

# Innovations

## Assessing Effect of Marketing Practice on the Business Performance of Micro and small enterprise (MSE) in Shashamenne town, Ethiopia

### Addisu Bekele Demie

lecturer, Madda Walabu University, Marketing Management Department.

E-mail: [bekeladdis@gmail.com](mailto:bekeladdis@gmail.com)

### Co- researcher\_Elia Muhammed

lecturer, Madda Walabu University, Marketing Management Department.

E-mail: [melias192@gmail.com](mailto:melias192@gmail.com)

### Nurhuseen Endris

lecturer, Madda Walabu University, Accounting and finance Department.

E-mail: [nuruendri04@gmail.com](mailto:nuruendri04@gmail.com)

### Habtimer Mekonnen

lecturer, Madda Walabu University Economic Department.

E-mail; [habtimer@gmail.com](mailto:habtimer@gmail.com)

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**Abstract:** *The main aim of this study is assessment of the effect of marketing practice on the business performance of micro and small MSE in shashemanne town, Ethiopia. In order to make the study being manageable it is necessary to define the delimitation of the study. Thus, the study were delimited conceptually, methodologically, time and geographically. Descriptive research design was applied. Both qualitative and quantitative types of data were used. Primary and secondary source of data was also applied. The target population for this study includes MSEs, workers, manager and owners of robe town micro and small scale enterprise office. The researchers was employed, both probability and non-probability sampling design, Proportionate Stratified sampling and Purposive sampling technique was used. The sample size of the study includes 10 government official from the sector leading organization and 319 from the Mse employees. Descriptive and inferential analysis was used. The model summary indicate the  $R^2= 51.9$  percent means that the total variation in the dependent variable (business performance is explained or caused by 51.9 percent of the change in all independent variables: MS, MC, AM, MMS and INF in connection with business performance of SME. The major finding of the study indicate that Marketing skill or hesitant to analyze existing business opportunities, managerial capacity are very critical for the them, poor infrastructure, problem of proximity to buyers and the following recommendation was forwarded based on the finding, MSEs are seen as an essential springboard for growth, job creation and social progress, solving shortage of local supply needs, provide training facilities and promote experience sharing programs, increase the capacity, knowledge and skill of the operators, experience sharing from successful enterprises*

**Key word;** 1.micro and small enterprise, 2.marketing skill, 3.marketing efficiency, 4.business performance, 5.marketing practice

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## Background of study

The Micro and Small Enterprises (MSEs) sector is identified as a tool in bringing about economic transition by efficiently using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology (Wolde & Geta, 2015). The sector is also described as the national home of entrepreneurship; they are the primary vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations (Katua, 2014).

In cities and towns of Ethiopia, Micro and Small Enterprise (MSEs) and informal sector in general are the predominant income generating activities; they have a significant contribution to local economic development and used as the basic means of survival (Elias, 2005). The World Bank's Committee of Donor Agencies for Small Enterprises Development (Donor Committee) in 2001 identified the most important interventions to enable MSEs to improve their performance.

The government of Ethiopia outlined MSEs development strategy in 2004 GC and set up Federal Micro and Small Enterprise Development Agency (FeMSEDA). The regional states also developed MSE promotion strategies based on their context, and in tandem with the federal MSEs development strategy. The states structured Regional Micro and Small Enterprises Development Agencies (ReMSEDA) to facilitate implementation of the strategies. (Gebrehiwot and Wolday, 2004) In Ethiopia, it is widely recognized that, the government and donors have supported Micro and Small Enterprise (MSE) in a variety of ways, which include both financial and non-financial service, they have understood that non-financial service currently known as business development services (BDS), is among the important factors that can improve the performance of MSE operators in the country. (Gebrehiwot and Wolday, 2004).

Despite the recognition of the significances of MSEs, the continuity and performance of the sector graduation from one enterprise level to the next is not effective. Marketing practice blends with other activities in the performance and survivals of MSE's but it is essential to understand its context especially referring to managerial capacity, marketing practice and marketing approaches as well as business performance. Statistics have shown that very few of these businesses survive long enough to even reach their potential. This indicates that MSEs owners and managers, micro and small enterprise development offices, the government and other stakeholders have little awareness on marketing practice and its influences on growth and sustainability of the enterprises in general and marketing efficiencies in particular. Moreover, assessing the effect of marketing skill, Managerial capacity, marketing productivity, marketing strategies and overall sales turnover, and profitability are essential elements in business performance of entrepreneurship which generates a market competitive advantage of a company. Thus, the objective of the study is to assess the effect marketing practice on business performance of MSEs.

## Problem Statement

In Ethiopia, MSE is one of the sector given recognition in the country economic development plan, and believed that it serves as vehicles reducing poverty and unemployment at urban center and as it reinforce the economic development. MSEs may offer the best products (services or physical object), but without marketing none of potential customers would know about it and sales may crash and they may have to close. Marketing practices have been found by several scholars to have great impact on business performance (Blankson & Stokes, 2002; Ellis, 2005; Blankson & Omar, 2002; Jayawarna, J. et al., 2014) and to ensure business survival in most industries.

The business activities and marketing practices of micro and small enterprises according to Blankson and Omar (2002) argued that even though most of the economies are dominated by micro and small scale businesses, marketing is vital and a very important practices to their business performance and survival of the business. Moorman and Rust (1999), explicitly argued that marketing activities or practices are very crucial and essential for many businesses as it ensure the connection between the prospective customers and the organization as a whole. As noted by Ellis (2005); Moorman and Rust (1999) stated that, in developing economies, marketing practices when implemented well improves businesses performance of MSEs. Ethiopiangovernment has developed support service programs to enhance the growth and profitability of these enterprises in all over the country (Mulate, et al., 2006).

However, no study were focus on assessing the effect of marketing practice on business performance of MSEs and studies such as Bereket (2010) and Tekle (2014) are directed to roles of micro and small enterprises in employment creation and contribution of Micro and Small Enterprises to Local Economic Development respectively. As the matter of fact, lack of awareness of concerned bodies about marketing practice on business performance of MSEs would undoubtedly need to take measures against problems. These would obviously hinder marketing practice efficiency and resulted in failure of these enterprises. Hence, the development of MSEs' marketing abilities and marketing knowledge within the MSE sector is essential and this study therefore, seeks to investigate into effect of marketing practices of micro and small scale firms and its impact on their business performance in shashemanne town.

### **Research question**

1. How access to market influence business performance of MSEs in shashemanne town?
2. How does the lack of marketing skill influence the marketing practice of MSE owners/managers to do business more effectively in shashemanne town?
3. What are the marketing strategies and tactics used by MSE owners/managers to cope with marketing difficulties in shashemanne town?
4. What is the role of managerial capacity which influences the business performance of the MSE?
5. What is the relationship between marketing practices and business performance of MSEs?

### **Objective of the study**

#### **Main objective of the study**

The main objective the study is to assessed the effect of marketing practice on the business performance of MSE in shashemanne town

In order to handle the research questions and realize general objective stated above the study was deal with the following specific objectives:

- To assess effect of marketing access to the failure of MSE in shashemanne town.
- To explain lack of marketing skill effect on marketing practice of MSE of owner/manager to do business.
- To examine marketing mix strategies and tactics used by MSE to cope up with marketing difficulties in shashemanne town.
- To examine the role of managerial capacity in improving the business performance of MSE.

## Material and method

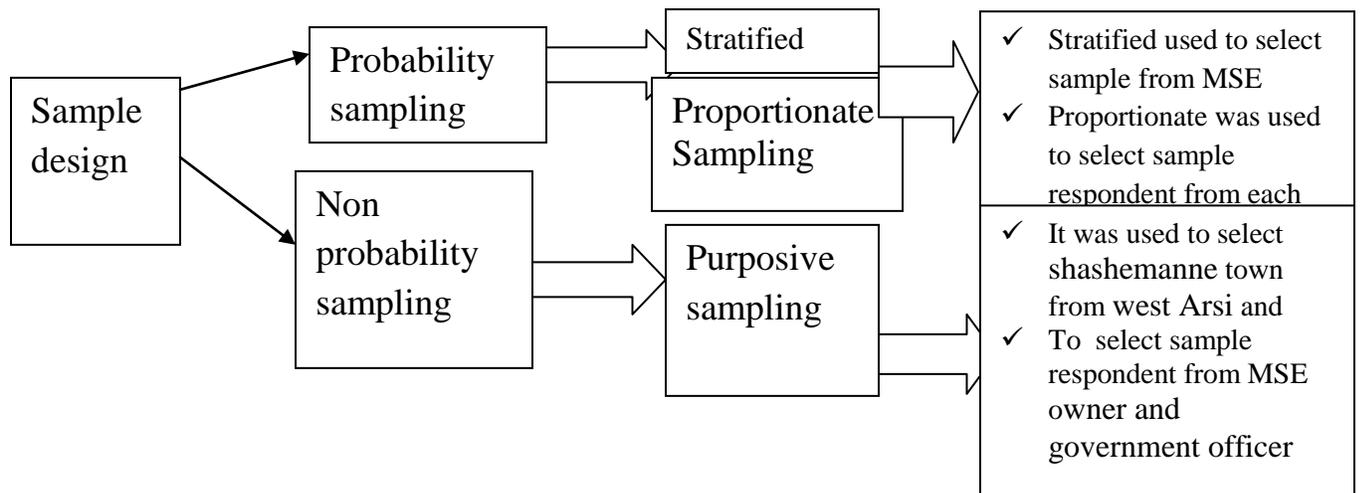
### Description of the study area

Elderly key informants reported that the name Shashemene relates to a women called Shashe, who used to sell tella (local alcohol) and tobacco at a place now named Arada. Her customers used to call her place Mana Shashe – in Oromo Language meaning “Shashes’ house”. It was from this word Mana Shashe, that the town got its name. Many believed that she was among the first settlers of Shashemene in the first decade of the twentieth century, when the town was believed to have been founded. Politically, Shashemene remained a Centre for Zonal and Rural Woreda administration and it was only in the year 2003 that the town of Shashemene was restructured with an independent authority from the Rural Woreda. Since then it has being governed by a town mayor. The new administration of the town is now accountable to Oromia Regional state. Many agree that in the last two years there have been significant developments in the town, among which the most remarkable one is the implementation of the master plan.

### Method

In order to achieve the objectives of this study and thereby provide solution to its problems, both qualitative and quantitative research approach was used by the researchers. To identify effect of marketing practice on the business performance of MSEs in shashemanne town, descriptive research design was applied. Because, these design concerned with describing the characteristics of particular individual or group in sample. Both qualitative and quantitative types of data were used. Primary and secondary source of data was used to meet the objective of the study. The source of Primary data for study was collected from micro and small scale enterprises and manager of the MSE through the use of schedule and structured interview and the secondary data were collected from different sources such as, websites, books, brochures, magazine, newsletter, journals, and article. The target population for this study includes MSEs, workers, manager and owners of robe town micro and small scale enterprise office.

The researcher was employed, both probability and non-probability sampling design. Proportionate Stratified sampling from probability sampling were applied and Purposive sampling technique is used because the sample is selected by some arbitrary method because it is known to be representative of the total population and the idea is to pick out the sample in relation to criterion which is considered important for the particular study.



The sample size of the study 319 from the employee of MSE and 10 from the government official. Data was collected from Mses Owner, employees and government officer of MSEs of shashemanne town through the use of structured interviews and schedules which are designed in English and translated to Amharic and Afan oromo to get required data. The quantitative data was analyzed by descriptive statistics instruments such as frequency distribution, mean and charts. The descriptive analysis includes mean, standard deviation, frequency and percentage. The inferential analysis of the survey data and variables for the study was apply in collaboration with some important tests such as validity and reliability of data. The correlation and multiple regression analysis between variables are included, because it helps to show association or relationship between variables.

## Result and Discussion

### Demographic Characteristics of the Respondent

**Table 4.1: Gender of Respondents**

Characteristics		Frequency	Percentage
Gender of the respondent	Male	180	56.25
	Female	140	43.75
	<b>Total</b>	<b>320</b>	<b>100</b>
Age	20 -29	40	12.5
	30 - 39	50	15.625
	40 - 49	120	37.5
	50 - 59	65	20.32
	60 and above	45	14.06
	<b>Total</b>	<b>320</b>	<b>100</b>
Educational background	Certificate	60	18.75
	Diploma	84	26.25
	Degree	156	48.75
	Master	20	6.25
	<b>Total</b>	<b>320</b>	<b>100</b>
Marital status	Married	150	46.785
	Single	100	31.25
	Widow	50	15.625
	Divorced	20	6.25
		<b>320</b>	<b>100</b>
Income per year	Under 20000Br	42	13.125
	20001 - 40000	100	31.25
	40,001-80,000br	165	51.5625
	Over 80,001br	13	4.0625
		<b>320</b>	<b>100</b>

Table 4.1 presents the background information of the respondents of the study. The survey showed that there were more males as compared to females. Male respondents represent 56.25 Percent, and the rest 43.75percent were females. This implies that the government needs to encourage female participant

through increasing the awareness on the benefit of participating in SMEs activity and increasing their role in the country's economic development.

As far as age of respondents is concerned, 12.5 percent of the respondents are in the range of 20 - 29 years, 15.625 percent are in the range of 30 – 39 years, 37.5 percent are in the range of 40 -49 years, 20.32 percent are in the range of 50 – 59, 14.06 percent of the respondents are above the age of 60 years. As the result of the study shows most of the participants are between the age of 30 -49 years. Thus, encouraging the youngest people who are more productive and creative, it is possible to bring sustainability in the SMEs in our country. Ansah (2015:15) added in his study that, age between 30-39, were so powerful in marketing the product because at these ages they were not afraid of taking risks in their businesses because they were added more attractive ideas to their product

According to an analysis of Table 4.1, 60 participants (18.75 percent) were in possession of certificate, 84 (26.25 percent) who had a Diploma, 156 (48.75 percent) were in the possession of Degrees followed by 20 (6.25percent) who had a Master's Degree. Thus form the above result the researcher conclude that encouraging more educated professional to participate in SMEs help develop the sector and make the sector more productive, therefore, promoting the benefit of the sector help to attract more educated individual and this can push as to change the attitude of the community towards the SMEs.

As it was depicted in the above table 4.1 most the respondent are married with the percent of 46.78 and followed by single or which are not married are 31.25 percent, 15.63 percent of the respondent are widow and the rest are divorced with the percent of 6.25. Thus form the above finding we can conclude that most of the participants of the MSE participant are married and single individual; this can help them to more success full in their work.

Table 4.1 indicate that most of MSE obtain income of 40001 – 80000 per year (51.56%), 31.25% of the respondent aid they obtain 20001 – 40000 income per year in average, 13.13 percent of the respondent said that they can obtain the under 20000 per year and only few of them said that they can obtain the income of over 80000 birr per year. As we can understand form the above finding the income they obtain per year is need to be improve by give training and technical support for the MSE to support they get more income from their work and support the economic change in the country economy.

## Descriptive analysis of factor in marketing practice of Mse

### Marketing Skill

Hence, responses for questions asked to identify whether MSEs analyze existing business opportunities, perform market segmentation and identify the target market that can be best served by their business were retrieved and analyzed in the following manner (table 4.2)

**Table 4.2 Marketing skill**

	Item	Frequency	Mean	STD
1	Analyzing existing business opportunities'	3202.55	1.50	
2	Identifying the target Market	320 2.6	1.47	
3	Market Segmentation	3202.56	1.45	
4	collecting properly marketing information	3202.65	1.50	

Source: Own survey:2020

Accordingly, as shown in table above, Analyzing existing business opportunities' with the mean value (2.55), identifying the target Market (2.6), Market Segmentation based on the selected variable (2.56) and collecting properly marketing information (2.65). The mean score of all marketing skill factors are below mean value indicating that managers have low Marketing skill or hesitant to analyze existing business opportunities, segment their market and identify their target market that can be best served. Thus, marketing skill is very critical for good performance of the small and medium enterprise for the success and to stay in competition in current stiff and hazardous competition. As described by Murphy (2006, 13-14) Marketing skill of MSE determines in the long term, whether the business will succeed or go under. According to Van Scheers (2012) the lack of marketing skills has a negative impact on the success of small businesses.

**Managerial Capacity**

Table 4.3 below clearly shows that MSE’s managerial capacity to developing annual Marketing plan for their business has mean score of 2.66, capacity to developing strategic marketing plan for their business has a mean score of 2.57, developing marketing strategy for business has mean score of 2.51, and developing evaluation and control programs for business has mean score of 2.69, all lowest. This indicates that regardless their educational competency, managerial capacity of owners/managers of MSEs is unfavorable or most managers/owners of the enterprises are hesitant in planning, implementing and controlling their market.

**Table 4.3 Managerial capacity**

Items	Frequency	Mean	STD
Lack of Developing annual Marketing plan for your business	320	2.66	1.38
Lack of Developing strategic marketing plan your business	320	2.57	1.30
Lack of marketing strategy for business	320	2.50	1.45
Poor evaluation and control programs for business	320	2.50	1.30

Source: Own Analysis; 2021

The result of the study also support by the scholars assumption like Aylin (2013) state that management skills are a crucial factor for the growth of MSEs and that the lack of management skills is a barrier to growth and is one of the factors that can lead to failure.

**Infrastructure**

Regarding the infrastructural factors shown in table 4.9, Power interruption with standard mean 3.24, insufficient power supply with mean score 3.2 and inadequacy of water supply with standard mean of 3.39 and poor road availability to their place work are exert more challenges to undertake their activity and to compete with the competitor in the market place. Thus the marketing manager of the SME needs to select appropriate place where they are able to sell their product and beat the competition. Hence infrastructure is the backbone for the success of any business holder, since they can produce and deliver their product through this infrastructure.

**Table 4.4 about infrastructure**

Factors	Frequency	Mean	SD
Power interruption	320	3.25	1.23
Insufficient power supply	320	3.45	1.2
Inadequate water supply	320	3.3	1.3
Poor road availability	320	3.56	1.21

**Market Access**

Access to market can be related to location and transportation facilities where large buyers can participate in buying. transportation facilities have a vital contribution for being finding new markets at new places and importing cheaper raw materials from where it widely available which resulted in using cheaper raw materials for reducing costs of production which in turn decrease the price for products and then increase market demand and revenue of enterprises. In addition to transportation facilities, location of the business can play a central role in marketing of MSEs. Those MSEs located in urban and nearer to urban or commercial areas are more likely to survive than their counters in rural areas. Those that operate in commercial districts or on road sides typically show greater growth rates than those that are based on their home, although it can vary at the country level (Liedholm, 2002).

**Table 4.5 Access to market**

No	Items	Frequency	Mean	SD
<b>Access to market</b>				
1	There is insufficient and quick transportation service to reach market	3203.651.32		
2	Lack fast communication system to access market information	3203.871.21		
3	For our product we lack to the market with few effort	3203.651.12		
4	There is poor alternative market to sell our product	3203.541.11		

According to Sgustafson (2012), economic growth in developing countries is often constrained by a lack of access to regional and global markets. Without reliable access to fair, transparent markets, the poor in developing countries stand little chance of escaping poverty and hunger. Furthermore, Enterprises can provide quicker delivery to buyers if they are closer to buyers than are producers. However, there are various constraints to market access of which some are Poor infrastructure, location of the business itself, problem of proximity to buyers. Clough (2011) stated that location of the business can play a role in their customer reach. If a business located on a main route people from other towns may purchase their products and recommend them to other people further away. For businesses located in rural areas there are notal ways as many institutions and commercial businesses close by compared to those in more urban areas or commercial centers and they may rely on local households as their main source of customers.

Keeble (1997) also predicted that MSEs located in urban areas typically have a relative ease of access to customers and the inputs required to produce goods or services. MSEs located in urban areas may benefit from –agglomeration economies|| and spatial externalities (i.e. specialized infrastructures, information, network of suppliers, specialized labour, specialized knowledge, concentration of existing exporters, etc). Strassmann (1987) suggests that home-based enterprises in commercial areas generate more income than similar enterprises in more remote areas.

**Relationship between Marketing Mix and Business Performance**

The study finally sought to determine the extent of the relationship between marketing mix and business performance. The findings from the analysis showed a positive and a moderated relationship between marketing mix and customer acquisition and retention as a business performance again there was a significant relationship generally between marketing mix, sale turnover and overall profitability. However, these findings generally support studies advocating for the use of marketing mix to improve business

performance (Jayawarna et al., 2014). Starting with the relationship between marketing mix and business performance, this found that marketing mix significantly affects customer acquisition and retention.

**Table 4.6 marketing mix strategies of MSE**

	Likert scale Items	Freq	mean	STD
<b>1</b>	<b>Product (Good and Service)</b>			
	Lack of Offering a broad product line	320	3.45	
	Lack of Developing product that have a broad market appeal	320	3.56	
	Lack of Regularly introduce new product to the market	320	3.32	
	products are not well branded	320	3.68	
<b>2</b>	<b>Pricing of the product</b>			
	High costs of local supply (Raw material) have been influencing pricing of product or services in your business.	<b>320</b>	<b>3.52</b>	
	Lack of fixing our prices based on events in the market	<b>320</b>	<b>3.35</b>	
	prices are not favorably compared to our competitors	<b>320</b>	<b>3.67</b>	
<b>3</b>	<b>Promotion efforts</b>			
	Lack of promoting products are sufficiently promoted through Bazar	320	3.45	
	Lack of promoting products are sufficiently through exhibition	320	3.64	
	Lack of Periodic sales promotional activities	320	3.33	
	Lack of doing personal selling	320	3.69	
	Lack of giving discount on bulk purchase to increase sales	<b>320</b>	<b>3.53</b>	
<b>4</b>	<b>Placement</b>			
	Lack of Marketing linkage between your enterprise and other MSEs	320	3.65	
	Lack of sufficiently liked with markets such as, whole sales or retail business firms	320	3.45	
	Lack of Enough market access to sell your product/service	320	3.325	
	Provided with a place (shade) for selling your product/service.	320	3.45	

**Source; own analysis**

Table above clearly shows that MSE's there is lack of offering a broad product line with mean value of (3.45), lack of developing product that have a broad market appeal (3.56), lack of introducing regularly new product to the market to compete with the competitor (3.32) and lack of well branded product (3.68) are which are by the study from the response of the sample respondent.

Kotler and Armstrong (2004) note that product development is the strategy for company growth by offering modified or new products to the current market segment in the small business sector, Ogundele (2007) notes that a well-organized product development program might even enable a firm to copy other attractive innovations quickly and profitably, because of the simple and dynamic structure of small business organizations.

For the businesses product is very important to the survival of the business because all the other component of the marketing mix have been stands to the side of price, the promotion and distribution are all possible and done only when there is a product and it is the initial or starting point of the business growth. It is to be noted that the listed marketing practice around the product are intended to ensure that the product gain customers'

acceptance and to retain customers loyalty (Ogundele et al, 2013) and this can be achieved when the customer's needs are been identified to create innovative new products. Most literature agreed that it was necessary to enhance both accessibility and affordability of products through assessing the degree of essentiality and potential for value addition as far as product offerings were concerned. This is because most of the customers that purchase from the small businesses look out for value for their money as product features to some extent means nothing to greater percentage of the customers as more of them prefer the values and the benefit sought of the product.

### **Price**

Also the table indicate that the presence of high cost of local have been influencing pricing of product or service in your business with mean value (3.52), Lack of fix our prices based on events in the market (3.35) and Lack of attaching prices that are favorably compared to our competitors. The finding indicates that the price that most of Mse attached to their product is not deeply compared to the competitor price.

According to Anderson (2005), apart from low price points, this requires minimum marginal costs, making product usage and servicing requirement easily so that non-experts can convey them and also using locally owned shop managers and other entrepreneurs for the distribution. Repackaging and recovery of cost can help make the product affordable so that the upfront cost of access is reduced for customers and potential consumers with little or no disposable income to purchase. This possibly can be done by the small scale businesses through charging a small upfront payment and some credit facilities, instead of selling the product outright. Again, most of these businesses in the food processing sector do take certain conditions and factors into account before pricing their products. Some of these factors that affect the prices of the various products are the availability of the raw materials needed for production, credit facilities and the cost involved in the storage of the products. All these play a part in the pricing of the products.

### **Promotion**

With the relation to the promotion, the result of the study show that there are Lack of promoting products are sufficiently promoted through Bazar with mean value of (3.45), Lack of promoting products are sufficiently through exhibition (3.64), Lack of Periodic sales promotional activities (3.33), Lack of doing personal selling (3.69) and Lack of giving discount on bulk purchase to increase sales (3.53). As businesses set-up and other small scale businesses grows, it must expand its markets(Ogundele et al. 2013), sales promotions and other special initiatives can provide the exposure that the business product needs to develop in the new market and to increase sales in new markets (Meredith et al, 1991)

Also advertising in turns of a good word-of-mouth, door-to-door exposure and social media can attract potential customers to the business. It is to be noted that most of the promotional activities by small business organizations involves the use of staff of the organization to make sales and make them regular customers. Ogundele et al (2000) reported that entrepreneurs of their study used selective appeal in advertising for example bakers have different handbills and labels attached to their bread for the purposes of promotion and differentiation.

Using promotional cues is another form of marketing practices to help the small scale businesses to perform better and the affordability and accessibility of the relevant promotional media is a key issue for consideration by businesses when entering into a new market (Fletcher & Melewar, 2001) or expanding a product line. Branding is also key or very important to the growth of the

food processing businesses in the small scale sector as effective branding with visible information and eye-catching product brands can improve product sales, exposure of most products and remind the customers of the existence of the products.

**Business performance**

Item	Frequency	Mean	STD
<b>Sales Turnover</b>			
Lack of achieving our sales objectives	3203.531.23		
Lack of assessing the opportunity cost associated with sales	3203.631.21		
Our sales margin keep increasing as compared to our competitors	3203.701.13		
Our sales improves year after year	3203.5231.11		
We use our sales turnover to forecast future demands	3203.921.123		
<b>Overall Profitability.</b>			
low profitable compared to our competitors	3202.51.21		
Lack of satisfaction with our business profit	3202.4 1.25		
poor profit on all our product we sold to our customer	3202.521.31		

The tables above indicate that the micro and small scale enterprise they Lack of achieving our sales objectives of their goal, Lack of assessing the opportunity cost associated with sales which are result from knowledge and training offered by the supporting sector, Poor change on sales margin when as compared to our competitors, Little sales improvement year after year, and poor sales turnover to forecast future demands.

The result indicates that low profitable compared to our competitors, Lack of satisfaction with our business profit and poor profit on our entire product we sold to our customer. This is because of the factor which are list in analysis part of the study and because of lack of knowledge and weak training offered to the sector

**Regression Analysis**

The regression analysis can be determined whether the independent variables explain a significant variation in the dependent variable, including whether a relationship exists. Regression analysis also determine how much of the variation in the dependent variable can be explained by the independent variables. That is, the strength of the relationship. In regression analysis, this is measured by Adjusted R Square, R<sup>2</sup>.

The dependent variable for this study is Business performance of MSE whereas the five independent variables are marketing skill (MS), managerial capacity (MC), infrastructure (I), access to market(MA) and marketing mix strategy (MMS) with regard of business performance of micro and small scale enterprise in shashemane city.

The regression result explores the necessary indicators of the marketing efficiency by using the variables identified in the model. As indicated in the previous chapter model summary part, the appropriate indicators of the variable used to identify the marketing efficiency of the MSEs are explored.

**Test for multicollinearity**

Collinearity (also called multicollinearity) refers to the assumption that the independent variables are uncorrelated (Darlington, 1968; Keith, 2006). The researcher is able to interpret regression coefficients as the effects of the independent variables on the dependent variables when collinearity is low.

Variables	Collinearity statistics	
	Tolerance	VIF
Marketing skill	0.385	2.451
Marketing capacity	0.451	1.182
Access to market	0.863	1.563
Marketing mix strategies	0.732	1.451
Infrastructure	0.812	1.341

In **table .12** above, the column “Co linearity Statistics” is used to identify the multi co linearity problem of the independent variables (MS, MC, AM, MMS and INF). This is used as a crosscheck. Multi collinearity is regarded as a problem because it means that the regression coefficients may be unstable. This implies that they are likely to be subject to considerable variability from sample to sample. In any case, when two variables are very highly correlated, there seems little point in treating them as separate entities (Savatsomboon, 2010).

Beta weights and R-squares cannot be interpreted reliably even though predicted values are still the best estimate using the given independents. As a rule of thumb, inter correlation among the independent variables above .80 signals a possible problem. Likewise, high multi collinearity is signaled when high R-squared and significant F tests of the model occur in combination with non-significant t-tests of coefficients. Tolerance and Variance Inflation Factor (VIF) of **table** above are the means to identify the existence of multicollinearity problem.

If the tolerance value is less than some cutoff value, usually .20, the independent variable should be dropped from the analysis due to multicollinearity. VIF may be used in line of tolerance as VIF is simply the reciprocal of tolerance. The rule of thumb is that VIF>4.0 when multicollinearity is a problem (Garson, 2012). Therefore, table 4.12 shows the tolerance values for all independent variables more than .20

Turning to VIF method, since all values of the independent variables are much less than 4.0 (i.e., 2.451 for MS, 1.182 for MC, 1.563for AM, 1.451 for MMS and 1.341for INF), multicollinearity is not again a problem. So, in both measures, there is no need to drop out a variable from the model.

**Result of regression analysis**

**Table: model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721 <sup>a</sup>	.5198	.52	.40054
a. Predictors: (Constant), MS, MC, AM, MMS, INF Source : own survey,2021				

From table 4.13 above, “R” has a score of .721. It is a multiple correlation coefficient between dependent and independent variables of the study. “R” represents the value of the multiple correlation coefficients between

the predictors and the outcome (Field, 2005). Here, the table indicates  $R^2 = .617$ . R square is the correlation between the dependent and independent variable values of the research.  $R^2$  is also called the squared multiple correlation coefficient or the coefficient of determination since  $(R)^2 = (.721)^2 = .5198$ , which is rounds .519. So, table above with  $R^2 = .5198$  means that the total variation in the dependent variable (business performance is explained or caused by 51.9 percent of the change in all independent variables: MS, MC, AM, MMS and INF in connection with business performance of SME. In other words, 48.1 percent of the variation in Business performance cannot be explained by these independent variables. So, there are other factors that are not incorporated in the model to explain Business performance of SME in shashemanne town.

**Table Coefficients’ Table on Multiple Regression of the Research Model**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.504	.375		7.748	.000
	MS	.312	.052	.332	5.687	.000
	MC	.134	.038	.301	6.777	.000
	AM	.166	.071	.083	3.215	.000
	MMS	.152	.033	.222	4.529	.000
	INF	.213	.023	.253	4.536	.000
a. Dependent Variable: BP						
<b>Source: own survey, 2021</b>						

The above table shows that, all the independent variables have statistically significant relationship with the dependent variable since their p-value is below the alpha level which is 0.05. Considering the standardized beta coefficients, the strongest predictor of the dependent variable (Business performance ) is marketing skill with 0.312 value, managerial capacity with .134 value, access to market with .166 value, marketing mix strategy with .152 value and infrastructure with .213 value. All independent variables have positive relationship with the dependent variable.

Here follows presentation of the hypothesis testing.

Based on the above table using “B” (standardized) coefficients, the regression equation of the research model becomes in the form:

$$BP = 2.504 + 3.32MS + 3.01MC + 0.83AM + 2.22MMS + 2.53INF$$

Where, BP= business performance , MMS= marketing mix strategy

MS = marketing skill, INF = infrastructure

MC = managerial capacity

Thus the equation indicate that  $3.32*BP$  means that one percent change increase in marketing skill towards business performance, keeping other variables constant, results 33.2 percent of the change in Business performance. With regard to .301, in the assumption of keeping constant other variables, 1 percent increase in managerial capacity, brings 30.1 percent change (increase) on Business performance. Thus, the impact on business performances is significant as proved in the above hypothesis testing. Again .83AM is interpreted as: due to 1 percent increase of access to market on business performance keeping other variables constant, results in the change on business Performance or by 83 percent, .222 indicate that as 1 percent increase in marketing mix strategy towards Business performance, keeping other variables constant, results 22.2 percent of increase in business performance and .253 indicate that as 1 percent improvement in

infrastructure towards Business performance, keeping other variables constant, results 25.3 percent of increase in business performance.

**Hypothesis Testing**

The goal of hypothesis testing is to determine the likelihood that a population parameter, such as the mean, is likely to be true. The researcher tests whether the value stated in the null hypothesis is likely to be true. The only reason of testing the null hypothesis is because the researcher thinks that it is may be wrong. An alternative hypothesis (Ha) is a statement that directly contradicts a null hypothesis by stating that the actual value of a population parameter is less than, greater than, or not equal to the value stated in the null hypothesis.

The significance (sig.) value expresses a value to accept or reject the (null) hypotheses. The p-value is the probability that the correlation is one just by chance. Therefore, the smaller the p-value, the better will be. The general rule is: reject H0 if  $p < .05$  and accept H0 if  $p \geq .05$  (Pallant, 2007). In this part of the study, proof of the null hypothesis is made based on Table below for the variables MS, MC, AM, MMS and INF either to accept or reject. For these tests of relationships and the regression analysis was applied for this thesis.

Independent Variable	Coefficients		P - value (sign)
	Unstandardized	Standardized	
	B	B	
MS	.312	.052	.000
MC	.134	.038	.000
AM	.166	.071	.000
MMS	.152	.033	.000
INF	.213	.023	.000

**Hypothesis 1:**

H1o: marketing skill has no significant effect on the business performance of MSE.

H1a: marketing skill has significant effect on the business performance of MSE.

**Table** of Beta value shows that marketing skill has significant effect on business performance with a value of .052. Since the p value is less than 0.05 or even strictly  $p < .01$ , the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) marketing skill has significant effect on the business performance of MSE.

**Hypothesis 2:**

H2o: managerial capacity has no significant effect on the business performance of MSE.

H2a: managerial capacity has significant effect on the business performance of MSE.

The beta value of managerial capacity has significant effect on business performance of MSE with the value of .038. Since the p value is less than 0.05 (at  $p = .01$ ), the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) managerial capacity has significant effect on the business performance of MSE.

**Hypothesis 3:**

H3o: access to market has no significant effect on the business performance of MSE

H3a: access to market has o significant effect on the business performance of MSE

The beta value of Access to market has significant effect on business performance with the value of .071. Since the p value is less than 0.05 or  $p < .01$ , the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) access to market has a significant effect on the business performance of MSE.

**Hypothesis 4:**

H4o: marketing mix strategy has no significant effect on the business performance of MSE

H4a: marketing mix strategy has significant effect on the business performance of MSE

The beta value of marketing mix strategy has significant effect on business performance of MSE with the value of .033. Since the p value is less than 0.05 or  $p < .01$ , the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) marketing mix strategy has significant effect on the business performance of MSE.

**Hypothesis 5:**

H5o: availability of good infrastructure has no significant effect on the business performance of MSE

H5a: availability of good infrastructure has no significant effect on the business performance of MSE

The beta value of availability of good infrastructure has significant effect on business performance of MSE with the value of .023. Since the p value is less than 0.05 or  $p < .01$ , the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) availability of good infrastructure has no significant effect on the business performance of MSE

Therefore, it is possible to infer that MS, MC,AM, MMS and INF have significant effect business performance of MSE

**Conclusion and Recommendation**

**Conclusion**

**The study** implies most the participant of the Mse are male, thus, the government needs to encourage female participant through increasing the awareness on the benefit of participating in SMEs activity and increasing their role in the country's economic development.

The mean score of all marketing skill factors are below mean value indicating that managers have low Marketing skill or hesitant to analyze existing business opportunities, segment their market and identify their target market that can be best served. Thus, marketing skill is very critical for good performance of the small and medium enterprise for the success and to stay in competition in current stiff and hazardous competition.

Regardless their educational competency, managerial capacity of owners/managers of MSEs is unfavorable or most managers/ owners of the enterprises are hesitant in planning, implementing and controlling their market.

The marketing manager of the SME needs to select appropriate place where they are able to sell their product and beat the competition. Hence infrastructure is the backbone for the success of any business holder, since they can produce and deliver their product through this infrastructure.

For the businesses product is very important to the survival of the business because all the other component of the marketing mix have been stands to the side of price, the promotion and distribution are all possible and done only when there is a product and it is the initial or starting point of the business growth. Therefore the

business sector needs to produce good quality product which will make them to compete with the larger organization produce similar product.

The value of R is 0.713 which implies the dependent and the predictors have developed a strong positive linear relationship. Moreover, R squared is the proportion of variation in the dependent variable explained by the regression model. It is ranged from 0 to 1. Small values indicate that the model does not fit the data well. The sample R squared tends to optimistically estimate how well the models fit for the population. Both R squared and adjusted R square somehow has the same meaning and purpose. But the adjusted R square is applicable for the small numbers of observation. so, in the case of this study, the researcher should use Rsquare, because the numbers of variables involved in the study were five. In this regard, the Rsquare value is 0.519. This show that the five independent variables of the model accounted 51.9% of the variation over the business performance of the MSEs (the dependent variable);whereas, the rest 48.1 % of the variation are covered by other unknown variables which is not included in the study.

## Recommendation

**Employment opportunity;** in all successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress. The small business sector is also seen as an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, and enhance productivity and technical change and, through the combination of all of these measures, to stimulate economic development. Starting to new business without having sufficient technical skills resulted in marketing inefficiency of MSEs and failure of businesses within in few years. Hence, owners of MSEs should get sufficient training and experience sharing before entering to new business.

It is also advised that shortage of local supply needs to be solved through solving related problems such as constraints at supply sources, transportation facilities and road infrastructure. In other ways strengthening capacity of existing suppliers, establishing new micro and small enterprise suppliers and then creating market linkage with the underlying enterprises can also be a solution needing attention.

Efficiency in marketing is unthinkable without strong management capacities of owners or managers. Therefore, to enable the MSEs compete successfully in the market, the MSEs Development office of the town is advised to provide training facilities and promote experience sharing programs and provision of counseling services to owners or managers of the enterprises.

Providing selling and display places in areas close to working area. Working places/shades occupied by previews MSEs should be identified and transferred to new ones. To make MSEs competitive and profitable, increase the capacity, knowledge and skill of the operators, experience sharing from successful enterprises, and provision of advice and consultancy, continuous capacity building initiatives and accessibility of relevant technologies should be availed by the government.

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## List of Abbreviation

ETB; Ethiopian birr  
FeMSEDA; Federal Micro and Small Enterprise Development Agency  
GDP ; Gross Domestic Product  
GTP II; growth and transformation plan II  
MSEs; Micro and Small Enterprises  
ReMSEDAs ; Regional Micro and Small Enterprises Development Agencies  
SSA; Sub-Saharan Africa  
BDS; business development services

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