.7% respectively from the total sample respondents under consideration.

Favorite beer brand

As described in the following table, majority of respondents take ST. George covers 66.3%, Castel Beercovers 32.1% and 1.6% covers by Amber Beer. So, ST. Georgebeer more consumed than the above listed by 66.3%.

Table 4.2Respondant Favorite beer brand

Brands	Frequency	Percent
ST. George Beer	248	66.3
Castel Beer	120	32.1
Amber Beer	6	1.6
Total	374	100.0

Source: Survey Result, computed in SPSS, 2023

Frequency of brand beer selection

Further the researcher has also described about the frequency of brand beer selected that most of respondents take the product daily and occasionally as indicated on table 33.4% and 28.1% respectively. However, as specified below 11.8% and 21.4% of few respondents acquired once a week and more than once a week respectivel

Table 13.3RespondentsFrequency of beer selection

	Frequency	Percent
Rarely(once every two month)	20	5.3
Rarely(once per week)	44	11.8
Frequently (more than once a week)	80	21.4
Occasionally (once per month)	105	28.1
Daily	125	33.4
Total	374	100.0

Source: Survey Result, computed in SPSS, 2023

Where you take the brand?

As shown below on table 4.4 sample customers were mostly obtained the beer with their friends and in their local bar which contained 43.6% and 27.8% respectively. Nevertheless, some of the respondents took the beer depends on moodand wherever there is a promotion running that keeps around 25.4% and 3.2% correspondingly.

Table 4.4 Respondentsplace to take the brand?

	Frequency	Percent
In my local bar where I am known	104	27.8
Where ever my freinds are drinking	163	43.6
Where ever there is a promotion running	12	3.2
Depends on mood	95	25.4
Total	374	100.0

Source: Survey Result, computed in SPSS, 2023

Experience the Breweries sector

As described in the following table, majority of respondents, which covers 43.3% of the total respondents were experienced from 6-10 years, 21.9% of respondents have 11-15 years' experience, 19.5% respondentsexperienced from 1-5 yearsand the remaining respondents have 8.6% and 6.7% have experienced from over 15 years and less than a year respectively.

Table 4.5RespondentsExperience on the Breweries sector

	Frequency	**Percent**

Less than a year	**25**	**6.7**
1-5 years	**73**	**19.5**
6-10 years	**162**	**43.3**
11-15 years	**82**	**21.9**
Over 15 years	**32**	**8.6**
Total	**374**	**100.0**

Source: Survey Result, computed in SPSS, 2023

Underlying Factors of Brand Loyalty

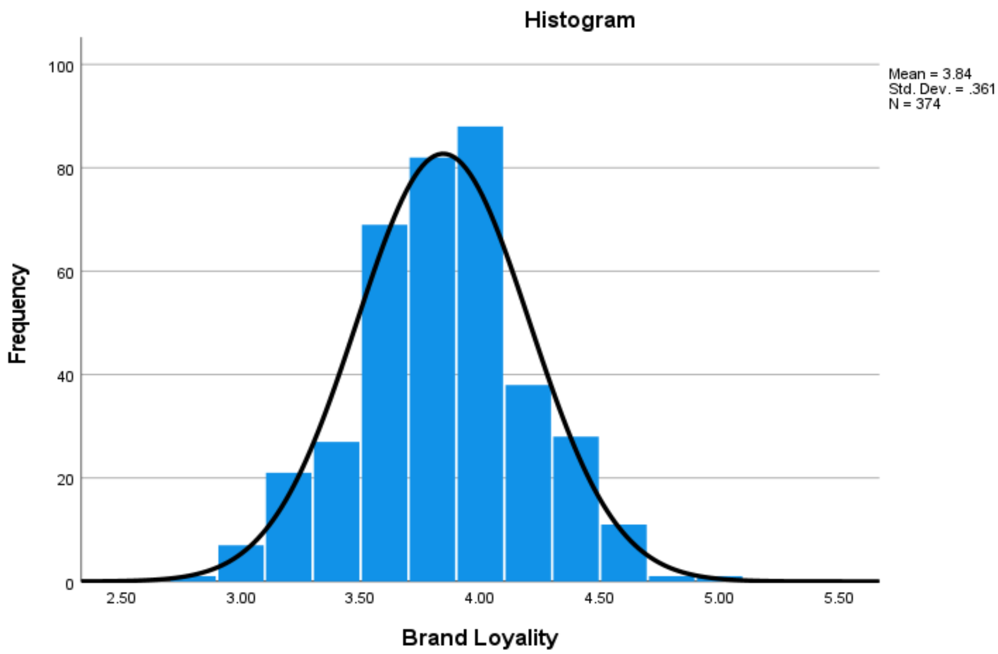
Five indicators of brand loyalty were considered for the study. These five broad antecedents were product quality, brand image, social media, product price and product availability. Each factor has incorporated their sub statements. These statements have the ability to explain the broad dimension.

Multiple Regressions

Test of Normality

Before proceeding to regression analysis, data clearing and statistical test were done. SPSS used in data clearing. The collected data passed through the following test; normality, multicollinearity, reliability and validity. In statistics, normality tests are used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed.Normality test is a way to estimate whether the sampledata close approximation to the actual unknown population. Normal probability plots provide a good way to test variables' distribution. Statistically Skewnes‘s and Kurtosis used to check normality. For normal distribution, Skewnes's range between 1and -1 Lawrence (2006) and Kurtosis range between 3 and -3, Paul Newnold (2003). Skewness is a statistical test that used to verify whether the data are distributed symmetrically or not Mark (1996). Kurtosis measures the relative concentrations of data value on in the center versus on the tail Paul Newnold (2003).

Figure 1Frequency Distribution of Normality

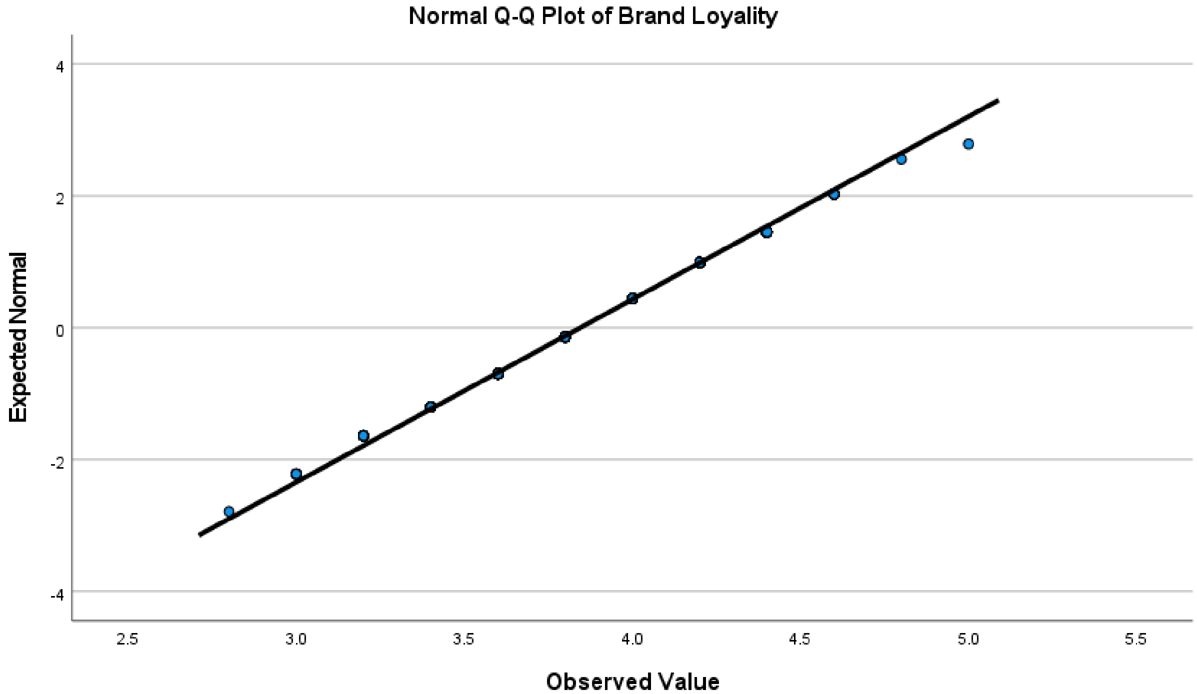


Source: Survey Result, computed in SPSS, 2023

Test of linearity

In the Normal Probability Plot it will be hoped that points will lie in a reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. The study applied Normal P-P Plot of frequency distribution of normality (Above fig.) to test linearity. Since the points were symmetrically distributed around a diagonal line, linearity pattern was observed. Hence, the straight- l line relationship between the distribution of normality and the predicted dependent variable scores depicted that linearity was achieved.

Figure 2Normality Q-Q Plot of Brand loyalty



Source: Survey Result, computed in SPSS, 2023

Multi Collinearity

Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables are multicollinear, there is “overlap” or sharing of predictive power (Dillon, 1993). This may lead to the paradoxical effect, whereby the regression model fits the data well, but none of the predictor variables has a significant impact in predicting the dependent variable(Robert, 2006). This is because when the predictor variables are highly correlated, they share essentially the same information. Thus, together, they may explain a great deal of the dependent variable, but may not individually contribute significantly to the model (Robert, 2006). Thus, the impact of multicollinearity is to reduce any individual independent variable's predictive power by the extent to which it is associated with the other independent variables. That is, none of the predictor variables may contribute uniquely and significantly to the prediction model after the others were included. The muliticollinearity in this study was checked using the Tolerance and VIF value. As it is showed in the table below all independent variables have a Tolerance value greater than 0.1 and a VIF value less than 10. The VIF, which stands for variance inflation factor, is computed as "1/tolerance," and it is suggested that predictor variables whose VIF values are greater than 10 may merit further investigation (Robert, 2006).

Table 4.6 Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Social Media	0.964	1.037
	Brand Image	0.976	1.024
	Product Price	0.951	1.052
	Product Quality	0.960	1.042
	Product Availability	0.990	1.010

a. Dependent Variable: Brand Loyalty

135

Source: Survey Result, computed in SPSS, 2023

The result shows that the tolerance value for each independent variable is (0.964, 0.976, 0.951, 0.960 and 0.990) respectively which are not less than 0.10; therefore, multi Collinearity assumption is not violated. This is also supported by the VIF value, which is 1.037, 1.024, 1.052, 1.042 and 1.010 which is well below the cut-off 10 as shown in the coefficient table.

Correlation Analysis

A correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 field (2005). A correlation analysis with Spearman's correlation coefficient (r) was conducted on all variables in this study to explore the relationships between variables. To interpret the strengths of relationships between variables, the guidelines suggested by field (2005) were followed, mainly for their simplicity. His classification of the correlation efficient (r) is as follows: 1 is perfectly positive correlated; (0.1, 0.3) is positively correlated; (-1, - 0.3) is negatively correlated;-1 perfectly negatively correlated; and (–0.3.0.3) no correlated. Correlation coefficients say nothing about which variable causes the other to change. The correlation coefficient squared (known as the coefficients of determination, r2) is a measure of the amount of variability in one variable that is explained by the other.

Table 4.7 Correlations

		Brand Loyality	Social Media	Brand Image	Product Price	Product Quality	Product Availability
Brand Loyality	Pearson Correlation	1	.554**	.482**	0.311	0.253	0.209
	Sig. (2-tailed)		0.003	0.000	0.828	0.305	0.861
	N	374	374	374	374	374	374
Social Media	Pearson Correlation	.154**	1	0.101	.151**	0.137	0.141
	Sig. (2-tailed)	0.003		0.052	0.003	0.473	0.430
	N	374	374	374	374	374	374
Brand Image	Pearson Correlation	.182**	0.101	1	0.139	0.093	0.150
	Sig. (2-tailed)	0.000	0.052		0.451	0.073	0.339
	N	374	374	374	374	374	374
Product Price	Pearson Correlation	0.111	.151**	0.039	1	.162**	0.109
	Sig. (2-tailed)	0.828	0.003	0.451		0.002	0.860
	N	374	374	374	374	374	374
Product Quality	Pearson Correlation	0.153	0.137	0.093	.162**	1	0.072
	Sig. (2-tailed)	0.305	0.473	0.073	0.002		0.162

	N	374	374	374	374	374	374
Product Availability	Pearson Correlation	0.109	0.141	0.150	0.109	0.072	1
	Sig. (2-tailed)	0.861	0.430	0.339	0.860	0.162	
	N	374	374	374	374	374	374

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

Source: Survey Result, computed in SPSS, 2023

AS per table above, the independent variables social media and brand image show highest and strong positive relation (0.554, 0.482 respectively). While the other three independent variables product price, quality and availability show a moderate level of positive relation (i.e. 0.311, 0. 253, and 0.209 respectively) with brand loyalty. Table also shows that the correlation of the independent variables within themselves. It can be noted that all variables are positively correlated with each other where the strongest correlation goes to each other.

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704[a]	.495	.437	.41302

a. Predictors: (Constant), Product Availability, Product Price, Brand Image, Social Media, Product Quality

Source: Survey Result, computed in SPSS, 2023

The model summary indicates independent variables have strong relationships with dependent variables. The model in the table 4.8 shows how much of the variance in the measurement of brand loyalty is explained by the model. Based on this, model coefficient of determination or R2 obtained indicates that 49.5% (adjusted R square of 43.7% with estimated standard deviation 0.413) of the variation in the measurement (brand loyalty) on BGI beer brand.The remaining percentage of variations on beer brand loyalty are explained by other variables out of this model or variables which are not incorporated in this study.

ANOVA Test

The significant level in ANOVA table shows that the combination of variables significantly predicts the dependent variable. ANOVA that tests whether the model is significantly better at predicting the outcome than using the mean as a best guess; specifically, the F-ratio represents the ratio of the improvements in prediction that results from fitting the model, relative to the inaccuracy that still exists in the model.

Table 4.9 ANOVA

Brand Loyality

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.295	17	.253	2.034	.009
Within Groups	44.230	356	.124		

Total	48.525	373			

Source: Survey Result, computed in SPSS, 2023

To test the hypothesis of no linear relationship between the predictor and dependent variables, i.e., R-square = 0, the Analysis of Variance (ANOVA) is used (Robert, 2006). The F statistics to test how well the regression model fits the data. Thus in this study F-statistics with 2.034 and significance value of 0.009 the regression model fits the data. As indicated in the above Table 4.9., the significant value of the ANOVA indicated that it was less than the p-value 0.05 (i.e. sig=0.00<0.05)and then there was perfectly significant difference among the mean score of brand loyalty towards beer brand, with respect to theirindependence variable.

Multiple Regressions Analysis

Regression model was applied to test how far the factors have effect on the brand loyalty. Coefficient of determination R2 is the measure of proportion of the variance of dependent variables about its mean that is explained by the independent or predictor variables. It is conducted to investigate the effect of independent variable on the dependent variable and identify the relative significant influence; i.e. Independent variable (product quality, brand image, social media, product price and product availability) to the dependent variable; i.e. brand loyalty towards in beer brand in case BGI Ethiopia, Hawassa city. Higher value of R2 represents greater explanatory power of the regression equation. The proposed hypotheses were tested using multiple regression analysis. The results of the regression analysis are depicted in the following table.

Table 4.10 Coefficients

Table 4.10 Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	4.056	0.288		14.063	0.000
	Social Media	0.276	0.052	0.282	2.755	0.001
	Brand Image	0.112	0.035	0.163	3.184	0.002
	Product Price	0.044	0.036	0.027	0.383	0.041
	Product Quality	0.169	0.061	0.165	2.141	0.005
	Product Availability	0.048	0.035	0.041	1.012	0.038

a. Dependent Variable: Brand Loyalty

Source: Survey Result, computed in SPSS, 2023

The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient anindependent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable. However, when we see the extent to which each independent variables influence the dependent variable; social media (β=0.276, p=0.001), quality (β=0.169, p=0.005), brand image (β=0.112, p=0.002), availability (β=0.048, p=0.038) and price (β=0.044, p=0.041) in their descending order referring social media as the most important underlying factor of brand loyalty. Product price was found to be the list variable that influences the beer brand loyalty of consumers. Since, coefficients of the predictor variables are statistically significant at less than five percent; alternative hypotheses related with product quality, availability, brand image and social media are accepted. But one predictor variable (price) is statistically significant at less than ten percent and the hypothesis is accepted only at significant level less than ten present.

$BL = \alpha + \beta 1X1+ \beta 2X2+ \beta 3X3+ \beta 4X4+ \beta 5X5+ \varepsilon$

$BL = 4.056 + 0.169X1+ 0.044X2+ 0.048X3+ 0.112X4+ 0.276X5+ \varepsilon$

Where,

BL= Brand loyalty

α =Constant

β=Coefficient of estimate

X1 = Product quality

X2 = product price

X3 = product availability

X4 = Brand image

X5 = social media

ε = the error term

H1: **Brand image has positive and statistically significant effect on brand loyalty.**

The result of multiple regression analysis of the above table clearly indicates that in brand image has significant influence on brand loyalty. Besides, the value of beta in Brand image (β=.112) shows the positive effect of on brand loyalty. This implies that a one unit increase in brand image results in 0.112 unit increase in brand loyalty. Thus, the above proposed hypothesis is accepted.

H2: **Social media has positive and statistically significant effect on brand loyalty**.

The result of multiple regression analysis of the above table clearly indicates that in Social media has significant influence on brand loyalty. Besides, the value of beta in Social media (β=.276) shows the positive effect of on brand loyalty. This implies that a one unit increase in Social media results in 0.276 unit increase in brand loyalty. Thus, the above proposed hypothesis is accepted.

H3**: Product quality has positive and statistically significant effect on brand loyalty.**

The result of multiple regression analysis of the above table clearly indicates that in product qualityhas significant influence on brand loyalty.Besides, the value of beta in product quality(β=.169) shows the positive effect of on brand loyalty. This implies that a one unit increase in product quality results in 0.169 unit increase in brand loyalty. Thus, the above proposed hypothesis is accepted.

H4**: Product price has positive and statistically significant effect on brand loyalty.**

The result of multiple regression analysis of the above table clearly indicates that in product pricehas significant influence on brand loyalty.Besides, the value of beta in product price (β=.044) shows the positive effect of on brand loyalty. This implies that a one unit increase in product price results in 0.044 unit increase in brand loyalty. Thus, the above proposed hypothesis is accepted.

H5**: Product availability has positive and statistically significant effect on brand loyalty.**

The result of multiple regression analysis of the above table clearly indicates that in product availabilityhas significant influence on brand loyalty.Besides, the value of beta in product availability (β=.048) shows the positive effect of on brand loyalty. This implies that a one unit increase in product availability results in 0.048 unit increase in brand loyalty. Thus, the above proposed hypothesis is accepted.

Table 4.11 Summary of the overall outcome of the research hypotheses

Hypothesis	Result	Reason
Brand image has positive and statistically significant effect on brand loyalty.	Accepted	β=0.112, p=0.002
Social media has positive and statistically significant effect on brand loyalty	Accepted	β=0.276, p=0.001
Product quality has positive and statistically significant effect on brand loyalty.	Accepted	β=0.169, p=0.005
Product price has positive and statistically significant effect on brand loyalty.	Accepted	β=0.044, p=0.041
Product availability has positive and statistically significant effect on brand loyalty	Accepted	β=0.048, p=0.038

Source: Survey Result, computed in SPSS, 2023

To summarize, all hypothesis developed based on the research objective and the conceptual framework, were tested. Moreover, aiming in validating the hypothesis testing, several assumptions were checked. Accordingly, the hypotheses were tested through appropriate statistical procedures and the results obtained from the statistical analysis are said to be successful in achieving the desired objective and in answering the research questions

SUMMARY, CONCULSION AND RECOMMENDATION

The preceding chapter presented the results and discussion, while this chapter deals with summary, conclusion and recommendations based on the findings of the study. Accordingly, this chapter is organized into three subsections.

Summary of findings

The research general objective was to investigating factors affecting brand loyalty towards beer brands in case of BGI Ethiopia, Hawassa. The study distributed questioners for three hundred eighty-four (384) respondents out of these; three hundred seventy four (374) were only properly filed and respond for the study. In line with this, it carried out by constructing a regression model using SPSS through testing relevant assumptions that were adopted from primary sources of data to have well-built analysis. The overall result obtained from the regression model indicates that product quality, brand image, social media, product price and product availabilityhave positive and significant effects on brand loyalty. The dependent variable is brand loyalty and independent variables are product quality, brand image, social media, product price and product availability in order to attain the objective of the study.Generally, the final finding summary are:

- Brand image has positive and statistically significant effect on brand loyalty. The value of beta in Brand image (β=.163) shows the positive effect of on brand loyalty. Thus, the hypothesis is accepted.
- Social media has positive and statistically significant effect on brand loyalty. The value of beta in Social media (β=.282) shows the positive effect of on brand loyalty. Thus, the hypothesis is accepted.
- Product quality has positive and statistically significant effect on brand loyalty. The value of beta in product quality (β=.165) shows the positive effect of on brand loyalty. Thus, the hypothesis is accepted.
- Product price has positive and statistically significant effect on brand loyalty**.** The value of beta in product price (β=.027) shows the positive effect of on brand loyalty. Thus, the hypothesis is accepted.

Conclusions

The study specifically investigated factors affecting brand loyalty towards beer brands in case of BGI Ethiopia, Hawassa. Through the review of different literature on brand loyalty a total of five dimensions that affect brand loyalty (product quality, brand image, social media, product price and product availability) were identified and tested to understand factors that affect consumer brand loyalty. These dimensions had sub elements that are provided in a likert scale and send to the selected respondents that are taken using convenience sampling technique.

In conducting this study, the required data was obtained through structured questionnaires. The Instrument (structured questionnaires) was adopted from prior related studies, in order to measure all variables of the study. To check the validity and reliability of the adopted instruments validity and reliability test was also carried out. To determine the sample size from the total population of the study, the researcher uses formula based-sample size determination. To select respondents' probability sampling technique was used. Basically, a total of 384 questionnaires were distributed to the sampled Customers, among these 374 questioners were returned. Thus, 374 returned questionnaires were analyzed using statistical package for social science (SPSS version 27). In the analysis descriptive statistics, correlation analysis and regression analysis were performed.

- The result indicates significant association between social media and brand loyalty which implies that an increase in social media lead to enhance brand loyalty due to informing consumers about the existence and benefits of products and services, it facilitates to persuade consumers to buy them
- Brand image has also significant association with brand loyalty. This implies that an increase in brand image, definitely lead to an increase in brand loyalty. It refers that if the brand image of the product increase through the people the brand loyalty of the product will increase also.
- Product quality positive and significant effect on brand loyalty. This implies that an increase in the quality of the product certainly lead to go up in brand loyalty. It refers that the quality of the product will help the customer or other people to be loyal to this product.So that based on quality customer can judge a product as superior or inferior.
- Product price has significant effect on brand loyalty. This implies that the fairproduct price certainly lead to go up in brand loyalty. It refers that if the price of one product high

most of the people will not try it. But if that product price is fair and low most of the consumer will use it and want to try it. So, the consumer becomes loyal to that product.

- And also Product availability has significant effect on brand loyalty. It refers that if the availability of product high most of the customer can get it easily. So, the consumer becomes loyal to that product.

  In general, product quality, brand image, social media, product price and product availability have positive and significant association with customer loyalty

Recommendations

The focus of this research was on BGI beer consumers that could provide useful insight to both practitioners and researchers. The main goal of this paper was investigated factors affecting brand loyalty towards beer brands in case of BGI Ethiopia, Hawassa. As found after analysis product quality, brand image, social media, product price and product availabilityare important factors influencing the BGI beer consumers. Hence, focusing and taking the necessary action on these variables could improve the probability containing the effect on brand loyalty. Based on the findings which are obtained from regression analysis, the researcher has drawn the following recommendations.

- The result disclosed that product quality has significant effect on brand loyalty. Accordingly, the beer industries have to improve the product quality by adding new features that makes the product highly desirable by consumers against other products.
- As social media, it has a significant effect on brand loyalty, so that the beer industries have to advertise using social media in attractive way and truthfully which can provide a better interaction between the consumers and products.

- It is good if breweries wisely choose the proper brand image that is memorable & meaningful and form associations between the brands. The product and its attributes for emerging brands and links to the brand's emotional and self-expressive benefits for differentiation for brands which have only minor physical differences and are consumed in a social setting where the brand can create a visible image about the consumer itself.
- In Hawassa the price of beer is almost the same. However, for a beer brand that can be accessed by everyone proportionately, customers may expect a lower price. Therefore, if companies are interested to attract new customers to their brand they should think of adjusting their price range. This will help companies to target price conscious potential consumers.

To compete and get dominant position in competitive but growing market breweries should innovate products that cater to each of their market segments. The results of this study concluded that there is a significant variation in loyalty for different demographic groups. Thus it is recommended for breweries to reach the loyalty determinants accordingly.

References

Bretous, M. (2021, 03 17). What is Brand Loyalty and How to Build It. *What is Brand Loyalty and How to Build It*, pp. 21-39.

Cook, J. (2021, 12 15). *Understand What Brand Value is.* Retrieved from Investopia: http://www.investopia.com

Debela, H. (2020, September 25). Factors Affecting Brand Preference. The case of Beer Brand in Nekemt Town, Ethiopia. *Factors Affecting Brand Preference*, pp. 4-36.

Gardon, J. (2021). *Brand loyalty*. London: The Business Prefessor.

Jakpar. (2012, March 11). *Factor Affecting Brand Preference: the case of Beer Factory*. Retrieved from grin websit: http://www.grin.com

Kenton, W. (2022, March 24). Types of Brand and How to create a successful Brand Identity. *Marketing Essential*, pp. 1-10.

M.Kopp, C. (2022, june 08). *The Investopia Express Podcast*. Retrieved from Investopia: http://www.Investopia.com

Marion. (2019). Brand Personality . *The Braning Jornal*, 8-20.

Mekonin, G. (2019, April 11). Factos Affecting Customer Loyalty with in Beer Industry inCase of Adis Ababa City. *Factos Affecting Customer Loyalty with in Beer Industry inCase of Adis Ababa City*, pp. 8-24.

Mulugeta Negash, Tesfaye Gedion and Asnake Tsegay. (2016). Levels and Factors of brand Loyalty towards beer Brand: the case of developing country perspective. *Management, African Jornal of Marketing*, 59-69.

Mulugeta, N. (2017, June 10). Levels and Factors of Brand Loyalty towards Beer Brand. *Levels and Factors of Brand Loyalty towards Beer Brand*, pp. 11-52.

Otieno, D. (2018). Factors Influencing Consumer Choice of Beer Brand. In D. Otieno, *Factors Influencing Consumer Choice of Beer Brand* (pp. 1-9). London: bitstream Press.

Park, J. N. (1974). A theory of Multidimensional Brand Loyalty. *The Association For Consumer Research* , 449-459.

staff, S. (2014). *Brand Loyalty*. Washington: Skyword.

Tadese, F. (2015, January 18). Brand Loyalty of the Customer . *Fortune Staff*, pp. 7-16.

Tesfaw, M. (2016, May 10). Investtigating The Factors Underlying Consumers Loyalty of Beer Brand in Adiss Ababa. *Investtigating The Factors Underlying Consumers Loyalty of Beer Brand*, pp. 6-19.

Times, T. E. (2022, December 21). *The Economic Times.* Retrieved from The Economic Times: https://the economic times.com

Wilkinson, M. (2022). *Marketing Experts Discuss the Importance of Brand Value.* Latana.