

# MAJOR FACTORS THAT HINDERING ECONOMIC GROWTH AND DEVELOPMENT OF DIRE DAWA ADMINISTRATION

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## ***Abstract***

*In pursuit of its goal of making Ethiopia a middle-income country by 2025, the government has been investing heavily in economic growth and development, social infrastructures, streamlining the public services, revamping the tax collection system, and supporting small and medium enterprises. It has also prioritized key sectors such as industry and agriculture, as drivers of sustained economic growth and development. Thus, the study was undertaken with the primary objective of assessing these major factors that hindering the economic growth and development of Dire Dawa Administration. Among the existed 28 Public Offices in the study area, the study was considered only Twelve (12) Offices. The primary sources of data were questionnaire and personal interview whereas the secondary sources of data were consisting of Journals, Articles, Government's National Policy and other written materials of the case by different Public Officers in the study area. In the study, questionnaires were distributed to 326 respondents from Twelve (12) Public Offices that selected through probability sampling. Among the respondents, 95.09% of them were filled and returned the questionnaire, while 4.9% of them did not fill and returned back it. For interview, the head from Dire Dawa Administration, Trade and Market Development, Labor and Social Affairs, Civil Service and Good governance, and Finance and Economic Development Offices through non-probability sampling since they are the key role players in administration and implementation of the economic, finance, human resource, political and social affairs related policies, strategies and activities than the others in the study area. The study is significant for Policy makers, researchers and Public Offices in Dire Dawa Administration. According to the findings of the study, these major factors that hindering economic growth and development of the study area were includes poverty, corruption, political instability, population size, unemployment, lack of modern technology and lack of Good governance.*

***Key words: Factors, hindering, economic, growth and Development***

## 1. Background

Naturally, human beings have sought the way how to improve their lives and living standards. To this end, development has become a primary goal of every nation. The aspiration for economic growth is the result of the past life experiences seen in the form of sustained elevation in an entire society towards a better life. The basic function of all economic and development activities is to provide many people with a means enough to meet their basic needs and high level of material prosperity that guarantees worthiness and esteem. Moreover, economic growth and development increases the range of human choices, *i, e*, freedom (Todarro et al, 2009).

According to Alina Haller (2012), economic growth is the process of increasing the sizes of national economies, the macro-economic indications, especially the growth domestic product (GDP) per capita income, in an ascendant, but not necessarily linear direction with positive effects on the economic-social sector, while development shows us how growth impacts on the society by increasing the standard of life. Economic growth is a complex and long-run phenomenon which is subjected to the constraints like: excessive rise of population growth, limited natural and artificial resources, inadequate infrastructures, inefficient utilization of the existed resources, excessive governmental intervention in the market, institutional and cultural models that make the increase difficult. Economic growth can be obtained by an efficient use of the available resources, increasing the production capacity of the country and facilitates the redistribution of incomes between the societies (Teshome Amado, 2018). On the other hand, it is no doubt that Ethiopia is one of the poorest countries in the World. But, to promote the country's economic growth and development, in the year 2000, FDRE Government was formulated eight Millennium Development Goals which includes eradication of extreme poverty and hunger. In addition, the government was developed the First Growth and Transformation Plan which covers the period from the year 2010/11 up to 2014/15 that was aimed to capitalize on the positive economic growth outcomes attained in the last decades by bringing about the trans-formative structural changes to become a middle income country by the year 2025. Apart from, the Second Five Year Growth and Transformation Plan of the country that covers the period from 2015/16 up to 2020 was also planned to consolidate the improvements of economic growth and development of Ethiopia (MoFED, 2012). To achieve its goal, the government was built a free market economy whereby rapid economic growth and development is guaranteed to ensure Ethiopian economic independence while the country is facing different contradictory challenges like drought,

lack of accountability, corruption, high unemployment rate, drugs, illicit trade, poverty, scarcity of the needed infrastructures which includes electricity, road, school, health centers, shortage of food and clean water to promote the national economy as is planned (Tsegai Berhane, 2017).

## **2. Research Design**

Research design is the conceptual structure within which the research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari C.R, 2004). In the study, as it illustrates the relationship between dependent and independent variables in addition to describing of the present state of affairs as it exist, descriptive research design was employed.

### **2.1 Research Methodology**

Research methodology is a method of systematically solving the research problem. It helps the researchers to know not only the research methods, but also the methodology (Kothari C.R, 2004). Thus, in the study, the researcher shows the procedures that should be followed to tackle the factors that hindering economic growth and development of Dire Dawa Administration.

### **2.2 Sources of Data**

To achieve the objective of the study, the researcher used both primary and secondary sources of data. Accordingly, the primary sources of data were questionnaire and personal interview, while the secondary sources of data were Journals, Articles, Government's National Policy and other written materials of the case by different public officials in the study area.

### **2.3 Sample Size**

According to Kothari C.R (2004), non-probability sampling is the sampling procedure which does not afford any basis for estimating the probability that each item in the population has of being included in the sample. Thus, in the study, the researcher employed probability sampling and selected Twelve (12) Public Offices from the total existed 28 Offices. Then, the total number of the study population and sample size from these selected Offices were 326.

### **2.4 Instruments of Data Collection**

#### **2.4.1 Questionnaire**

Questionnaire is the most important approach through which primary data can be gathered from the concerned respondents (Kothari, 2004). Thus, the questionnaire was organized into open and close-

ended structure. Then, to minimize the difficulties which the respondents may feel in understanding of the questions, explanation was given to three enumerators by the researcher. In the study, from the total existed 28 Public Service Offices, Twelve(12) Offices; Educational, Agriculture, Water, Mineral and Energy, Irrigation Development Authority, Small and Micro-Enterprises, Revenue Authority, Technical and Vocational Training Center, Justice, Transport Agency, Youth and Sport, Irrigation Development Authority, Women and Children Affairs were selected through probability sampling. Then, the enumerators distributed questionnaire for the study population. Accordingly, the questionnaire were filled and returned back by 310 (95.1%) respondents while it was not filled and returned back by 16(4.9%) of them.

#### **2.4.2 Interview**

Interview is an important data gathering technique involving verbal communication between the researcher and the subject. To select the key informants, the researcher used non-probability sampling since it involves the identification of who are the major stakeholders are; who are involved in designing, giving, receiving, or administering the program or public service being evaluated, who might otherwise be affected by it (Palys T.,2008). Thus, personal interview was conducted with the head of Dire Dawa Administration, Trade and Market Development, Labor and Social Affairs, Civil Service and Good governance, Finance and Economic Development Offices since they are key role players in administration and implementation of the economic, finance, human resource, political and social affairs related policies, strategies and activities than the others in the study area.

#### **2.5 Data processing and Analysis**

In the study, the researcher used both quantitative and qualitative approaches simultaneously as its combination provides better understanding of the research problems than either approach alone. After data collection, the collected data was edited, coded, classified and triangulated with a view of reducing it to manageable proportion. Thus, SPSS (Statistical Package for Social Sciences) version 20 Computer software was employed to analyze and interpret data to draw the standardized and valuable conclusion.

### **3. Ethical Considerations**

Prior to collecting data from the respondents, the researcher explained to the enumerators the objective of the study, and how the findings would help them and the country at large. There were some ethical issues that get considerations while collecting data for the study. Consequently, there should be care for the confidentiality, avoidance of coercion, showing patience and respect for the culture and

personality of the respondents, and writing their name is optional in order to save their privacy and this contributes for acquiring more accurate information as the respondents feel free while giving their opinions.

## **4. RESULTS AND DISCUSSION**

### **4.1 Demographic information of the Respondents**

From the respondents, 193(62.25%) are Male whereas 117(37.75%) are Female. Also the finding of the study indicates that; the large number of the respondents were found in the age bracket of above Forty(>40);160(51.62%). Academically, from the respondents, 193(62.3%) of them were BA/BSc Degree holders, while the others; 87(28%) and 30(9.7%) are Diploma and MA/MSc Degree holders; respectively.

### **4.2 Major Factors that Hindering Economic Growth and Development in the Study Area**

#### **4.2.1 Poverty**

In Ethiopia, the shift in political institutions in 1991 was accompanied by the major economic reforms which include currency devaluation, trade liberalization and deregulation of markets and removal of restrictions on private sector participation. To change the existed extreme poverty in the country, most importantly the government was demonstrated unprecedented commitment to public investment in economic, social, health, education and other needed infrastructures (Admasu Shiferaw, 2017). Furthermore, now a days, the government is implementing the Second Growth and Transformation Plan that spans from 2015/16 –2019/20 and one of its pillars is to make a breakthrough in light manufacturing so as to increase exports and the share of the industrial sectors which aids the transformation agenda. Hence poverty is a multidimensional phenomenon, it consists lack of health care, scarcity of nutrition and schooling. Lack of income and assets to attain human basic necessities, lack of access to education and other basic services, and vulnerability to adverse shock are the main causes of poverty in the country (Upreti Parash, 2015).

In my study, the findings of the study reveals that poverty is the hindrance of economic growth and development of Dire Dawa Administration because of the present economic inequality within the society which comes from lack of fair distribution of resources and expansion of illegal trading. Besides, my key informants were replied that the existed extreme poverty is one of the factors that hindering economic growth and development of the study area, while it is possible to overcome it by

developing a culture of hard working, anti corruption sprit, accountability and transparency within the society.

#### **4.2.2 Corruption**

Corruption is the hindrance of economic growth and development in the country. For instance, Mauro Paolo (1995) studied about 67 country's corruption and growth, and concluded that; the annual economic growths of these developing countries were increased in 1.3%, where corruption was reduced by one standard deviation. Poor countries that have people of different economic backgrounds, culture, language, religion, custom, norm and values are more vulnerable to corruption. Accordingly, Ethiopia is the country with diversified economic backgrounds, culture, language, religion, custom, ways of life, norms and values.

Regarding to this, according to my study, there is high manifestation of corruption acts which is affecting the society's economic growth and development in Dire Dawa Administration because of the existed maladministration or abuse of power by the public bodies, and this is contributing to the expansion of youth unemployment rate and less daily income. Besides, as my key informants, there is lack of equal treatment of the customers by most of the public officers as they are less accountable and transparent in their workings. However, to minimize the acts of corruption and its impacts on economic growth and development, implementation of effective check and balance system through anti corruption commission is the best measurement. But, this is not the only way, also it needs to realize the rule of law, equity and justice. In addition to this, there is possibility to limit the impacts of corruption through creation of a citizen with good ethics/behavior.

#### **4.2.3 Political instability**

Some of the root causes of the political instability in Ethiopia were includes marginalization and social exclusion, lack of public engagement and the growing challenges of youth unemployment rate. Therefore, to minimize these political challenges, the government were planned to enhance the space for political electoral competition, while sustaining internal stability, deepening the process for independent domestic electoral observation, broadening space for civil society, media to improve access to information and data, enhancing public accountability and efficiency in the delivery of policies, services and development results (UNDP, 2018). Yet, especially from the year 2005 up to now a days, there are different challenges that the government is facing. For example, after the end of

the 2005 election, the government faced opposition from the people especially in Addis Ababa and violated human Rights and freedom to revenge the protest.

In addition to this, from the year 2014 up to 2016, there was a popular protest especially in Oromia Region against the government's plan which is called "Master plan of Addis Ababa". Therefore, the existence of such internal political instability and was led the country to the financial crisis that hindering the country's economic development in generally, whereas Dire Dawa Administration is shared such challenges. On the other hand, also most of the opposition political parties were denied politically by the government up to the year 2018(resign of FDRE Prime Minister Haile Mariam Dessalegn from the power) since the main reason for such political instability was lack of democracy. Also, according to my key informants, realizing political stability is a vital issue to discharge the daily office duties and increase customer's satisfaction than engaging on the settlement of the existed political instability. To stabilize the politics of Ethiopia, for the government, it needs to have discussion with all concerned bodies like elders, youths, politicians, professionals, religious leaders, practice democracy and good governance.

#### **4.2.4 Population Size**

According to UNDP (2018), Ethiopia's growing population size is in risks that jeopardizing the tremendous social and economic gains that have been achieved over the past decades. The present high population rate will place increasing pressures on the country's natural resource base and significantly expand the numbers of young Ethiopians needing educational services and basic health care, not to mention straining the labor market which already fails to provide the young with sufficient employment opportunities. According to Assefa Hailemariam(2016), the Ethiopian government promulgated its first ever explicit, comprehensive and multi-sectoral population policy in 1993 which was aimed at harmonizing population growth rate with that of the economy and the capacity of the country for sustainable socio-economic development. Thus, reducing fertility rates and expanding contraceptive coverage to more Ethiopian women in socially responsible ways should be a high priority of the government.

In my study, it was adverted that majority of the respondents have a large family size of 6-8 as they did not have family planning which contributes to the reduction of population size of the country. Even though the government is expanding contraceptive coverage to the women while majority of the

women are not interested to use it as they considered using of contraceptive is against their religious command of Holly Quran (Sharia) and Holly Bible.

#### **4.2.5 Youth Unemployment**

As it is stated by Berhanu D., Abraham T. and Hannah van (2005/07), in Ethiopia, unemployment is continued to be a serious economic and social problem despite some improvements in the recent years. The presence of high youth unemployment rate is mainly the result of rapid population and limited employment generation capacity of the modern industrial sector of the economy. Employment provides an important linkage between economic growth and poverty reduction by allowing the poor to generate income. As asserted in the Plan for Accelerated and Sustainable Development to End Poverty, the government gives due emphasis to the employment creation; both in the context of poverty reduction through creating employment opportunities for youths and using labor resource for growth as one of the most important resources the country is endowed with while the labor force grows with an increasing proportion of youth, employment growth is inadequate to absorb the current labor market entrants. As a result, youth are especially affected by unemployment (NEPE, 2009). Besides, my study shows that, in Ethiopia; including in Dire Dawa Administration there is high youth unemployment rate which is highly hampering the economic growth and development of the country. According to my key informants, the number of unemployed youth is highly increasing from time to time and such problem is frustrating economic growth and development of Dire Dawa Administration. However, youth unemployment can be reduced through expansion of entrepreneurship, increasing small and microenterprises, developing innovation, encouraging private sectors, investments and ...etc.

#### **4.2.6 Lack of Good Governance**

Good governance is the most important factor in eradicating poverty and promoting development. In order to achieve both economic growth and development, strengthening good governance is assumed to play a key role especially in mobilizing human and capital resources of the country as good governance is helps to promote accountability, transparency, participation, efficiency and effectiveness, equity and inclusiveness, justice, responsiveness and rule of law in public institutions. On the other hand, bad governance stifles and impedes economic development. In those countries where there is lack of good governance, growth and development inevitably suffers (Fikre Fikadu, 2014). Furthermore, lack of good governance is emanated or originated from our society's lack of culture of democracy and abuse of power is the one among the factors; which is highly challenging the

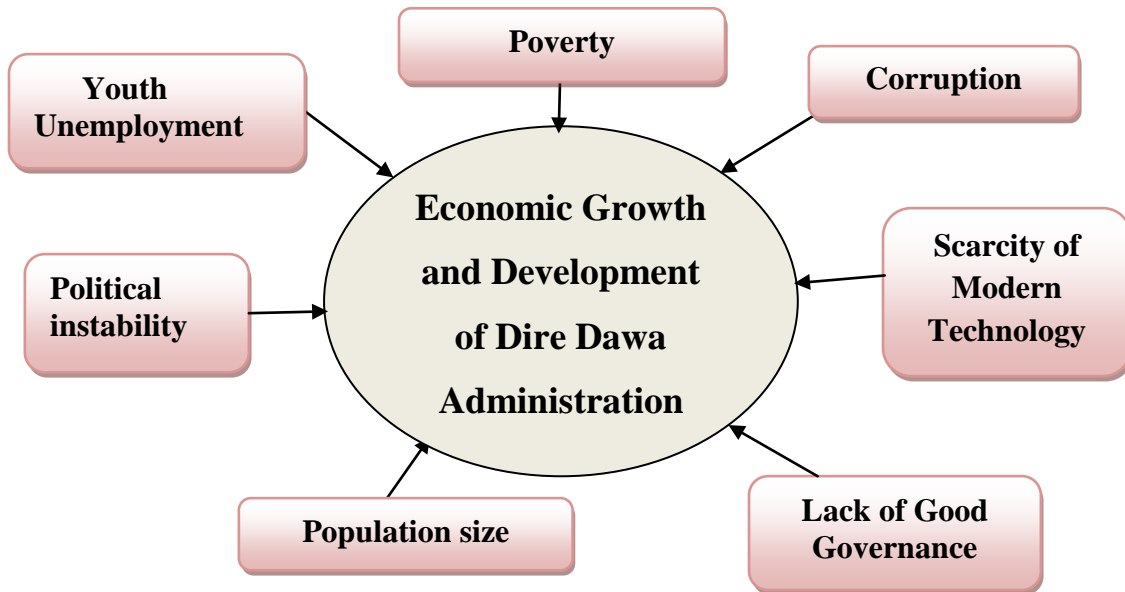


government to boost the general economic growth and developments of the country in Ethiopia. Democracy and good governance is inseparable in its nature. Because, both shares many principles with each others like citizen's participation, the rule of law, transparency, responsiveness, consensus oriented, equity and inclusiveness, effectiveness and efficiency, equality, tolerance and accountability. As a result, if there is democracy, there is good governance and if there is good governance, there is democracy. Thus, developing the culture of democracy is the best solution to tackle the problem of lack of good governance.

#### **4.2.7 Scarcity of Modern Technology**

The relationship between technology and economic growth has been captured in a vast number of formal models for almost half a century. Technology is considered as one of the key factors that influences economic growth and development of the country. Even if it is the factor in economic growth and development, from region to region, technological progress is varies according to the intensity and forms of its realization. Now days, developed countries have a monopoly on the sources of technological development and export of modern equipment and technology, while developing countries are technologically dependent on developed countries (Todorov, 2002). Concerning the country's economic growth and development, in my study, I found that the availability or scarcity of modern technology determines the speed of economic growth and development of the country. Hence, the country with more modern technology is economically more advanced or developed than these countries with less and sub-standardized technology. According to my key informants, scarcity of modern technology is the most hindrance of both social and economic developments. On the other hand, these countries with less technology are highly affected by lack of the needed number of skilled man power in technology itself.

**Figure 1:** Summary of Major Factors that Hindering Economic Growth and Development of Dire Dawa Administration



**Source:** Researcher's own construction

## 5. CONCLUSION

In economics, growth is commonly modeled as a function of physical capital, human capital, labor force and technology. Economic growth is an increase in the production of economic goods and services with its quantity compared from one period of time to another. It is quantitative change, while economic development is qualitative change of the economy. The common ways to generate economic growth and development were includes an increase the amount of physical capital goods. The process of economic growth is a highly complex phenomenon and is influenced by numerous factors. Now days, Ethiopia is doing to foster its economic growth and development to become the country with middle income while varies factors were hindering its economy in generally, and specifically in Dire Dawa Administration. Thus, the study was conducted with the objective of assessing major factors that hindering economic growth and development of Dire Dawa Administration. As my study illustrated that; the major factors that hindering economic growth and development the study area were includes poverty, corruption, high population size, unemployment, political instability, lack of good governance and scarcity of modern technology.

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