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Table of contents

Research Article

Effect of Industrialization on Per Capita GDP Growth in Ethiopia: An ARDL Approach

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Abstract

Despite Ethiopia's significant GDP growth averaging 7.2% between 2010 and 2024, increased income inequalities have been lingering, reflecting a pattern of uneven development. This study investigates the effect of industrialization on real per capita GDP in Ethiopia using annual data from 1980 to 2023. The Autoregressive Distributed Lag (ARDL) approach to co-integration and error correction model are applied in order to investigate the long-run and short-run relationship between the dependent variable real per capita GDP and its determinants. The findings of the Bounds test show that there is a stable long-run relationship between real per capita GDP, industrialization, population growth, bank lending, government expenditure, and inflation. Additionally, our findings demonstrate that while population increase and inflation have a strong and negative long-term association with real per capita GDP, industrialization has a considerable positive long-term effect on it. In contrast, government has a negative short-term relationship with real GDP per capita, whereas bank lending and population have a positive short-term effect. Based on our empirical findings, we recommend that the government should try to control fertility by providing education, creating employment opportunities, and giving family planning services at low cost for women. We also recommend that digitalization, allowed through Homegrown Reform 2.0 and mobile finance channels such as Telebirr or M-Pesa, provide a modern transmission mechanism to protect household possessions from inflationary pressure. Furthermore, the government should set a legal national minimum wage to protect low-income earners from the high cost of living.

1 Introduction

The economic welfare of Ethiopia, from the 'economic miracle' to modern headwinds (1995–2025), reveals a country that has undergone a profound socioeconomic transformation over the last three decades (Mulugeta and Tadesse, 2021; Zikargie and Cochrane, 2024). In the mid-1990s, limited per capita earnings afflicted approximately 45.5% of the population; however, the country achieved noticeable progress in average incomes by

2016, primarily propelled by continued agricultural growth and drastic income-enhancing public expenditure (Hill and Genoni, 2019; World Bank, 2020). The foundation, as well as the success and limits of agricultural-led growth, remain central to the Ethiopian narrative, as studied by Hill and Tsehaye (2018) indicates that the Agriculture Development Led Industrialization (ADLI) approach achieved a 0.9% gain in per-capita output for every 1% increase in agricultural productivity between 1996 and 2011. Nevertheless, as population growth rises and land becomes scarce, the elasticity of agriculture is reducing. In this context, the growth laws of Kaldor (1967) suggest that the role of manufacturing acts as the growth engine, indicating that development of the industrial base inspires productivity across the broader economy.

This shift suggests that Ethiopia follows a path similar to countries like China, shifting from low productivity output levels to achieving high economic growth by successfully building industries and advancing their technology (Findlay, 1978). Specifically, between 2004 and 2014, the period of fast economic achievement was very effective, propelling a significant rise in per-person output value amongst the population (Yimer and Geda, 2024). According to George and Ijeoma (2023) , sustainable industrialization directly contributes to economic development by using GDP and per capita growth, which continues to be the most effective instrument for raising living standards. A recent study conducted by Melesse and Tefera (2025) suggested that industrial value addition acts as a vital engine for escalating the per capita income base for Sub-Saharan African economies.

However, recent evidence validates that macroeconomic uncertainties, including high inflationary accelerations, civil war, and climate change, have slowed the pace of per capita income growth (Alemayehu Geda and Mekonnen Bekele, 2023). Ethiopia's per capita income and the living standards profile in 2025 reflect a complex macroeconomic landscape where nominal GDP per capita has improved to roughly USD 1,120, though Purchasing Power Parity (PPP) stands at USD 4,740, reflecting severe cost-of-living pressures as of January 2026 (International Monetary Fund, 2026). Despite this nominal growth, the low-income headcount at the USD 3.00 per day PPP threshold is anticipated to increase to 43.3% in 2025, a shift that threatens to undo years of socioeconomic progress (World Bank, 2024). This reversal is largely credited to a perfect storm of factors, including inflation that peaked between 20% and 30%, ongoing internal conflicts, and the strategic removal of fuel grants under the 2024–2025 macroeconomic changes. Consequently, ensuring the population's share of this increased GDP is vital for preventing income deterioration on two levels: first, at the headcount level, where subsistence-level income can rise by 1.94 percentage points for every 1% increase in household income (World Bank, 2024); and second, at the national level, where rising per capita income widens domestic resource mobilization. This fiscal expansion is essential to allow the government to increase resilience-focused spending on critical safety nets, such as the Urban Productive Safety Net and Jobs Project (UPSNJP).

Today's environment requires a transition from agricultural dependence toward labor absorption in high-value sectors to shield low-income households from the recent waves of market uncertainty (Rodrik, 2016). In the Ethiopian situation, this association is challenged by frictional structural change, where labor transitioned to the informal services low-productivity sector rather than high-value manufacturing (Rodrik, 2016). This aligns with the broader observation by Rodrik, 2016 that Sub-Saharan Africa has been challenged by "premature deindustrialization," since manufacturing declines before the middle-income status of the economy.

The growth-welfare paradox and the mismatch between macro-growth and micro-earnings in Ethiopia, an emerging economy, stem from its pursuit of an industrial-led economy along with its industrial policy amendments for decades. Therefore, what is critical here is to understand the precise chronological connection between industrialization and citizens' well-being. In spite of Ethiopia's continuing GDP growth, occupying the status of the third-largest economy in Sub-Saharan Africa by nominal GDP, it continues to stand

at the bottom globally in GDP per capita, presently ranked about 165th out of 190 nations (International Monetary Fund, 2024; World Bank, 2025). The Human Development Index (HDI) status of Ethiopia highlights this difference, as it consistently ranks among the low-income countries, commonly categorized in the bottom 20% of African countries (United Nations Development Programme, 2024). Because the current literature has overlooked the dynamic relations between these variables, there is a necessity for a rigorous econometric methodology, such as the Auto Regressive Distributed Lag (ARDL) modeling approach, to capture short-term shocks and long-term equilibrium (Pesaran et al., 2001).

1.1 Statement of the Problem

The main problem of this study centers on the growth-productivity paradox in the condition of Ethiopia's failure of robust macroeconomic growth to translate into proportionate rises in per capita income for the majority of the populace. Although the theory recommended by Lewis (1954) suggests taking industrialization as the engine of structural transformation, data revealed recently indicate that Ethiopia's industrial base has not effectively absorbed surplus labor into high-value-added industrial sectors, leading to a stagnant productivity framework (Worku and Bekele, 2024).

Huluka (2024) stated that notwithstanding expansions in human capital, individual economic output in Ethiopia shows a declining trend due to productive inadequacies. Attempts at per capita output only benefit the well-to-do privileged groups disproportionately, indicating a declining trend of individual output shares concerning the lower-income group (Ali and Asfaw, 2023).

There is a critical knowledge gap concerning how industrial value-added growth intermingles with per capita GDP under conditions of high inflation and structural inelasticity. Without the application of a precise econometric study using the ARDL modeling approach, the sequential link between industrial policy and individual income remains unpredictable. Furthermore, in spite of Ethiopia's execution of an industry-led economy, a critical empirical gap remains concerning the transmission of industrial value additions to individual income status. In addition, there is also an existing structural income productivity gap where small scale industrial subsectors weaken to elevate the earnings of the majority labor force (Birru, 2026). According to Ayal et al. (2024), this challenge is intensified by the purchasing power erosion caused by exchange rate depreciation. Furthermore, Yadete et al. (2025) validate that an insistent disconnect between industrial innovation and labor productivity prevents sectoral growth from rendering into higher individual earnings. This study fills this gap by quantifying the dynamic relationship between industrialization and income per capita GDP amidst these macroeconomic headwinds.

1.2 Objectives of the Study

The general objective of this research is to examine the effects of industrialization on per capita GDP growth in Ethiopia from 1980–2023 using an Autoregressive Distributed Lag modeling approach. Based on this broad objective, the research has the following specific objectives:

1. Assess the long-run relationship between the dependent variable (real per capita GDP) and its determinants: industrialization, population growth, bank lending, government expenditure, and consumer price index.

2. Examine the short-run relationship between the dependent variable (real per capita GDP) and its determinants: industrialization, population growth, bank lending, government expenditure, and consumer price index.

2 Materials and methods

2.1 Data Description and Sources

The time-series data were employed for the study period between the years 1980 and 2023.

Data were collected on 15 March 2024 from the World Bank's WDI online database because of their reliability, international comparability, and trustworthy analysis of Ethiopia's macroeconomic indicators. The variables, Per Capita GDP (PCGDP), the industry's value addition, population, and consumer price index, were collected from the World Bank dataset. Whereas, government expenditure data was collected from the African Development Bank (AfDB) source. The statistical overview of Table 1 below, showing the variables included in the model, their units of measurement and sources, is explained as follows. Per Capita GDP (PCGDP) is measured in constant 2015 US dollars per person and obtained from the World Bank, WDI data portal. Industry Value Added percent of GDP is measured as a percentage share of GDP obtained from the World Bank, WDI data portal. Population Growth is measured as the annual percentage change in total population obtained from the World Bank, WDI data portal. Government Expenditure is measured in constant 2015 US dollars (millions) and is sourced from the AfDB database. Consumer Price Index (CPI) is measured as an index (2015 = 100) (World Bank, WDI).

The explanatory variables of this study were selected guided by both theoretical and empirical issues. Per Capita GDP was chosen as the dependent variable to signify individual income levels as a proxy that may have consistency with earlier empirical studies, particularly conducted on the growth–income nexus (George and Ijeoma, 2023; Jetin, 2020). Industrial value added was encompassed to catch the usage of structural transformation, while population growth indicates demographic pressures on per capita incomes. Government expenditure was encompassed to measure the effect of fiscal policy on income development, dependent on welfare-oriented spending agendas emphasized in the Ethiopian Growth and Transformation Plans (Alemayehu Geda and Mekonnen Bekele, 2023; World Bank, 2020). CPI was selected to account for inflationary dynamics that reduce household purchasing power.

Table 1: Variable descriptions and sources

Variables	Definition	Source
PCGDP	gross domestic product per capita current USD	World Bank, WDI
IVA	industry value added percent of GDP	World Bank, WDI
POP	Population Growth	World Bank, WDI
BLEND	Bank's Lending Net Financial Flows (NFL) current USD	World Bank, WDI
GOVEXP	Government Expenditure percent of GDP	AfDB
CPI	consumer price index	World Bank, WDI

2.2 Model specification

The study employed the Autoregressive Distributed Lag modeling approach because of its advantages, depicted as follows. Compared to previous cointegration techniques, the ARDL methodology offers a number of benefits. First, it can be applied regardless of whether the variables have a combination of various integration orders, are integrated of order 0 (I(0)), or are all integrated of order 1 (I(1)). According to conventional methods, every series must have the same sequence of integration. Conversely, if I(2) or higher-order series are present, the ARDL method will not work. This technique is quite easy to apply and allows for the estimate of a cointegration relationship using the ordinary least squares (OLS) method, which sets it apart from previous multivariate cointegration methods (Engle and Granger, 1987; Johansen and Juselius, 1990). Third, it is somewhat more effective and dependable in small samples with 30 to 80 observations (Pesaran et al., 2001).

Furthermore, even when the regressors are endogenous, the ARDL technique consistently yields correct t-statistics and unbiased estimates of the long-run model, whereas classic cointegration techniques may also encounter endogeneity problems (Narayan and Smyth, 2005; Pesaran et al., 2001). Furthermore, because an ARDL model is based on a single-equation framework, it is still appropriate to use it. ARDL cointegration provides objective and effective estimates of both short- and long-term relationships instantly (Pesaran and Shin, 1998). A straightforward linear transformation can also be used to build an error correction model (ECM) from an ARDL model (Pesaran and Shin, 1998). According to Pesaran and Shin (1998), ECM holds long-term evidence while combining short-term modifications with long-term equilibrium. The ARDL method's advantages over other conventional cointegration techniques confirm its applicability in this investigation.

Thus, as the model has intrinsic flexibility, this characteristic is basic in examining the growth-welfare paradox of Ethiopia, where macroeconomic shocks such as inflation, population pressures, and financial volatilities disrupt the path to stability. Ali and Asfaw (2023) and Huluka (2024) elucidated that researchers who conducted empirical studies recently in low-income countries have applied ARDL to capture the industrialization-income nexus, accentuating its capability to separate short-term shocks from long-run drivers of per capita growth. Furthermore, the model's capacity to include lagged effects makes it well-suited to situations where policy interventions, such as productive-support spending or industrial reforms, apply delayed effects on per capita GDP and family income levels. Therefore, the ARDL framework delivers a rigorous econometric instrument to investigate whether industrialization can serve as a transmission mechanism linking Ethiopia's macroeconomic growth to personal income results, while accounting for both short-term variations and long-term equilibrium adjustments.

The purpose of this study is to scrutinize the impact of industrialization on per capita GDP. To achieve this objective, the following empirical model is specified:

$$\text{lnPCGDP} = f(\text{lnIVA, lnPOP, lnBLEND, lnGOVEXP, lnCPI}) \tag{1}$$

Where lnPCGDP is natural logarithm of per capita GDP in current USD, lnIVA is natural logarithm of industry value added percent of GDP, lnPOP is natural logarithm of number of total population, lnBLEND is natural logarithm of commercial banks' lending USD, lnGOVEXP Public spending relative to GDP and lnCPI natural logarithm of consumer price index. The ARDL model's level equation of order $(p, q_1, q_2, q_3, q_4, q_5)$, denoted by ARDL$(p, q_1, q_2, q_3, q_4, q_5)$ can be expressed as follows:

$$\ln\text{PCGDP}_t = \beta_0 + \sum_{i=1}^{p} \alpha_i \ln\text{PCGDP}_{t-i} + \sum_{i=0}^{q_2} \beta_{2i} \ln\text{POP}_{t-i}$$
$$+ \sum_{i=0}^{q_3} \beta_{3i} \ln\text{BLEND}_{t-i} + \sum_{i=0}^{q_4} \beta_{4i} \ln\text{GOVEXP}_{t-i} \tag{1}$$
$$+ \sum_{i=0}^{q_5} \beta_{4i} \ln\text{CPI}_{t-i} + u_t$$

We can re-parameterize the above equation in the following Error-correction form:

$$\Delta\ln\text{PCGDP}_t = \alpha_0 + \sum_{i=1}^{p-1} \theta_i \Delta\ln\text{PCGDP}_{t-i} + \sum_{i=0}^{q_1-1} \varphi_{1i} \Delta\ln\text{IVA}_{t-i}$$
$$+ \sum_{i=0}^{q_2-1} \varphi_{2i} \Delta\ln\text{POP}_{t-i} + \sum_{i=0}^{q_3-1} \varphi_{3i} \Delta\ln\text{BLEND}_{t-i} \tag{2}$$
$$+ \sum_{i=0}^{q_4-1} \varphi_{4i} \Delta\ln\text{GOVEXP}_{t-i} + \sum_{i=0}^{q_5-1} \varphi_{5i} \Delta\ln\text{CPI}_{t-i}$$
$$+ \psi\text{ECT}_{t-1} + \varepsilon_t$$

Where

$$\text{ECT}_{t-1} = \ln\text{PCGDP}_{t-1} - \theta_1 \ln\text{IVA}_{t-1} - \theta_2 \ln\text{POP}_{t-1} - \theta_3 \ln\text{BLEND}_{t-1} - \theta_4 \ln\text{GOVEXP}_{t-1} - \theta_5 \ln\text{CPI}_{t-1} \tag{3}$$

It distinguishes between the adjustment coefficient for long-run equilibrium deviations, the long-run coefficients, and the short-run coefficients.

3 Results and discussions

This subtopic presents and discusses post-estimation outputs, model estimation findings, and pre-estimation testing.

3.1 Descriptive statistics and trend analysis of variables

The study uses an annual time series data covering the period from 1980-2023. Data were gained from the World Bank's World Development Indicator online data portal and the of the African Development Bank (AfDB) statistical entry. These sources were chosen because of their reliability, international comparability, and dependable analysis of Ethiopia's macroeconomic indicators.

Table 2 provides descriptive statistics and Figure 1 shows the trend over time for the variables included in the model. The dependent variable natural logarithm of real per capita GDP has a mean of 5.634 USD with minimum of 4.704USD and maximum of 7.165USD.

Natural logarithm of industrialization has a mean of 1.774 percent varying between a minimum value of 1.682 percent and a maximum value of 1.910 percent. Moreover, ln of population growth has a mean of 2.942 and a maximum value of 3.677. Natural logarithm of bank lending indicates a mean of 1.062 with a minimum value of -0.616. The natural logarithm of the share of government expenditure to GDP has a mean value of -0.980 percent. Natural logarithm of consumer price index (CPI) has a mean of 4.061 with a maximum value of 6.491.

Table 2: Model variable descriptive statistics from 1980 to 2023

Variables	Mean	Std. Dev.	Min	Max
ln GDP per capita (constant 2015 US$)	5.634	0.698	4.704	7.165
ln industry value added as percent of GDP	1.774	0.072	1.682	1.910
ln population growth	2.942	0.498	1.989	3.677
ln bank lending	1.062	0.291	−0.616	1.458
ln government expenditure as percent of GDP	−0.980	1.103	−3.174	1.172
ln consumer price index (CPI)	4.061	1.163	2.559	6.491

Source: Author's compilation based on stata output (2026).
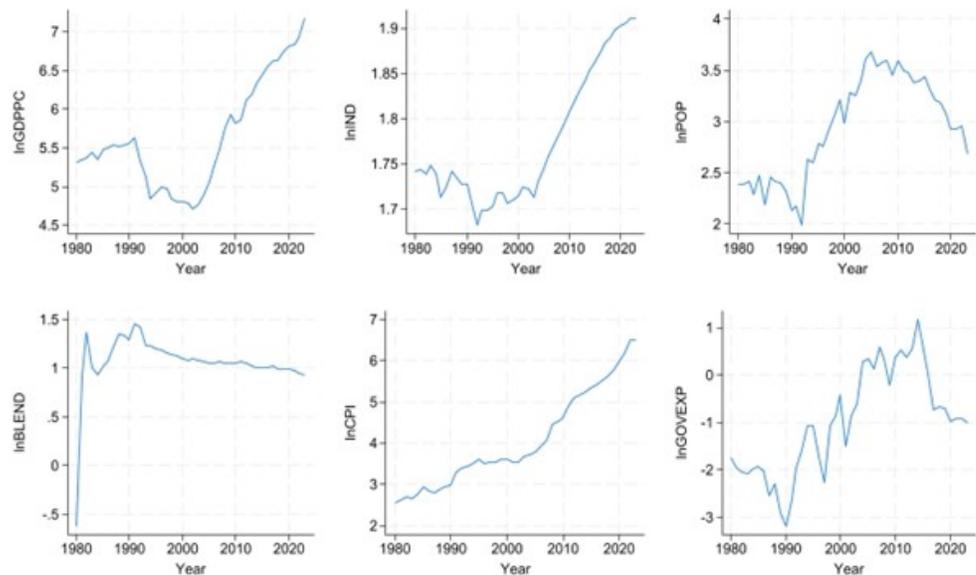
Figure 1: The trend of model variables in natural logarithm over (1980-2023).
[Source: Author's compilation based on stata output (2026).]

3.2 Econometric model results and discussions

3.2.1 Results of the unit root analysis

Table 3 shows the Augmented Dickey-Fuller (ADF) test results, which serve to validate the stationarity of the variables and prevent spurious regression outcomes. The interpretation reveals that all variables, ln of real per capita GDP (lnIVA), ln of population growth (lnPOP), ln of bank lending (lnBLEND), ln of government expenditure (lnGOVEXP), ln of consumer price index (lnCPI) are non-stationary at their levels but become stationary at the 1% significance level after the first difference. This approval that the variables are

integrated of order one, I (1), delivers the necessary econometric justification for employing the ARDL modeling approach. Consequently, the model is statistically valid for ascertaining the long-run cointegrating relationship between industrialization and per capita GDP.

Table 3: ADF unit-root test results

	Levels		First difference		Conclusion
Variables	Constant	Constant and Trend	Constant	Constant and Trend	
lnPCGDP	0.014	-0.03	-0.50***	-0.65	I(1)
lnIVA	0.016	-0.07	-0.80***	-1.09	I(1)
lnPOP	-0.05	0.019	-0.95***	-1.05	I(1)
lnBLEND	-0.29	-0.42	-1.15***	-1.17	I(1)
lnGOVEXP	-1.34	-2.10	-5.42***	-5.40	I(1)
lnCPI	1.56	-0.95	-3.83***	-4.51	I(1)

*** significant at 1%, ** significant at 5%, * significant at 10%
Source: Author's compilation based on stata output (2026)

3.2.2   Optimal lag length selection

The Autoregressive Distributed Lag (ARDL) model needs the identification of an optimal lag structure to confirm that the residuals are white noise and the model is not over-parameterized. In contrast to the VAR model, the ARDL model approach permits flexible lag lengths per regressor (Pesaran et al., 2001). The optimal lag structure determination is facilitated by measuring multiple model configurations using the Akaike Information Criterion (AIC). Following the commendation of Pesaran and Shin (1998), the ARDL approach permits an asymmetric lag specification to better capture the reaction time of the dependent variable to several shocks. As indicated below in Table 4, the ARDL (1, 0, 0, 1, 1, 2) specification was selected as it minimizes the information criteria while maximizing the Adjusted R-squared (0.6679), confirming the model is parsimonious and devoid of serial correlation.

Table 4: Optimum Lag Selection Determination

Model (lnGDPPC, lnIVA, lnPOP, lnBLEND, lnGOVEXP, lnCPI)	LL	AIC	HQIC	SBIC	Adj R-squared
ARDL(1, 0, 0, 1, 1, 2)	54.9007	−2.1903*	−2.0354*	−1.7724*	0.6679
ARDL(1, 1, 1, 1, 1, 1)	52.4112	−2.1045	−1.9496	−1.6866	0.6432
ARDL(2, 1, 1, 1, 1, 1)	51.3201	−2.0551	−1.8802	−1.5954	0.6215
ARDL(1, 0, 0, 0, 0, 1)	47.1124	−1.9872	−1.8710	−1.6946	0.5988
ARDL(2, 2, 2, 2, 2, 2)	43.5562	−1.8214	−1.6256	−1.3195	0.5521

*indicates the optimal lag length selected by the criteria.
Source: Author's compilation based on stata output (2026)

3.2.3   Co-integration test

The result of the bounds test for cointegration is shown in Table 5. The F-statistic of the test was compared with the critical value provided by Kripfganz and Schneider (2020). The calculated F-statistic (8.963) is greater than the upper bound (6.095) for 1% level of significance. Therefore, the null hypothesis of no long-run relationship is strongly rejected at 1% level of significance.

Table 5: The bound-test to cointegration

Null hypothesis: No long-run relationship exists		
Test statistic	Value	
F-statistic	8.963	
k	6	
Critical value bounds		
Significance level	Lower bound I(0)	Upper bound I(1)
10%	2.467	3.762
5%	2.977	4.444
1%	4.197	6.059

Source: Author's compilation based on stata output (2026)

3.2.4   Result of long-run model

Table 6 presents the outcomes of the long-run model. Out of five independent variables analyzed, three of them (industry value-added, population, and consumer price index) were found to have a significant long-run effect.

The long-term coefficient of industrialization is 12.980 and it is significant at 1% significance level. This suggests that a 1% increase in the proportion of industry to GDP will result in about 12.98% increase in per capita GDP. As the industry sector grow within an economy, new employment is produced, which raises the per capita income of citizens. By shifting labor from low-productivity agriculture to high-productivity industrial sectors, the economy realizes the "dual dividend" of higher average income and structural change. The long-run significant effect of industrialization on per capita income revealed in this study is consistent with the engine of growth hypothesis often witnessed in the African emerging economies. Yimer and Geda (2024) confirm that even though Ethiopia has been encountering structural bottlenecks, industrial and gross capital formation indicators persist as the key drivers of long-run equilibrium in per capita income growth in Ethiopia. Also, Befikadu (2024) found a modest, although significant, relation between industrialization and income progress.

The long-run coefficient of population growth is -0.339 and it is statistically significant at 5% level of significance. This implies that, in the long run, a 1 percent increase in population growth leads to a decrease of about 0.34% in per capita income, keeping other variables constant. This can be due to the fact that when population grows rapidly, the existing capital gets spread out across more labor to provide the same basic services creating capital widening. This in return creates decrease in productivity of labor by reducing capital-to-labor ratio. Furthermore, increase in population can decrease the quality of labor if more education infrastructures are not built to cope with the increase in the country's school-age population.

Consumer price index is statistically significant at 1% level and has a long-term coefficient of -0.269. It implies that, in the long run, a 1 percent increase in inflation leads to a decrease of about 0.27% in per capita GDP. Because low-income households are most vulnerable to inflationary pressures leading to a reduction in their real purchasing power, this negative relationship underscores that price stability is a precondition for sustainable welfare progress. Likewise, the negative effect of inflation complements the finding of Melaku (2022) , who discusses that an acute increase in inflation will result in the reduction of economic growth and exacerbate income inequality by making

consumers incompetent of maintaining purchasing power, performing as a significant long-term restraint to sustainable per capita growth.

Table 6: Results of long run model

Selected model: ARDL(1,0,0,1,1,2)
Dependent Variable: lnPCGDP

Variable	Coefficient	Standard error	Probability
lnIVA	12.980***	1.290	0.000
lnPOP	−0.339**	0.144	0.025
lnBLEND	0.272	0.339	0.429
lnGOVEXP	0.077	0.067	0.261
lnCPI	−0.269***	0.089	0.005

*** Significant at 1%; ** significant at 5%; * significant at 10%
Source: Author's compilation based on stata output (2026).

3.2.5   Result of Short-Run Model

The crucial insights into the short-term impact of industrialization on the Per Capita GDP growth of Ethiopia have been provided by the short-run dynamics captured through the Error Correction Term (ECT) and the differenced variables. As depicted in Table 7, bank lending has a short-run coefficient of 0.426 and was found significant at the 5% level. This shows that, in the short term, a 1% increase in bank lending results in about 0.43% improvement in per capital income. Even though, growth theories indicate that increase in productivity is the main driver of long-run economic growth, bank-lending can increase per capita income in the short-run through an increase in consumption of goods and services by households and allowing small and medium-sized business have access to working capital which allows them to create jobs. Similarly, the government expenditure short-run effect on per capita income is negative (-0.058) and is significant at the 10% level. This can occur if government spending is financed by borrowing. This decreases the amount of credit available for private sectors, driving up interest rate and decreasing private investment. Furthermore, increase in government spending can trigger a spike in the price of goods and services eroding real per capita income.

The short-run coefficient of $\Delta(lnCPIt)$ and $\Delta(lnCPIt^{-1})$ is 0.345 and 0.660, respectively. This imply that a 1% increase in inflation in the current year increases per capita income by about 0.35% in the same year and by about 0.67 % in the next year. In the short-run, this positive relationship can occur due to money illusion workers might increase their labor supply which increases total output. The positive coefficient of the consumer price index shown above in this study matched with theoretical and empirical justifications conducted recently. According to Simeneh (2025), moderate inflation can inspire economic activity by helping firms to increase production in reaction to increasing nominal demand and easing adjustments in relative prices and cheering short-term investment through demand-pull effects. This describes why the immediate effect of inflation has a positive effect in this study, notwithstanding its long-term detrimental effect on purchasing power.

The coefficient of the error correction term (-0.486) was negative and statistically significant at 1% level of significance. This result implies that there is a reasonable adjustment towards the long run steady state. Specifically, around 48.6% of divergence from the long run relation in the current period will be converging back to the long-run equilibrium in the next period.

Table 7: Short run model result

Variable	Coefficient	Standard error	Probability
Δ(lnBLEND)	0.426**	0.167	0.016
Δ(lnGOVEXP)	-0.058*	0.032	0.080
Δ(lnCPI)	0.345**	0.132	0.014
Δ(lnCPI$_{-1}$)	0.660***	0.163	0.000
Constant	-7.604***	1.687	0.000
ECM(-1)	-0.486***	0.101	0.000

*** Significant at 1%; ** significant at 5%; * significant at 10%
Source: Author's compilation based on Stata output (2026).

3.2.6 Model diagnostic test result

Table 8 shows the different diagnostic tests conducted on the estimated econometric model. The Breusch-Godfrey Lagrange Multiplier test was used to test for autocorrelation in the model. The result shows that we failed to reject the null hypothesis of no serial correlation. The Breusch-Pagan test for heteroscedascity shows that the error term is homoscedastic. The Ramsey RESET test designates that the model is correctly specified

Figure 2 shows the result of CUSUM test based on OLS residuals. Because it falls within the critical boundaries at the 5% significance level and does not cross the lower and upper critical limits, it shows that we are unable to reject the null hypothesis of parameter stability. This indicates that during the course of the calculated model's sample period, the estimated coefficients display parameter stability.

Table 8: Model diagnostics test

Test	Statistic Value	Probability
Breusch-Godfrey LM test for autocorrelation	0.115	0.734
Breusch-Pagan test for heteroscedasticity	2.13	0.144
Ramsey RESET Test	0.76	0.526

Source: Author's compilation based on Stata output (2026).
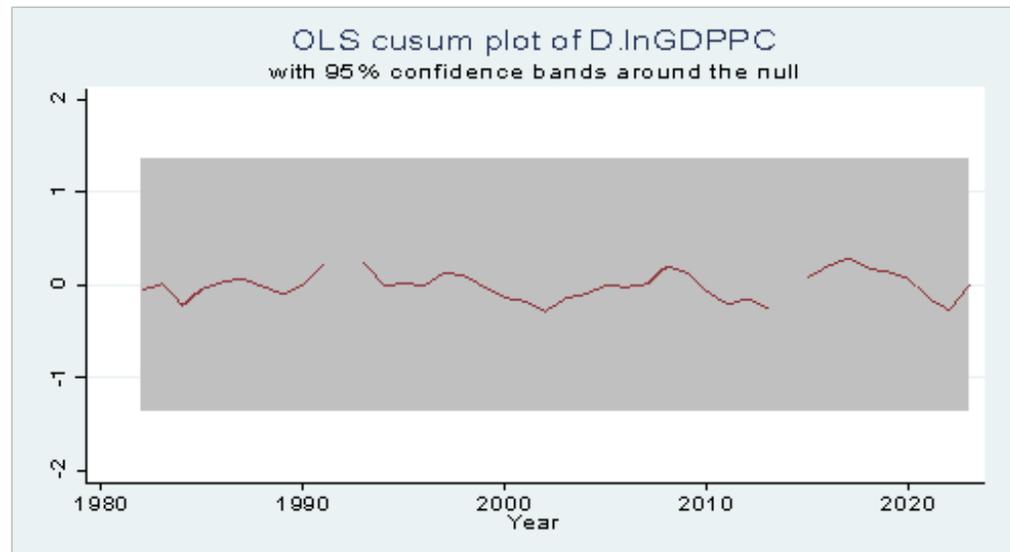
Figure 2: CUSUM plot

Author's compilation based on Stata output (2026).

4 Conclusion and policy implication

4.1 Conclusion

This study tries to examine the effect of industrialization on real per capita GDP growth in Ethiopia, both in the short-run and long-run. Using the ARDL modeling approach from 1980 to 2023, we find a stable long-run relationship between real per capita GDP, industrialization, population growth, bank lending, government expenditure, and inflation. Moreover, the study show that industrialization has a significant positive long-run effect on real per capita GDP whereas population growth and inflation have a significant and negative long-run relationship with real per capita GDP. On the other hand, bank lending and population are found to have positive short-run effect on real per capita GDP while government has a negative short-run relationship with real GDP per capita.

Throughout this research period, 1980–2023, the manufacturing sector fell behind in adding value within the country's industry. The empirical result from this research confirms that industrialization remains the strongest mechanism for improving per capita income and socio-economic wellbeing in Ethiopia; however, its current structure remains sub optimal.Without the development of manufacturing, it is substantially difficult to promote economic growth and, in particular, per capita GDP. This structural inequity illustrates a decoupling between aggregate industrial growth and income distribution, where high macroeconomic growth fails to manifest as sufficient Per Capita GDP (PCGDP) gains to meaningfully improve the standard of living. This indicates that while the economy expands, the benefits do not reach the individual level at a rate fast enough to significantly raise average household incomes.

4.2 Policy Implications

1. Ministry of Industry (MoI) and Ministry of Planning and Development (MoPD)

The government must vigorously commit to the realization of the Homegrown Economic Reform 2.0 (HGER 2.0) by strengthening industries with high labor elasticity. Policy makers should motivate incentives for the agro-processing sectors to ensure the creation of the maximum number of formal jobs. By focusing on labor-intensive manufacturing rather than the construction sector, the government can ensure that industrial growth directly addresses the economic condition of the individual household rather than just aggregate GDP.

2. Ministry of Urban Development and Infrastructure and Municipal Administrations

The government should leverage the Corridor Development initiatives in main cities as a basic channel for income enhancement by founding designated, reasonable zones for Small and Medium Enterprises (SMEs). To protect against "Premature Deindustrialization" and its casualties on the urban youth, policymakers must accentuate the integration of small-scale production into modern industrial linkages. This approach confirms that modernization may not displace low-income earners but instead gives them a formal path into global value chains.

3. The National Bank of Ethiopia (NBE) and the Ministry of Labor and Skills (MoLS)

To shield socioeconomic groups' strata from macroeconomic shocks and the deterioration of currency value, the government needs to harmonize industrial goals with extended social safety nets like the Urban Productive Safety Net and Jobs Project (UPSNJP).

The government must set a legal national minimum wage that is strictly pegged to the Consumer Price Index (CPI) to confirm these industrial gains translate into real purchasing power. By 2026, the minimum wage must be calibrated to exceed the current cost of living to prevent the erosion of real income and ensure the people's share of revenue is sufficient to shield households from income uncertainty.

3. Ministry of Innovation and Technology and Commercial Banks

The government must give attention to embracing Digital Ethiopia 2025/2030 and mobile finance programs like Telebirr and M-Pesa as force multipliers for industrialization and financial inclusion. As a modern transmission mechanism to deliver government-to-person payments directly to workers, the state can bypass predatory informal lenders and shield family assets from inflationary pressure by utilizing digitalization.

4. Regional State Administrations and Ministry of Agriculture

To shield the expansion of islands of prosperity, the government should validate regional industrial decoupling by focusing on small-scale manufacturing stimuli for emerging regional states. This geographical redistribution of industry must be coupled with "Green" strategies that link industrial pay to Climate-Smart insurance products, allowing urban workers to safeguard the economic assets of their rural families against climate shocks.

5. Ministry of Health and Ministry of Planning and Development

As the study's results suggest that Ethiopia could not endure the gains from economic growth without addressing the issue of rapid population growth. Therefore, policymakers must prioritize population management to lower the youth dependency ratio. With-

out such regulation, it is entirely impossible to maximize the efficiency of industrial development or achieve the comprehensive, sustainable improvements in living standards required for Ethiopia to escape the low-income trap.

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Data Availability

Data can be made available on the behavior of the request

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Systematic Review

A Systematic Review of Institutional Quality as a Potential Catalyst of Intra–Regional Trade Performance

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Abstract

This study explored the potential of institutional quality as a driver of intra-regional trade performance, particularly in the context of the African Continental Free Trade Area (AfCFTA). The aim was to synthesise the evidence on the critical role institutional quality plays in enhancing trade performance. We used a systematic review of 45 relevant articles, selected from an initial pool of 185 articles published between 2011 and 2024. The articles were rigorously chosen through a well-defined selection process to provide comprehensive insights into the relationship between institutional quality and trade performance. The review highlights significant gaps in the literature, especially concerning the sensitivity of trade performance to institutional quality. Weak institutions are identified as major constraints on intra-African trade, limiting the growth of regional trade networks. The findings suggest the need for more research on how institutional quality can be enhanced to improve intra-regional trade, with a focus on the newly established AfCFTA. This study provides valuable recommendations for policymakers, emphasising the importance of improving governance, reducing corruption, and enhancing regulatory quality. The findings offer actionable insights for formulating policies and institutional reforms aimed at stimulating intra- regional trade and promoting sustainable economic development.

1 Introduction

Institutional quality is widely recognised as a critical catalyst for international trade performance and the subsequent economic growth of the trading countries, depending on how good the quality of institutions is (Alvarez et al., 2018; Borrmann et al., 2006; Levichenko, 2007; Méon and Sekkat, 2008; Rezaee and Karimi, 2023). Economists, policymakers, and practitioners consistently underscore its importance (Barbero et al., 2021;

Heo et al., 2021). In this regard, institutional quality encompasses elements such as contract enforcement, property rights, political systems, and investor protection (Levichenko, 2007). Kaufmann et al. (1999) further conceptualise institutional quality through six World Governance Indicators: government effectiveness, regulatory quality, rule of law, voice and accountability, control of corruption and political stability.

From a theoretical perspective, institutional quality shapes trade flows and patterns by enhancing export productivity through robust contracts, property rights, and shareholder protection (Levichenko, 2007). Conversely, weak institutions increase transaction costs and disrupt trade logistics (Kaufmann et al., 1999). Following the substantial significance of institutional quality on international trade performance and economic growth, a great attention in the empirical literature has been given. A varied body of knowledge, consistent with the theoretical assertion (N. Ali and Mingque, 2018; Falkowski et al., 2019; Feenstra et al., 2012; Francois and Manchin, 2013), provides evidence of foreign trade's dependence on the quality of institutional structures, particularly in terms of contract enforcement, property rights as well as trade infrastructures. Moreover, scholars have evidenced the sensitivity of trade performance to institutional quality in terms of government effectiveness, regulatory quality and rule of law stability (Abreo et al., 2021; Doyle and Zarzosof, 2011; Iwanow and Kirkpatrick, 2007; Lin et al., 2020; Oshota and Wahab, 2022; Riker, 2022). Empirical literature (Jama, 2020; Kalim et al., 2022; Oshota and Wahab, 2022) has also reported that control of corruption, political stability and voice, and accountability significantly influence trade performance. Yet, the similarity in institutional quality between the trading countries has been observed to have a significant impact on foreign trade performance (Barbero et al., 2021; Bojnec and Ferto, 2015; Chishti et al., 2021; Razaee and Karim, 2023). All these dimensions of institutional quality impact trade flows and patterns through the production and transaction costs of both export and import goods (Hou et al., 2020).

In Africa, where intra-regional trade remains low, understanding the relationship between institutional quality and trade performance is crucial (Oparanya et al., 2019). Although there is an empirical consensus on the influence of institutional quality on trade, inadequate knowledge persists regarding the status of institutional quality within African trading blocs and its association with low intra-regional trade. This issue requires intensive debate, especially as African leaders push toward transforming the continent into a unified and powerful trading bloc. As in other African economies, institutional quality plays a critical role in fostering Tanzania's intra-regional trade performance and, consequently, its economic development. Despite the country's trade potential and strategies aimed at promoting investment—particularly in adding value to primary products to enhance their regional and global competitiveness—Tanzania has experienced relatively low intra-regional trade performance, especially in the manufacturing sector (United Nations Conference on Trade and Development, 2022). This weak performance is partly attributed to low export competitiveness, driven by poor manufacturing and industrial performance, which hampers access to global markets (United Nations Conference on Trade and Development, 2022). While Tanzania has made progress in improving governance, corruption control, and regulatory quality— alongside implementing various institutional reforms to promote investment and trade in line with regional agreements—significant institutional bottlenecks remain, particularly in areas such as contract enforcement and property rights (World Bank, 2022). Poor governance and corruption continue to constrain production, investment, and transactions, ultimately hindering trade performance . Similar to many African countries, particularly those in Sub-Saharan Africa (SSA), both public and private institutional frameworks in Tanzania are observed to be weak (Aron, 2000). Given the challenges of low trade performance and fragile institutional structures, there is limited knowledge of the link between trade performance and institutional quality. This highlights the importance of further research to understand how domestic and trading partners' institutional frameworks influence trade outcomes. A deeper exploration with sufficient and accurate evidence is necessary to comprehensively assess how and to what

extent foreign trade relies on the institutional quality of respective trading countries.

Thus, this study addresses these gaps by systematically reviewing the literature to explore the sensitivity of trade performance to institutional quality. It poses three questions: Does the quality of domestic institutions matter in foreign trade performance? Do differences in institutional quality drive bilateral trade flows? Does the impact of institutional quality vary across trading countries? This investigation aims to provide policymakers with actionable insights to strengthen institutions and enhance trade within the African Continental Free Trade Area (AfCFTA).

2 Literature Selection Methods

We conducted a systematic literature review which was the best approach for a broader and deeper understanding of the relationship between institutional quality and international trade performance. This approach allowed researchers to identify, select, and critically assess relevant studies, collect data, and synthesize the best evidence from the research pertinent to the correlation between institutional quality and trade performance (Siddaway et al., 2019; Snyder, 2019; Tranfield et al., 2003) . The rationale for using the systematic review lies in its capacity to examine the phenomenon comprehensively by synthesizing research in a transparent, unbiased, and replicable manner (Siddaway et al., 2019; Tranfield et al., 2003; Waddington et al., 2012). The appropriateness of the approach relies on the researchers' purpose to comprehensively synthesize the available evidence and draw a wide and strong conclusion from a variety of published articles. Considerably, the systematic approach offers a well-defined approach of describing the extent, nature and quality of the evidence from literature on a certain matter and discovering what future studies are supposed to investigate (Cronin et al., 2008; Davis, 2014; Tranfield et al., 2003). However, it is important to note that a systematic review does not generate new empirical data but rather provides deeper insights into the extent and nature of the phenomenon based on high-quality evidence synthesised from diverse studies. Prior to initiating the review, selection and inclusion criteria were established based on guiding questions to ensure a well-scoped, organised, and integrated analysis (Kraus et al., 2022; Rhoades, 2011). The systematic search focused on empirical, peer-reviewed articles published in English from reputable journals between 2011 and 2024, relevant to the correlation between institutional quality and trade performance.

a. Search and identification process

To conduct a comprehensive literature review, we systematically searched multiple databases, including Springer, Elsevier, Taylor & Francis, Wiley, Emerald, and Scopus. Additional sources such as the World Bank (WB) and the International Monetary Fund (IMF) were also consulted. To obtain relevant studies, we used the keywords "institutional quality", "intra-regional trade" and "trade performance" for an effective search of the most relevant and useful published articles. At the initial search, 185 records were identified from these databases. Initially, 185 records were retrieved. After excluding 60 duplicate and non-English articles at the initial stage, a total of 125 studies were retained for further suitability assessment.

b. Suitability assessment and selection of articles

The article selection process prioritised empirical academic journal articles relevant to the correlation between institutional quality and international trade. The 125 identified

articles were initially screened by their titles and abstracts to evaluate overall relevance. At this stage, 64 articles were excluded—30 due to their non-empirical nature and 34 for being outside the review period's scope. This left 61 articles, which were then subjected to a full-text review for a more thorough relevance assessment. During this phase, an additional 16 articles were excluded due to limited relevance or insufficient detail. Ultimately, 45 articles were deemed suitable for deeper investigation, focusing on their methodologies and findings.
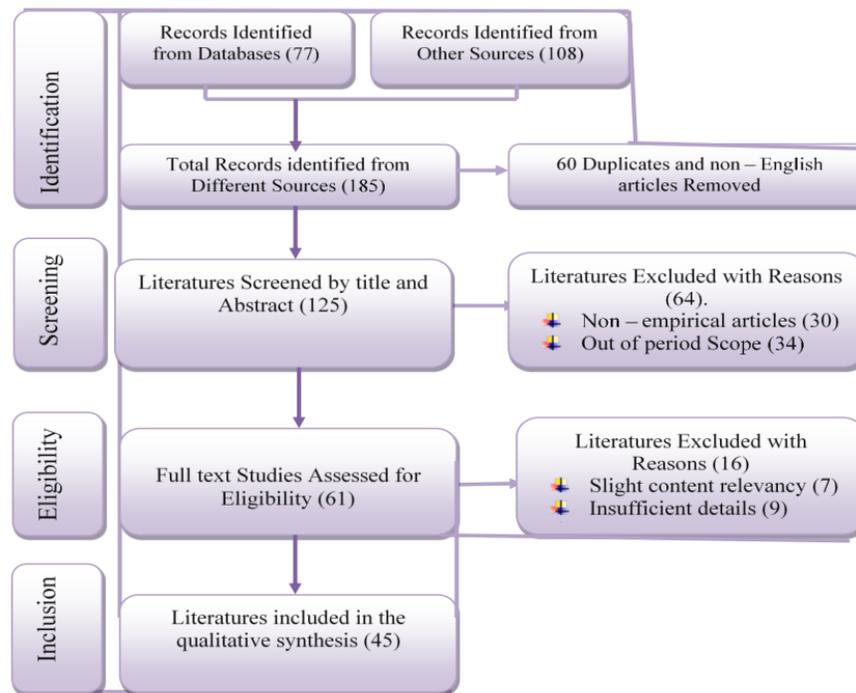
Figure 1: A Flow Diagram for the Article Selection Process

c. Data extraction and synthesis

A quality assessment was conducted on the 45 selected articles, integrating specific characteristics aligned with the review's guiding questions (Karunananthan et al., 2009). This assessment was performed alongside data extraction, which focused on the year of publication, title, author(s), purpose, methodologies applied, publication details, and key findings of each study. The extracted information was synthesised using a narrative review approach, summarising findings and presenting them within the existing body of knowledge (Tranfield et al., 2003). The narrative review highlights and elucidates the findings, offering a clearer understanding of the relationship between institutional quality and trade performance.

3 Results and discussion

Despite minor differences in applied methodological approaches, the literature shows institutional quality as a substantial determinant of inter- and intra-regional trade performance. However, the modified gravity model was mostly applied by researchers to assess the relationship between institutional quality and trade performance using panel

data with differentiated estimation techniques. In spite of the differences in their geographical contexts, most articles have revealed the trade impact of institutional quality in both exporting and importing countries, in line with theoretical assertions (Alhassan and Payaslioglu, 2019; Alvarez et al., 2018; Assane and Chiang, 2012; Feenstra et al., 2012; Heo et al., 2021; Hyun, 2018; Lin et al., 2020; Lipuma et al., 2013; Méon and Sekkat, 2008; Rehman et al., 2020; Salatin and Eslambolchi, 2014). Furthermore, numerous studies (A. Ali and Rahman, 2014; Bustaman et al., 2022; Fakher, 2014; Ojeaga et al., 2014; Song et al., 2019; Yushi and Borojo, 2019) have found a similar trade impact of institutional quality. Regionally, institutional quality determines the effectiveness of aid for trade and raises the quantity and quality of information needed during the bargaining phase of a trade agreement by potential member countries, which consequently affects trade flows and patterns (Baccini, 2014; Tadesse et al., 2019).

Similarly, the long-run significant impact of trade openness on economic growth is conditional on the quality of institutions (Agyei and Idan, 2022; Akpan and Atan, 2016; Omoke and Charles, 2021. Though the trade impact of institutional quality varies across the trading countries depending on the nature of the traded goods and level of development (Barbero et al., 2021; Heo et al., 2021; Hyun, 2018). Whereby, the trade impact of institutional quality is bigger in countries with high income than the countries with low income (Alhassan and Payaslioglu, 2019; Barbero et al., 2021). Thus, suggesting that countries with higher institutional quality have a comparative advantage in institution-intensive goods. In particular, the review offers robust evidence that improvement of institutional quality greatly encourages new domestic firms to export goods (Briggs, 2013), and consequently reduction of poverty in the trading countries depending on how quality of institution is, in terms of control of corruption and accountability (Bergh et al., 2015).

Figure 2 shows an assortment of studies which show the trade effect of institutional quality based on institutional dimensions and institutional similarities among the trading countries. Contract enforcement and property rights were reported to be significant ways in which the institutional quality of the trading countries influences trade performance (N. Ali and Mingque, 2018; Falkowski et al., 2019; Faruq, 2011; Feenstra et al., 2012). Countries with enhanced contracting institutions gain from international trade by producing contract–intensive goods and specializing in exporting high-quality and competitive goods (Falkowski et al., 2019). Thus, supporting the theoretical assertion derived from the Ricardian view and hypothesized by Levichenko (2007). The theory describes the sensitivity of international trade to institutional quality in terms of the ability to write and enforce better contracts and property rights. Therefore, the countries with good quality contract enforcement and security of property rights, significantly facilitate trade flows and patterns depending on the number of contracts that can be written and enforced. Unlike the countries with lower institutional quality where fewer contracts can be written and enforced consequently reducing trade flows (Levichenko, 2007) as indicated on Figure 2.

The review has also revealed the significant impact of political stability and voice and accountability of both exporting and importing countries on trade performance (Jama, 2020; Kalim et al., 2022; Munemo, 2021. Thus, democratic accountability and political stability promote trade, while external conflicts negatively affect trade. On the other hand, the rule of law and control of corruption have been evidenced as a fundamental determinant of trade performance (Abreo et al., 2021; Munemo, 2021; Oshota and Wahab, 2022). Though government effectiveness and regulatory quality are confirmed to be relatively more significant in facilitating favourable trade regulations that promote trade (Abreo et al., 2021; Iwanow and Kirkpatrick, 2007; Yusuf et al., 2021). Therefore, supporting the theoretical hypothesis that trade is sensitive to institutional quality dimensions of the trading countries. However, Jama (2020) found an insignificant association between export performance and institutional variables except political stability. In addition, the institutional quality in terms of border and transport efficiency, physical and communication infrastructures robustly determines intra-Africa's trade (Yushi and Borojo, 2019).
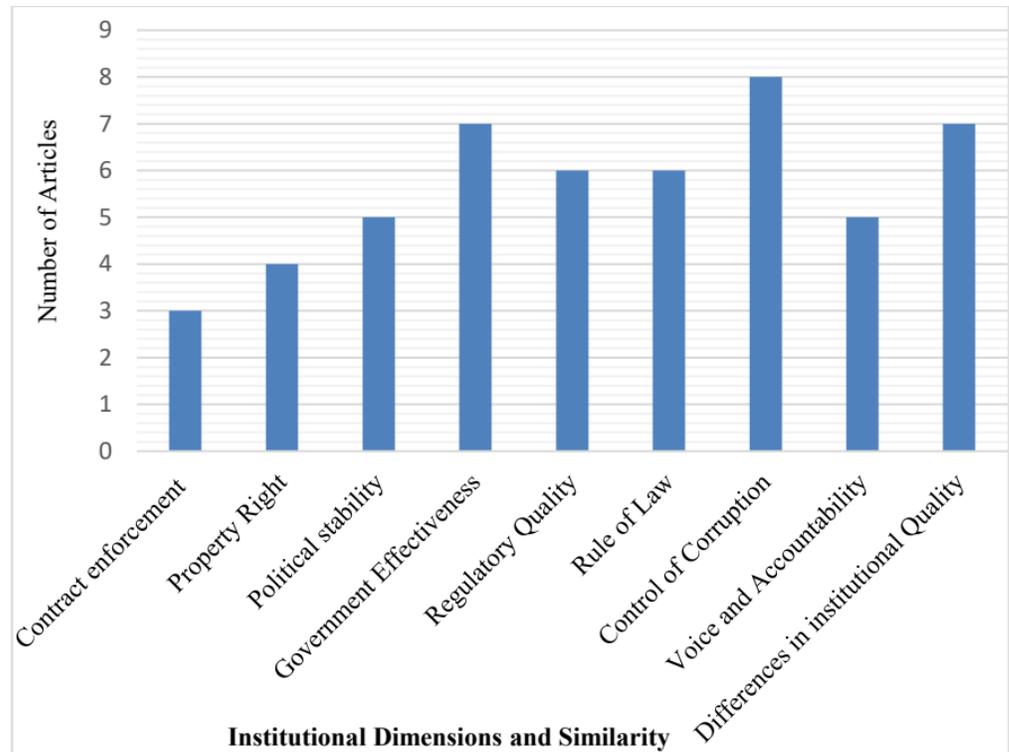
Figure 2: Trade effect of institutional quality based on institutional dimensions and differences

Finally, differences in institutional quality among the trading countries were observed as significant determinants, though the correlations with trade performance vary in a similar institutional context. The similarity of institutional quality is revealed to be significant, thus the countries that have the same level of institutional quality boosts bilateral trade more than countries with different institutional quality (Bojnec and Ferto, 2015; Chishti et al., 2021; Rezaee and Karimi, 2023). Furthermore, Abreo et al. (2021), Barbero et al. (2021), and Hyun (2018), confirmed that the trade is highly influenced by differences in regional institutional quality of the trading partners. In this perspective, countries with similar institutions are likely to trade more than those with differences in institutional quality. This contradicts the findings of Lin et al. (2020), who found no clear trade impact of institutional quality similarities between the trading countries. However, the findings are consistent with the theoretical hypothesis that institutional differences across the trading countries are an important determinant of trade flows and patterns (Acemoglu et al., 2007).

4 Conclusion

This study systematically reviewed the empirical literature to assess the role of institutional quality in shaping intra-regional trade performance, particularly within the context of the African Continental Free Trade Area (AfCFTA). The review addressed three central research questions: the dimensions of institutional quality explored in existing studies; the methodological approaches commonly applied; and the nature of the evidence regarding the influence of institutional quality on trade flows within African regions.

A total of 45 peer-reviewed articles published between 2011 and 2024 were rigorously

selected from an initial pool of 185 publications. The synthesis of findings indicates that institutional quality, typically measured through indicators such as regulatory effectiveness, rule of law, control of corruption, and government efficiency, plays a substantial role in determining trade performance. Although the reviewed studies applied varying methodological approaches, particularly different forms of the gravity model using panel data techniques, the consensus across the literature is clear: robust institutional frameworks significantly enhance both inter- and intra-regional trade. Moreover, institutional similarity between trading partners was also identified as a positive factor influencing trade integration, affirming theoretical expectations in this domain. Despite methodological diversity and geographical variation, the reviewed literature revealed consistent empirical support for the importance of institutional quality in trade performance. However, the study also identified key gaps, particularly in the analysis of how institutional reforms—especially those aligned with AfCFTA implementation, affect trade flows over time. There is limited evidence on the differentiated impacts of specific institutional dimensions and on the mechanisms through which institutional changes influence intra-African trade dynamics.

Based on these findings, the study offers several policy recommendations. First, there is a critical need for African governments and regional bodies to strengthen governance frameworks and institutional accountability. Second, investment in regulatory reform is essential to reduce trade-related transaction costs and inefficiencies. Third, efforts should be directed at enhancing transparency and implementing anti¬corruption mechanisms to build investor and trader confidence. Finally, regional integration efforts under AfCFTA would benefit from greater institutional convergence among member states, particularly in legal, regulatory, and administrative domains.

5 Limitations and future research directions

Despite the exposed evidence on the trade impact of institutional quality derived from the review of a variety of articles, there is limited knowledge on how low intra–regional trade performance in African trading blocs, particularly in the East African Community and South African Development Community, has been associated with low institutional quality. So far, most studies have focused on the institutional dimensions through which institutions affect trade, but few of them have shown the trade impact of institutional differences of the respective trading countries. Thus, it is reasonable to conduct further research, particularly in the areas that have not yet undergone extensive examination. Accordingly, we suggest some potential areas that have not been intensively examined and that further research should focus on. Firstly, the review revealed that there hasn't been a thorough exploration of the trade effects of institutional similarities, hence, further research should take this into account, particularly in the East African Community and South African Development Community. Second, the reviewed articles focused on the impact of institutional quality on trade flow, but the determination of institutional quality on trade patterns hasn't been well thought out, which opens up an avenue for further research for a deeper understanding of how the trade patterns between the trading countries are determined by institutional quality.

6 Contribution of the Study

A broader and deeper understanding of how and to what extent trade performance is sensitive to domestic institutional quality and institutional similarities based on sufficient

and up-to-date data is crucial for sound trade policy analysis and informed decision-making. Having sufficient, up-to-date, and accurate information, provides a good foundation for trade policy formulation and analysis. Our study provides a robust foundation for economists and policymakers for sound and informed decision-making. The contributions of this study are twofold: first, it provides valuable knowledge on how and to what extent the institutional quality of an individual country affects foreign trade. Second, the study offers a comprehensive and in-depth comprehension of how the similarities in institutional quality among trading countries influence trade flows and patterns based on the latest and adequate data from published empirical articles. The broad knowledge gained from this review would be helpful to policy analysts and decision-makers in analysing the significance of the existing policies and institutional reforms made to boost investment and trade flows and utilise effectively the available regional trade potentials.

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Data Availability

Data can be made available on the behavior of the request

Declaration of interests' statement

The author declare no competing interests.

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Research Article

Effects of Integrated Marketing Communication Strategies on Selected Private Commercial Banks' Performance through the Mediating Role of Brand Equity

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Abstract

The research examines the effects of Integrated Marketing Communication (IMC) by mediating brand equity on selected private commercial banks' performance in Addis Ababa, Ethiopia. The study targets private Ethiopian commercial banks operating for over 15 years, focusing on their head office Marketing and Customer Relationship Management staff. A multi-stage sampling method is used, combining purposive, probability and convenience techniques. Respondents from pertinent departments are then chosen through probability and convenience sampling for practical data collection. Using a Structural Equation Modelling (SEM) framework, the study tests the direct effect of IMC on bank performance and brand equity (BE), and the indirect effect through the mediation of brand equity. The findings reveal that IMC significantly enhances bank performance both directly and indirectly through its positive effect on BE. Further, the analysis reveals that BE exerts a positive and significant influence on bank performance and partially mediates the IMC–performance linkage. Hypothesis testing validates the need for IMC in the development of brand equity, which leads to better operating performance. The results confirm that Integrated Marketing Communications IMC makes a significant positive contribution to both Brand Equity (BE) and banks' performance, exerting strong direct effects ($\beta=0.716$, $p<0.001$ and $\beta=0.775$, $p<0.001$ respectively). Additionally, Brand Equity positively contributes to Bank Performance ($\beta=0.490$, $p<0.001$), indicating that a well-established brand equity influences financial and operating success. Furthermore, IMC has an indirect effect on Bank Performance through Brand Equity ($\beta=0.351$, $p<0.001$), highlighting branding as a partial mediator in the IMC-performance relationship. These findings suggest that banks should emphasize appropriate integrated marketing communication strategies to improve their brand equity and performance as a whole.

1 Introduction

In the competitive banking sector, banks are increasingly recognizing the importance of integrated marketing communication strategies as a source of enhanced performance and competitiveness (Achrol and Kotler, 2017). Integrated Marketing Communication (IMC) is a systematic process that coordinates different marketing channels and communication tools to convey one message, thereby generating brand loyalty and customer engagement (Dinyah Fitri and Herdiansyah, 2021). In the competitive business world with growing customer expectations, the importance of IMC strategies cannot be overstated.

Despite the widely accepted benefits of IMC in strengthening organizational performance and building long-term stakeholder relationships, some of the determinants enabling its implementation remain inconclusive (Pisicchio and Toaldo, 2021). In today's business environment, IMC has become indispensable as companies attempt to attain market leadership, win customers, and keep them. According to Blazheska et al. (2021), IMC forms a pillar of contemporary business policies for developing sustainable customer relationships.

Empirical studies also indicate the impact of IMC on brand awareness. For instance, Dinyah Fitri and Herdiansyah (2021) studied the impact of IMC on BLANJA.com's brand awareness and concluded that online promotion of sales, public relations, communication, and advertising collectively enhance brand recognition. In support of this argument, Melati et al. (2024) argue that advertising is a primary force behind increasing brand awareness through engaging and informative ads that eventually drive purchase intent and overall business performance. Molla and Rahaman (2022) also depicts the reality that expenditure on advertisement significantly enhances the financial performance of banks and attests to the economic importance of IMC expenditure.

Besides, Al-azzam et al. (2024) emphasize the need for customer-oriented IMC planning and creative products that meet the demands of customers. In concurrence with this, Phokwane and Makhitha (2023) investigated the contribution of IMC to private bank performance in Juba, South Sudan, emphasizing the applicability of a well-balanced promotion mix. Similarly, Gede (2024) investigated promotional mix variable interactions with sales volume, affirming their noteworthy contribution to sales performance.

Firms that create superior IMC competencies have a higher chance of achieving greater campaign effectiveness, which translates to better market-based and financial performance (Luxton et al., 2015). To this extent, IMC is also among the most influential firm-specific competencies with an unparalleled influence on performance outcomes. Wu et al. (2022) offer additional evidence by demonstrating that planned public relations, advertising, and social media advertising have a substantial positive effect on hotel marketing performance. Founded on such a knowledge base, Batra and Keller (2016) propose a framework for maximizing IMC performance, with a "top-down" communications optimization model and a "bottom-up" communications matching model. Moreover, the relationship between IMC and brand loyalty has been examined extensively. Šerić et al. (2020) confirm that consistency in communication significantly strengthens brand loyalty, particularly for fast food brands. Likewise,Dinyah Fitri and Herdiansyah (2021) affirm that IMC remains one of the primary drivers of brand awareness. Ameyibor et al. (2022) is convinced that brand equity enhances corporate performance through consumers' willingness to pay premium prices, increasing brand preference, and enhancing loyalty. Although brand equity may be an outcome of numerous factors, researchers agree that maintaining consistency in communication through IMC is the secret to its establishment (Dzakiyya and Hijrah Hati, 2024).

Empirical validity of the IMC, brand equity, and business performance relationship has been confirmed across various industries. Elrayah (2020) researched large Saudi Arabian

market players and confirmed a strong relationship between IMC, brand equity, and business performance. Similarly, Theodora (2021) believes that IMC helps in building and establishing brand equity, which has an impact on firm performance. To complement these results, Rahayu and Hendrayati (2021) emphasize that IMC has a direct and significant impact on brand equity, necessitating sustained strategic efforts at IMC to drive brand positioning and maximize shareholder value.

Several recent empirical studies supplement the direct linkage between IMC and brand equity (Anita et al., 2023; Rahayu and Hendrayati, 2021. Tamulienė et al. (2020) for example, proved that IMC has a positive influence on brand loyalty, which is a basis of brand equity. Elrayah (2020) and Lee et al. (2021) further empirically confirmed the positive influence of IMC on corporate performance and brand equity. These results all point to the fact that companies that place a focus on integrated marketing communications are going to be more likely to have enhanced market position, financial performance, and long-term customer loyalty.

In their study of the integrated marketing communication model's influence on brand equity and business performance, Sulaeman and Kusnandar (2020) concluded that public relations, advertising, sales promotion, personal selling, and direct marketing all partially and simultaneously influence consumer choices and business performance. Similar to this, research by Rahayu and Hendrayati (2021) concludes that it is critical to concentrate on the company that keeps up its strategic efforts in the area of integrated marketing communication (IMC), which helps to increase the company's Brand Equity in the eyes of consumers, leading to enhanced company performance as evidenced by the optimization of sales, profits, and wealth to meet shareholder value. Figure 1 presents the conceptual framework developed through a rigorous empirical literature review.
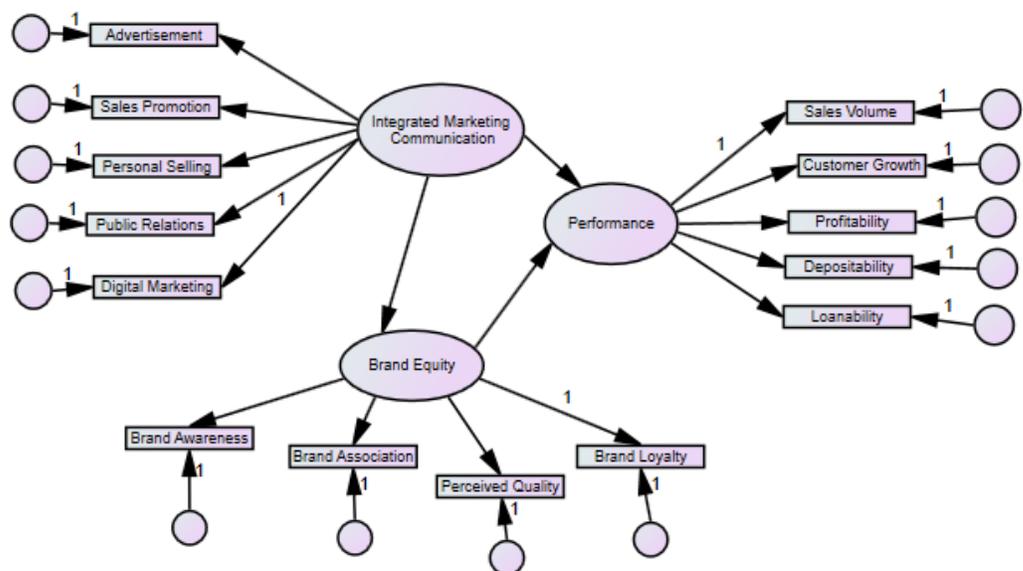
Figure 1: Conceptual Framework Based on Empirical Literature Review

Sources: (Chen, 2020; Manisha, 2017; Sulaeman and Kusnandar, 2020; Syamria et al., 2023)

The aforementioned researches were conducted in various countries, using various approaches, at various points in time, and in various sectors other than the banking sector, with various outcomes. Therefore, using brand equity as a mediating variable, in this paper, the effect of the integrated marketing communication strategy on the performance

of banks in Ethiopia is determined. This study aims to provide valuable insights into how integrated marketing communications can be employed to create brand equity and eventually result in improved performance outcomes in the banking sector. The findings will offer valuable implications for marketing practitioners and bank managers who are interested in enhancing their communication strategy and improving their market positioning.

A set of hypotheses was constructed in this paper that was tested in the analysis and discussion.
H1a: Integrated marketing communication has a significant effect on banks' performance.
H1b: Brand equity moderates the relationship between integrated marketing communication and the performance of the banks.
H1c: Integrated marketing communication has a significant effect on brand equity in banks.
H1d: Brand equity significantly influences banks' performance.

2 Materials and Methods

This research aims to identify the "Effects of Integrated Marketing Communication (IMC) Strategies on Banks' Performance by mediating brand equity" in Ethiopia. This research has employed a positivist philosophy, which believes that knowledge should be derived from scientific observation and empirical evidence. It emphasizes quantifiable variables and statistical analysis (Creswell and Creswell, 2017). Using this philosophy, this research elaborates relationships that prevail between IMC strategies, brand equity and banking performance while allowing flexibility and practicality in accordance with the objectives of the research. Thus, this research investigates how different dimensions of IMC affect bank performance; therefore, it demonstrates how important IMC is in the banking industry.

An explanatory descriptive research design was used for this study. Descriptive research is performed to describe the effect of integrated Marketing Communication (IMC) practices, such as advertising, sales promotion, personal selling, public relations and digital marketing, based on the quantitative results. Explanatory research to ascertain the cause and effect between these strategies and bank performance, specifically looking at the direct effect of these variables. Data collection involved quantitative surveys distributed among employees. The study targeted private banks in Ethiopia with over fifteen years of operational experience, focusing specifically on marketing and CRM staff at their head offices. These employees were chosen because they directly engage with IMC strategies and possess in-depth knowledge of their impact on bank performance. The sampling procedure followed a multi-stage design, beginning with purposive sampling to select six private banks, including Awash Bank, Dashen Bank, Hibret Bank, Nib International Bank, Cooperative Bank of Oromia, and Oromia Bank. These banks were selected based on their operational longevity and relevance to the study. A probability sampling method was then applied to select respondents from the marketing and CRM departments, followed by convenience sampling for ease of access.

To determine the sample size, the study utilized Morris (2015) simplified formula, resulting in a sample of 376 respondents from a target population of 579 employees. The sample size is computed as:

$$n = \frac{NZ^2pq}{(E^2(N-1) + Z^2pq)} \tag{1}$$

The necessary sample size is denoted by n. N is the size of the entire population. The population proportions, p and q, are both set to 0.5. z is the value that defines the desired confidence level for the confidence interval when analyzing the data. A common confidence level in surveys is 95%, for which z is 1.96. E determines the precision of the sample proportions. For instance, if you aim to estimate the proportion of individuals supporting a policy with a margin of error of ±3%, E would be set to 0.03. Thus, the sample size is calculated as follows.

$$n = \frac{(579)\,(1.96)^2\,(0.5 * 0.5)}{((0.03)^2\,(579 - 1) + (1.96)^2 (0.5 * 0.5)}$$ (2)

Out of the 376 questionnaires distributed, 312 were properly filled and used for this analysis purpose, representing 83% response rate. The sample was stratified by bank to ensure proportional representation. Employees were given standardized questionnaires to complete in order to gather primary data. Respondents are asked to indicate how much the identified variables of integrated marketing communication have affected their banks' performance by answering statements on a Likert scale with five points: 1 means severely disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree. Following data collection, the direct impact of IMC dimensions was tested using Structural Equation Modelling (SEM), which was used to investigate causal links between IMC methods and bank performance. The validity of the constructs was checked using Confirmatory Factor Analysis (Hair et al., 2019). To ensure evidence of the stability of the results, reliability and validity were strictly examined. Quantification was used to measure dependability in terms of Cronbach's alpha and composite reliability, whose acceptable values are above 0.7 (Hair et al., 2011). Convergent validity (which guarantees crucial correlations between measures of the same construct) and discriminant validity (which guarantees that constructs vary from one another) were applied to measure validity. By securing informed consent from all participants, the study aligned with ethical guidelines. Concisely, the research approach outlines an exhaustive method of examining the impact of IMC on banks' performance through the mediating role of brand equity through a mixedmethods research design in gathering qualitative and quantitative data. The approach guarantees that the research objectives are properly addressed and provides insightful information on how various IMC tools facilitate banks to thrive in the Ethiopian market through the mediating role of brand equity.

3 Results and Discussions

A reliability test was conducted to assess the internal consistency of the measurement items used for this study. Cronbach's Alpha (α) was used as a measure to assess the reliability of each of the constructs and their respective dimensions.

Table 1: Reliability Test of Measures

Variables	Dimension	Cronbach Alpha (α) values	Overall α-value
Integrated Market Communication (IMC)	Advertisement	0.949	0.914
	Sales Promotion	0.888	
	Personal Selling	0.905	
	Public Relations	0.919	
	Digital Marketing	0.987	
Brand Equity	Brand Awareness	0.856	0.898
	Brand Association	0.768	
	Perceived Quality	0.888	
	Brand Loyalty	0.894	
Performance		0.892	

Source: Field Survey (2024)
Note: The items are all measured using the five-point Likert scale

Furthermore, the above table 1 presents the reliability test results of various measures across key variables, with a specific focus on Cronbach's Alpha (α) values-a common measure of internal consistency. A Cronbach Alpha value of more than 0.70 is considered acceptable in social science research studies; the higher the value, the stronger the reliability of the measurement tool(Hair et al,2010).

Integrated Market Communication (IMC) variable includes dimensions like Advertisement, Sales Promotion, Personal Selling, Public Relations, and Digital Marketing, each showing high Cronbach Alpha values (ranging from 0.888 to 0.987). The overall α-value for IMC is 0.914, suggesting strong reliability and consistency within these dimensions. Performance variable, though not broken into sub-dimensions, has an α-value of 0.892, which reflects a high degree of reliability in measuring this construct.

Table 2: Regression Weights

Variable		Variable	Estimate	S.E.	C.R.	P
BE	←	IMC	.741	.102	7.280	***
PERF	←	IMC	.775	.180	4.311	***
PERF	←	BE	.474	.164	2.894	.004
Advertisement	←	IMC	1.000			
Sales_Promotion	←	IMC	.801	.109	7.374	***
Personal_Selling	←	IMC	.563	.097	5.784	***
Public_Relations	←	IMC	.819	.107	7.671	***
Digital_Marketing	←	IMC	.779	.100	7.807	***
Brand_Loyalty	←	BE	1.000			
Percieved_Quality	←	BE	.910	.098	9.314	***
Brand_Association	←	BE	.790	.102	7.769	***
Brand_Awareness	←	BE	.967	.105	9.242	***
PERF01	←	PERF	1.000			
PERF02	←	PERF	.916	.057	16.002	***
PERF03	←	PERF	.955	.061	15.720	***
PERF04	←	PERF	.913	.059	15.507	***
PERF05	←	PERF	.901	.063	14.364	***

Source: Field Survey (2024)

The Structural Equation Modelling (SEM) regression weights in table 2 above display key

path estimates between Integrated Marketing Communication (IMC), Brand Equity (BE), and Bank Performance (PERF), as well as the observed indicators associated with these latent constructs. The path from IMC to Brand Equity shows a statistically significant standardized estimate of 0.741 at a critical ratio (C.R.) of 7.280 with a p-value of *** (p < 0.001), proving the strong and positive influence of IMC on brand equity. Similarly, IMC has a direct and significant influence on Bank performance (estimate = 0.775, C.R. = 4.311, p < 0.001), establishing its strategic value in business outcomes. Additionally, Brand Equity strongly determines performance (estimate = 0.474, C.R. = 2.894, p = 0.004), suggesting partial mediation, thereby suggesting brand equity(BE) to be a mediator by which IMC enhances performance.

The observed measures of IMC Sales Promotion (0.801), Personal Selling (0.563), Public Relations (0.819), and Digital Marketing (0.779) all have high and significant loadings (p < 0.001), which confirms that IMC is truly well operationalized through these fundamental promotion factors. The results highlight how a unified communications plan results in cohesive brand messages and strategic marketplace positioning, which is supported by recent literature on marketing integration in the digital era(Harizi and Trebicka, 2023).

On the Brand Equity side, indicators such as Perceived Quality (0.910), Brand Association (0.790), and Brand Awareness (0.967) have strong and statistically significant loadings, with all C.R. values > 7 and p < 0.001. These findings confirm that the model has construct validity and internal consistency, and support the multidimensionality of brand equity. This aligns with current empirical studies showing that consumer-based brand equity dimensions remain pivotal in influencing customer preference and performance(Kunle et al., 2020; Pinar et al., 2020).

The performance construct (PERF) also exhibits dependable measurement through its indicators PERF02 to PERF05, all of them reporting high factor loadings (ranging from 0.901 to 0.955) and highly significant C.R. statistics (all over 14). These results confirm the robustness of the performance model and justify its usage in SEM-based examinations of firm outcomes.

Structural Equation Model of IMC- BE- PERF

Once the entire separate measurement model for each construct of each variable; pooled measurement model was conducted a separate structural equation model for IMC-BE-PERF.

Path Analysis and Hypothesis Testing

Once the validity and reliability of the measurement model have been confirmed, the next step involves testing the hypothesized relationships using the Bootstrapping algorithm. This includes examining the direct effects of Integrated Marketing Communication (IMC) and Brand Equity (BE) on bank performance, as well as the indirect effect of IMC on bank performance mediated by brand equity. Additionally, the mediating role of BE in the relationship between IMC and bank performance is also analyzed. In this section, all these hypotheses are examined. Here below is the SEM for IMC-BE-PERF.

Path Analysis and Hypothesis Tests of IMC-BE-PERF
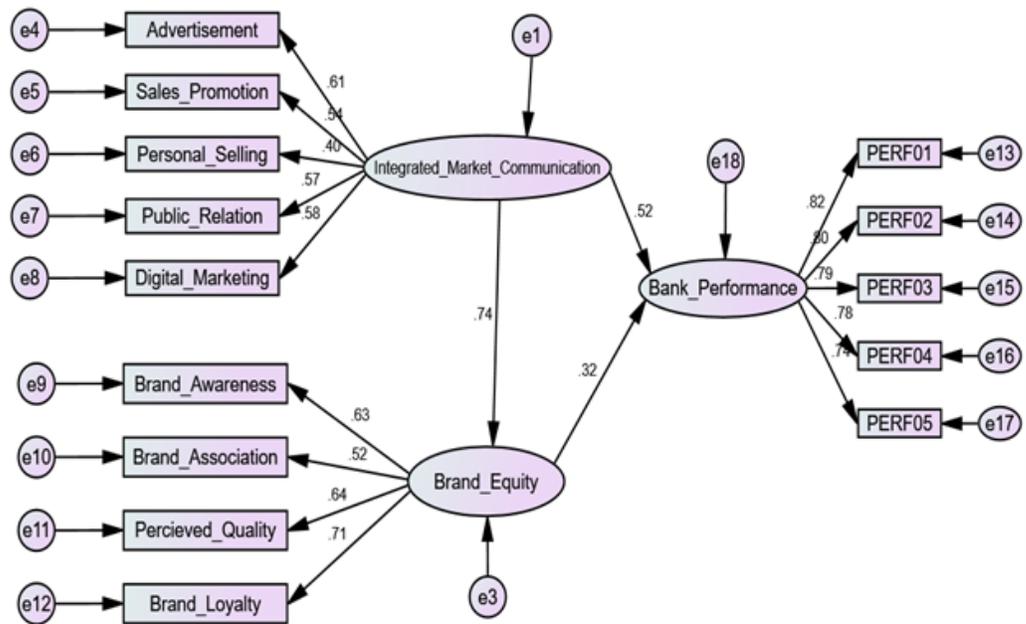
Figure 2: CRM-BE-PERF Structural Equation Model

It looks like your structural model has excellent fit. In SEM (Structural Equation Modeling), these indices are the "litmus test" to see if your proposed theoretical model actually matches the data you collected.

Here is the LaTeX code for Table 3, followed by a brief breakdown of what these specific results mean for your study.

Table 3: Structural Model Fitness Indices

χ^2 **(df)**	**P-value**	χ^2**/df**	**GFI**	**CFI**	**SRMR**	**NFI**	**IFI**	**RMSEA**
111.388 (74)	0.082	1.505	0.952	0.976	0.047	0.932	0.976	0.040

Source: Field Survey (2024)

Table 3 above shows that the model fitness index values are higher than the bare minimum needed. The data's fit to the model is supported by the following metrics: X2 (df) =111.388 (74), P-value = 0.082, GFI = 0.952, CFI =.976; NFI = 0.932; IFI = 0.976; normed chi-square = 1.505; SRMR = 0.047 and RMSEA = 0.040. Therefore, all the required fitness indices of the structural equation model of the study are fulfilled for further testing the hypothesis using path analysis. In Table 3 below, the presentation includes the importance of each path coefficient as well as the impact of exogenous constructs on the endogenous construct.

Table 4: Each Path Estimate's Unstandardized Regression Weights and Significance Level in Figure 1

Construct		Construct	Estimate	S.E.	C.R.	P	Result
BE	←	IMC	.716	.104	6.862	***	Significant
Bank PERF.	←	IMC	.775	.180	4.311	***	Significant
Bank PERF.	←	BE	.490	.170	2.877	.004	Significant

Source: Field Survey (2024)
*** suggests that it is substantial at < 0.001

Table 5: Weights of Standardized Regression for Each Path Estimate in Figure 1

Construct		Construct	Estimate
BE	←	IMC	.738
Bank PERF.	←	IMC	.517
Bank PERF.	←	BE	.318

Source: Field Survey (2024)

According to the path analysis results in Table 5 above, integrated marketing communication (IMC) has a significant effect on Bank Performance and Brand Equity (BE), with respective path coefficients of 0.517 and 0.738. Bank performance is positively impacted by brand equity as well, with a coefficient of 0.318 indicating a partial mediating effect. IMC's strategic significance in the banking industry is highlighted by its overall impact on bank performance, which is roughly 0.751. These findings are consistent with the current study, which shows that integrated and consistent communication improves consumer engagement and brand image, which in turn boosts organizational performance (Anabila, 2020). Banks that make investments in well-coordinated IMC initiatives are therefore in a more advantageous position to develop their brand and see long-term performance improvements.

Table 6: The Respected Path's Hypothesis Testing Result

Hypothesis Statement	Estimate	P-Value	Hypothesis Result
H1: BE is significantly affected by IMC	0.716	***	Supported
H2: Bank performance is significantly affected by IMC	0.775	***	Supported
H3: Bank performance is significantly affected by BE	0.490	0.004	Supported
H4: IMC significantly influences banks' performance indirectly through BE	0.351	0.000	Supported

Source: Field Survey (2024)

As demonstrated in Table 6 above, IMC has a significant and positive direct impact on bank performance at the 0.05 significance level ($\beta = 0.775$, t = 4.311, p<0.001), and the idea that IMC significantly improves banks' performance was validated as well as result concord the results of previous findings of Elrayah (2020), Muhanji and Ngari (2014), Nart et al. (2020), and Serdar (2011) . This suggests that banks are recommended to have well integrated market communication to boost their performance. The hypothesis the effect of BE on bank performance also tested in this study in IMC-BE-PERF model and as shown in the same table BE had a significant and positive effect on bank performance at the 0.05 level of significance ($\beta = 0.490$, t = 2.877, p < 0.004), and the idea that BE significantly improves bank performance was validated and result concord the results of previous findings of Elrayah (2020) and Hee et al. (2022) . This suggests that banks should have to audit their brand equity as it was found to improve their performance.

The indirect or mediation effect is examined using the Sobel test (the variant that employs the standard error in Equation), $SEab = \sqrt{SE_b^2 + b^2 SE_a^2}$ and $Z = ab/\sqrt{(SE_b^2 + b^2 SE_a^2)}$ as well as a version that relies on a nonparametric bootstrapping procedure using 5000 resampling was employed. It is common knowledge that one of the assumptions of the Sobel test is the requirement of a large sample size (Moke et al., 2018; Soleman and Tiffanie Victoria, 2021). Therefore, under the assumption of normality of the sampling distribution of the product term ab and with a significance level of α =.05, the approximate critical value for a two-tailed test is ±1.96. In order to perform the test, this critical value (±1.96) of the standard normal distribution at α =.05 is contrasted with the computed Z value of the indirect effect. However, with decreasing sample size, the Sobel test is less conservative (Zhang and Li, 2023).

Hillier et al. (2024) caution against the application of the normal distribution in the calculation of the p-value of the Sobel test because the sampling distribution of the product term ab need not be a normal distribution. The distribution of such products in most instances will be positively skewed, and thus confidence intervals under normality assumptions are symmetric and can yield tests of mediation with weak statistical power.

Alfons et al. (2022) advise against the application of the normal distribution to the estimation of statistical significance. As an alternative, they recommend comparing the calculated product with a set of critical values obtained from simulation studies or by bootstrapping the sampling distribution of ab to generate a confidence interval from the empirically obtained distribution. Bootstrapping is a nonparametric hypothesis testing and effect size estimation procedure that is free from assumptions about the shapes of the variables' distributions or the sampling distribution of the statistic(Creedon and Hayes, 2015; Ohlendorff et al., 2025.

Additionally, it offers a test independent of large-sample theory and hence is more suitable and dependable to use with a small sample. This procedure involves drawing a large number of resamples of size n (equal to the original sample size) from the data, with replacement sampling, and estimating the indirect effect (ab) for each resample (Koopman et al., 2015). Bootstrap methods have been recommended by researchers like (Alfons et al., 2022) as a remedy for the issue of loss of statistical power caused by asymmetry and other normality violations in the sampling distribution of ab. Accordingly, both the Sobel test and bootstrap methods were employed in this study to minimize the bias, and the findings are presented in Tables 6 and 7 below, respectively.

Hence, this study looked into how IMC indirectly affected banks' performance through BE. The hypothesis that BE has a significant positive impact on banks' performance was supported by the above SEM analysis table 4, which also provides a good basis for testing the indirect effect of IMC on performance through BE. Brand equity has a positive and significant effect on banks' performance at the level of significance 0.05 (β = 0.490, t = 2.877, p < 0.001). To examine the indirect impact of IMC on banks' performance through BE, bootstrapping was used. Zhao et al. (2010) recommended that the 95% confidence level from the bootstrap analysis and the indirect effect (a x b) be included when reporting the mediation analysis results. He contends that mediation is demonstrated and the indirect effect a x b is significant if the confidence interval excludes 0. Mediation analysis is rejected if a x b is not significant and the confidence interval contains 0. The test's outcomes are displayed in Table 5 above.

Furthermore, in order to enable meaningful interpretation of the findings, the unstandardized regression coefficients a, b, and c were employed. By using these procedures, the bootstrap analysis reveals that IMC has a positive and substantial indirect effect on performance (a x b = 0.351), with a 95% confidence interval that includes zero (0.022 to 0.683). Holding IMC, a unit rise in BE boosts banks' performance by 0.490 units. In the indirect path, a unit increase in IMC raises BE by a =.716 units; b =.490. Additionally,

notable is the direct effect c (.351) (p =.000); a unit increase in IMC results in a 0.351 improvement in performance while holding BE constant. It is a complementary mediation since a x b x c = (.272) is positive. Generally, IMC and BE have a significant effect on performance. However, BE was found to mediate IMC and banks' performance linkage, or IMC does have an indirect effect on Performance and hence, the H4 was supported. These outcomes support the findings of earlier studies, including Elrayah (2020) and Anabila (2019).

This finding has an implication for banks are strongly encouraged to participate actively in IMC as a means of enhancing their performance. In this study, for the indirect effect, the confidence limits, confidence level and P-values of independent variables were computed after a bias-corrected bootstrap was employed, as it provides the most accurate confidence limits and greater statistical power. The next tables, 7 and 8, display the findings.

Table 7: Indirect Effect Z-value and P-values

Path	Path a	SE (a)	Path b	SE (b)	a*b	SEab	Z-value	P-value
IMC $\rightarrow$ BE $\rightarrow$ PERF	0.716	0.104	0.490	0.170	0.351	.155	2.655	0.000

Source: Field Survey (2024)
Note: IMC = Integrated Market Communication, BE = Brand Equity, and PERF = Performance.

The above Table 7 shows a mediation analysis examining the indirect effect of integrated marketing communication (IMC) on Bank Performance (PERF) via Brand Equity (BE). Results show that the path from IMC to BE (path a) is estimated at 0.716 with a standard error (SE) of 0.104, showing a strong as well as statistically substantial positive association. This suggests that improvements in IMC significantly enhance brand equity. The second path of the mediation, BE to PERF (path b), is 0.490 with an SE of 0.170, also showing a significant positive effect. The product of these paths (a × b = 0.351) is the IMC's indirect effect on performance via brand equity. The pooled standard error of the indirect effect is 0.155, and its Z-value and p-value are 2.655 and 0.000, respectively, which confirms that the result of mediation is statistically noteworthy at the 0.01 level. It shows that Brand Equity significantly acts as a mediator between IMC and Bank Performance. These findings are consistent with more recent studies emphasizing the mediating role (Mandagie and Rana, 2023; Widjaya, 2024).

Table 8: Bootstrapped Confidence Level for P-values

Path	95% Lower Bound	95% Upper Bound
IMC $\rightarrow$ BE $\rightarrow$ PERF	0.022	0.683

Source: Field Survey (2024)

As seen in Table 6 above, IMC has an indirect effect because, as can be observed in Table 7 above, zero was not included in the range between the bottom and upper limits of the bootstrapped buoyancy level, which justifies the P-values of IMC. Thus, it can be concluded that IMC was found to have an indirect effect or BE was found to mediate the IMC-PERF linkage and the indirect effect's magnitude was computed as follows.

Finding the Impact Size of IMC's Indirect Effect

"As stated by Kenny (2016), the measurement of mediation, or the indirect effect, pertains to the portion of the effect that is mediated, determined by dividing the indirect

effect by the total effect". To ascertain whether the mediation is partial or full, it is generally accepted that the proportion of the indirect effect to the overall effect must be at least 0.80 to support a claim of complete mediation. In this study, Variance Accounted For (VAF) was utilized to assess the mediation effect, in accordance with the guidance made by Hair et al. (2011), which included the calculation of VAF for each variable. "The VAF indicates the size of the indirect effect in comparison to the total effect (i.e., Direct Effect + Indirect Effect) and is calculated as VAF = indirect effect/total effect (Hair et al., 2011)". Therefore, the calculated VAF values for each dimension, which signify partial mediation, are presented in Table 9 below. As we can see from Table 9 above, the direct

Table 9: Variance Accounted For (VAF) Significant Indirect Effect on PERF

Construct	Direct Effect (1)	Indirect Effect (2)	Total Effect (3)	VAF (2)/(3)
Brand Equity	.775	.351	1.126	.312

Source: Field Survey (2024)

effect of brand equity on performance is 0.775, and the indirect impact, apparently via a mediating variable such as Integrated Marketing Communication (IMC) is 0.351. The overall effect of BE on PERF is 1.126, calculated as the total amount of direct and indirect effects. Variance Accounted For (VAF) as a fraction of an indirect influence on the overall effect (0.351/1.126) ≈ 0.312 or 31.2 reflects the extent of mediation. A VAF of 20% to 80% indicates partial mediation, and this means Brand Equity Influences Performance both directly and indirectly by some other variable (Hee et al., 2022; Šerić et al., 2020). In this case, approximately 31.2% of the indirect influence of Brand Equity on Performance is being explained, perhaps through a marketing or communication process such as IMC. This implies that while Brand Equity has a strong influence on performance in itself, its influence is also complemented when paired with good marketing communication.

4 Conclusion and Recommendation

4.1 Conclusion

The results conclude that Integrated Marketing Communication (IMC) contributes significantly to improving banks' performance both directly and indirectly through Brand Equity (BE). IMC not only enhances bank performance by strengthening brand perception but also fosters a positive, mediated impact, as BE partially explains the relationship between IMC and bank performance. With significant path coefficients confirming this positive effect, the study underscores that well-structured IMC strategies can drive brand strength and operational outcomes, making BE a critical factor in leveraging communication efforts for competitive advantage. The partial mediation effect observed in this relationship indicates that while BE serves as a valuable intermediary, IMC independently contributes to performance, highlighting the dual benefit of direct and indirect influence. Consequently, the study emphasizes the strategic necessity for banks to implement robust IMC practices and continually assess their brand equity, as these are shown to yield significant gains in performance and competitive positioning within the financial sector.

Overall, these findings confirm that the hypotheses of IMC significantly influencing banks' performance due to enhanced brand equity pinpoint the very crucial role that this marketing strategy plays. The findings underline the deliberate relevance of brand equity in the banking sector and also verify that improving BE through IMC yields better performance.

The findings support that banks should adopt integrated approaches through which to realize IMC for maximum performance, meaning this strategy should operate to help the brand equity function effectively.

4.2 Recommendations

Several suggestions were made to enhance performance using IMC in view of the results through the mediating role of brand equity. It's relevant that banks develop and implement integrated marketing communications plans to help build brands by providing one clear voice through digital and traditional channels.

The banks should continuously review and enhance their brand equity, fully realizing that this will be of immense help in customer loyalty and market success. The bank should also always observe and evaluate the performance of IMC, update strategies according to performance indicators and changing needs of customers to remain competitive. Overall, banks should formulate and implement comprehensive strategies for IMC, ensuring it aligns with and supports the optimization of brand equity and performance outcomes. It is also highly desirable that banks periodically evaluate the brand equity and effectiveness of various IMC activities to identify their strengths, weaknesses, and areas of improvement.

Banks should develop the capability of their staff through integrated marketing communications based training programs, which will definitely enable them to perform their job of executing integrated strategies. Therefore, banks should establish specific performance measures to ascertain the consequences of IMC strategies on brand equity and overall performance, and to review these measures periodically in order to make their strategies more robust so that the banks can remain competitive and meet their customers' needs effectively. By doing so, a bank can establish a solid foundation on which the IMC models can be applied to strongly enhance performance by building brand equity and ensuring customer loyalty in the competitive financial sector.

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Data Availability

Data can be made available on the behavior of the request

Declaration of interests' statement

The author declare no competing interests.

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Research Article

Sustainability Reporting Practices in Tanzania: A Case of Listed Companies in Dar es Salaam Stock Exchange (DSE)

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Abstract

The purpose of this research was to examine sustainability reporting practices for listed companies at DSE. Specifically, the study aimed to identify the type of information reported and the level of reporting for listed companies at DSE. This study analyzes a sample of 24 companies selected to represent key sectors of the economy. The sample comprises 12 firms from the banking, finance, and investment sector; 7 from the industrial sector; 3 from commercial services; and one firm each from the oil and gas and communications sectors. To identify the nature of sustainability information disclosed by companies listed on the Dar es Salaam Stock Exchange (DSE), a content analysis approach was employed. Annual reports were used as the primary disclosure medium, with the number of sentences serving as the unit of analysis. The Global Reporting Initiative (GRI) G4 framework was adopted to classify sustainability reporting themes within the annual reports. To assess the level of sustainability reporting, the number of sentences disclosed under each theme was counted. A total of 42 disclosure items were expected across all themes. The extent of reporting was categorized as low (1–14 items), average (15–28 items), and high (29 items and above). The findings showed that while human rights issues received the fewest reports from companies listed on the DSE, labor practices and decent work were the most often cited topics. Moreover, regarding the level of reporting the study discovered that thirteen (13) companies had low level of sustainability reporting while eleven (11) companies had average reporting. None of the listed companies at DSE had high reporting. The results show that there is no significance difference in the level of sustainability reporting between sampled companies.

1 Introduction

Business growth is not a problem but the way corporate firm will survive in the future matters more than profit earning within a particular period. Beckers (2015) stated that the survival of corporate firms relies on their ability to fulfil social responsibilities and utilize resources strategically to enhance profits, while adhering to the regulations of the

business environment. Aremu and Adeyemi (2011) emphasized that the survival of a corporate firm depends on its ability to transform social problems into economic opportunities and benefits, leading to increased productive capacity, human skills development, well-paying jobs, and wealth creation. This highlights the importance for corporations to develop strategies that address both corporate sustainability and social sustainability concerns.

Corporate sustainability refers to a business approach that seeks to create long-term value by focusing on how a company operates in the social, environmental, and economic environments (Dyllick and Hockerts, 2002). Specifically, it focuses on managing the impact of business activities on society and the planet while ensuring the company's financial performance. It emphasizes responsible business practices that go beyond profit maximization. However, according to Matuszak and Różańska (2017), corporate sustainability reporting is the sharing of information about how a business interacts with its physical and social surroundings, including information about energy, natural resources, human resources, community involvement, and product safety. It emphasizes how businesses must ensure that their operations have a positive, long-lasting effect in order to align them with long-term goals (i.e., environmental, social, and economic).

According to the literature, people all over the world are becoming more conscious of sustainability issues, which has led to an increase in sustainability reporting (Tilt, 2016). Pressure from various groups, such as employees, shareholders, investors, consumers, public authorities, and non-governmental organizations, has pushed companies to engage in activities that address their interests (Cochran, 2007; Reverte, 2009. In response, companies started reporting environmental and social activities in their annual reports to meet stakeholder demands (Alshbili and Elamer, 2020).

Similarly, the growing global awareness on sustainability issues has prompted various governments to introduce regulations supporting the disclosure of sustainability information. For example, countries like South Africa, Saudi Arabia, the United States, the United Kingdom, and France have implemented laws requiring companies operating within their jurisdictions to disclose social and environmental activities in their annual reports or other relevant reports (De Luca, 2020). Additionally, many stock exchanges worldwide, such as the Johannesburg and London Stock Exchanges, have mandated listed companies to include environmental, and social disclosures in their annual reports (KPMG et al., 2013).

Furthermore, different frameworks have been created to help companies report on sustainability topics, ensuring the information provided is comprehensive, trustworthy, pertinent, and valuable to stakeholders. For example, the International Organization for Standardization (ISO) created the ISO 14001 standard to help organizations implement internal environmental management systems. Additionally, the Global Reporting Initiative (GRI) developed the G4 sustainability reporting guideline, which support organizations in reporting on economic, environmental, and social matters. The GRI guideline is the most widely used globally for sustainability reporting (Reverte, 2009).

Various studies have been conducted to date to explore the sustainability reporting practices (see Frost et al., 2005; Gunawan et al., 2022; Hąbek, 2014; Jain and Winner, 2016; Romero et al., 2014). Other studies went beyond exploring the link of sustainability practice and the performance of the firm (see Buallay, 2020; Papoutsi and Sodhi, 2020). While others tried to explore the impact of the United Nations Sustainable Development Goals on corporate sustainability reporting (Whittingham et al., 2023). The literature indicates that despite the presence of various studies on sustainability reporting most of reporting is voluntarily done (De Luca, 2020) and the disclosure vary from one country to another due to differences in legal systems, institutions and cultural influence (Tilt, 2016).

The variability in sustainability reporting practices across countries, influenced by legal

systems, institutional frameworks, and cultural factors, makes it difficult to understand and standardize sustainability reporting. In Tanzania, despite the efforts made by other countries to promote sustainability reporting, there is no any regulations that mandate sustainability reporting, the reporting is voluntarily done. As corporate survival increasingly depends on integrating sustainability reporting into business strategies, (Aremu and Adeyemi, 2011; Beckers, 2015), the voluntary nature of sustainability reporting in Tanzania presents a significant challenge. This study addresses the urgent need to explore how Tanzanian companies disclose sustainability information in a voluntary reporting regime. Specifically, the study aims to identify the type of sustainability information frequently reported and level of disclosure made by companies listed on the Dar es salaam stock exchange.

2 Literature Review

Sustainability reporting refers to the practice of companies disclosing information about their environmental, social, and governance (ESG) performance alongside traditional financial metrics. It involves reporting on how business activities impact society, the economy, and the environment (Global Reporting Initiative (GRI), 2013). Sustainability reporting serves as a crucial tool for organizations to set goals, track progress, and manage their sustainability efforts (Akhter and Dey, 2017). For example, by reporting on sustainability performance, organizations provide both internal and external stakeholders with a transparent view of their environmental and social impacts. This process can enhance operational efficiency and lead to improved overall performance. Sustainability reporting covers areas such as environmental impact (e.g., carbon emissions, energy use, water consumption); Social responsibility (e.g., labor practices, community engagement, human rights) Governance structures (e.g., board diversity, anti-corruption measures, ethics).

Globally, and especially in industrialized countries, a number of programs have been started to encourage sustainability reporting. For instance, the UK's Company Act of 2006 mandates that corporations, whether listed or not, report on social and environmental concerns that are pertinent to stakeholders' comprehension of their operations (United Kingdom, 2006). Furthermore, the Climate Change Act of 2008 was passed with the intention of lowering greenhouse gas emissions, creating a climate change committee, and proposing a carbon budgeting system (United Kingdom, 2008). The Crenelle II Act, which was passed by the French government in 2012, mandates that businesses include information about governance, social issues, and the environment in their annual reports. Furthermore, the German government, together with the German Council for Sustainable Development (GCSD), created the German Sustainability Code, which outlines the factors that should be considered in sustainability and reporting analysis. It consists of 20 criteria and 27 GRI Performance Indicators.

In Asia, Malaysian government launched its Business Sustainability Program in 2010 to encourage Malaysian publicly listed companies to integrate sustainability into their business strategies. In Africa, South Africa took a leading role in 2010 when the Johannesburg Stock Exchange (JSE) mandated ESG disclosure for listed companies. In 2022, the JSE further strengthened its commitment by introducing sustainability and climate disclosure guidance to promote transparency, enhance governance, and provide companies with best practices for ESG reporting. Similarly, in 2014, the Nigerian Stock Exchange (NSE) partnered with Nigeria's Convention on Business Integrity to launch the Corporate Governance Rating System, which ranks NSE-listed companies based on their corporate governance practices and anti-corruption measures (Abata and Migiro, 2016; Williams-Elegbe, 2017.

Various reporting frameworks exist to guide companies in sustainability reporting. The

guidelines provide a strong foundation for companies to report on their sustainability performance in a transparent, comparable, and standardized manner and ensure that sustainability reports meet the expectations of a wide range of stakeholders. The most used guideline is Global reporting initiative (GRI) standard. GRI standard provides comprehensive guidelines for organisations to report on their economic, environmental and social impacts. The guideline enables businesses, governments, and individuals to make more informed decisions based on disclosures about an organization's sustainable development initiatives and processes (Akhter and Dey, 2017).

Furthermore, scholars have employed a variety of theoretical stances to elucidate the idea and motivations behind the organization's sustainability reporting. One tactic used by businesses to satisfy the environmental demands of different stakeholders is sustainability reporting (Cowan, 2007). Stakeholder theory states that in order to meet stakeholder expectations, companies may utilize sustainability reporting to provide details about their operations, goods, and services. From the perspective of legitimacy theory, sustainability reporting can be a strategy for organizations to gain social acceptance and legitimacy to operate within their communities (Lu and Abeysekera, 2014). However, institutional theory suggests that organizations may disclose sustainability information not for economic or legitimization reasons, but rather due to external influences, such as the practices of other organizations, regulatory requirements governing such disclosures, market demand or industry standards (Cormier et al., 2005).

Various studies have examined sustainability reporting practices in both developed and developing countries. Evidence from developed economies suggests that sustainability reporting is generally more comprehensive, standardized, and institutionalized than in developing countries (Ditta and Mahmood, 2021). In these countries, most firms adopt the Global Reporting Initiative (GRI) standards, either voluntarily or in response to mandatory requirements (KPMG, 2024). Moreover, firm-specific factors such as size, profitability, industry sensitivity, and the presence of institutional or foreign ownership are important determinants of the extent and quality of sustainability reporting in developed markets.

In contrast, sustainability reporting in developing countries is often less extensive. For instance, Akhter and Dey (2017) examined the nature and extent of sustainability reporting among the top 50 listed companies in Bangladesh using annual reports and company websites. Their study revealed that Bangladeshi organizations address only a limited number of sustainability issues. The majority focus primarily on community development (90%), followed by employment and employee benefits (67%), while reporting on environmental protection, human rights, and product responsibility is minimal. Sustainability reporting on company websites was also limited, with only 26% of the sampled companies disclosing at least one sustainability indicator online. Furthermore, the level of disclosure in reports was quite low, with 66% of companies using fewer than 25 sentences for sustainability-related information, and only 16% providing a dedicated section for sustainability reporting. The limited nature of these disclosures is likely attributable to the voluntary nature of sustainability reporting in Bangladesh.

Kumar and Prakash (2019) examined sustainability reporting practices by Indian banking sector. The study's results indicate that banks in India have been slow to adopt sustainability reporting practices. Banks address sustainability concerns that are directly tied to their fundamental business activities, like energy-efficient technology, financial inclusion, and financial literacy. However, the majority of Indian banks tend to ignore environmental factors. Additionally, the study shows that public and private sector banks disclose environmental and internal socio-environmental data very differently.

Gunawan et al. (2022) on their study to assess the evolution of sustainability reporting practices in Indonesia revealed that number of sustainability reports increased during

2006-2019 with economic information being dominant followed by social and environment information. Human right information was least reported.

The contrast between developed and developing countries reveals a significant research gap: although sustainability reporting is well-established and widely studied in advanced economies, there is limited evidence on the nature, extent, and determinants of these practices in emerging markets, such as companies listed on the Dar es Salaam Stock Exchange (DSE). Understanding sustainability reporting in this context is essential for enhancing transparency, strengthening corporate governance, and promoting responsible business practices in developing countries. Moreover, sustainability reporting is a key mechanism for advancing the Sustainable Development Goals (SDGs), as it provides accountability regarding how organizations manage their economic, environmental, and social impacts. In response to this gap, the present study aims to examine the sustainability reporting practices of listed companies at the DSE, focusing on the types of information disclosed and the overall level of reporting.

3 Methodology

3.1 Source of data and the sample

This study used secondary data from annual reports of companies listed at DSE to explore the sustaibility reporting practices. Companies listed on the DSE were selected for this study because their annual reports are more easily accessible compared to those of non-listed companies. Since the focus of this study was to have in depth understanding of the current sustainability reporting practices, only annual reports for 2020 were considered. Althought there were 28 companies listed on the DSE only 24 companies were considred because they published their 2020 annual reports on the DSE website. The remaining four companies (i.e. The Afriprise Investment PLC, JATU PLC, Uchumi supermarket and Precision Air Service Plc) did not publish their annual reports on the DSE website, making it difficult to assess their sustainability reporting practices and were excluded from this study. Table 1 I presents the companies that were included in the study.

Table 1: sampled companies at DSE

S.N	Name of the company	Type of industry
1	Tanzania Portland Cement Co Ltd (TPC PLC)	Industry and allied
2	Tanzania Cigarette Company Ltd (TCC)	
3	Tanga Cement Ltd	
4	Tanzania Breweries Limited (TBL)	
5	TOL Gas Ltd	
6	TATEPA Ltd	
7	East African Breweries Limited (EABL)	
8	Vodacom Company Ltd	Telecommunication
9	National Media Group (NMG)	Commercial services
10	Kenya Airways PLC (KA)	
11	Swissport Tanzania Plc	
12	Swala Tanzania Plc	Oil and Gas
13	CRDB BANK PLC	Banking, Finances and Investment
14	DCB BANK	
15	DSE	
16	Maendeleo bank PLC	
17	Mwalimu commercial bank	
18	Mkombozi Commercial Bank (MKCB)	
19	National Investment Company Ltd (NICOL)	
20	National Microfinance Bank Plc (NMB BANK)	
21	TCCIA Investment Plc	
22	YETU Microfinance Plc	
23	Jubilee Holdings Ltd	
24	KCB Group limited	

3.2 Data processing and analysis

To answer the research questions, this study employed a content analysis of annual reports of companies listed on the Dar es Salaam Stock Exchange (DSE). Specifically, the study aims to determine: (1) the types of sustainability information reported, and (2) the level of reporting for each company. Content analysis was chosen as the primary method because it allows for systematic identification and measurement of sustainability disclosures. Content analysis is "a set of procedures for collecting and organising information in a standardized format that allows analysts to make inferences about the characteristics and meaning of written and other recorded materials" (Krippendorff, 2004). This method allows the study to measure both the presence and extent of sustainability reporting, offering a structured way to evaluate how DSE-listed companies communicate their economic, environmental, and social performance. Although various steps have been suggested in the literature for content analysis, three are particularly emphasized: selecting disclosure media, choosing the recording unit, and identifying the disclosure theme.

Disclosure media: The initial step in the content analysis process is deciding which disclosure media to use. Companies have used a range of disclosure channels, such as annual reports, stand-alone reports, business websites, newsletters, and other media, to inform stakeholders about sustainability. Nonetheless, annual reports have been widely used in studies on corporate social reporting. Because annual reports were easily available on the DSE website, they were also employed as a source of data for this study.

Recording unit: The next stage in content analysis is to choose a recording unit after deciding on the disclosure medium. A recording unit refers to the specific section of

content that is categorized, coded, or analysed. It is the smallest element that can be analysed in the research process and are crucial in systematically breaking down the content to ensure consistency and accuracy in the analysis. The most used recording units in content analysis include; words, sentences and paragraph. However, the researcher's desired method of data analysis will determine which unit to utilize. Because sentences are better at drawing insightful conclusions from narrative assertions, they were chosen as the recording unit in this study.

Disclosure themes (categories): The next stage of content analysis is to identify the disclosure topics after choosing the recording unit. The main areas or subjects that a researcher will focus on when examining the disclosure practice can be found using disclosure themes. To determine the themes to be revealed, the global reporting initiative (GRI) framework was employed. Since the purpose of this study was to assess the social and environmental disclosure practice, only five themes (categories) related to social and environment were considered i.e. environment, human rights, product, labour relation and society. Each theme had sub-themes to be reported. In environment category there were twelve (12) sub-themes (i.e. Materials, water, energy, biodiversity, emissions, effluents and waste, product and services, compliance, transport, overall, supplier environment assessment and grievance mechanisms. In Labour practices and decent work category there were eight (08) sub –themes (i.e. Employment, labour relations, occupational health and safety, training and education, diversity and equal opportunities, equal remuneration for women and men, supplier assessment for labour practices and labour practices grievance mechanisms. In human right category there were ten (10) sub-themes (for example, investment, freedom of association, nondiscrimination, child labor, forced labor, security procedures, indigenous rights, evaluation, supplier human rights evaluation, and human rights grievance system). In society there were seven (07) sub-themes Public policy, corruption, anti-competitive conduct compliance, local communities, supplier evaluation for social impacts, and grievance procedures for social impacts are a few examples. The product responsibility category was composed of five (05) sub-themes: customer privacy, marketing communications, product and service labeling, customer health and safety, and product responsibility compliance. A total of forty-two (42) themes were expected to be presented (see appendix 1).

In order understand the type of sustainability information most reported by companies listed at DSE, first, each sentence in annual report was reviewed to identify if it was related to environment, human rights, product, labour relation or society. Then, after reading the sentences reported in annual report they were recorded in appropriate categories as categorised in the GRI (G4) framework. From there the most reported theme was identified by looking on the frequency reported by each company.

The level of the sustainability Reporting by Tanzanian listed firms was accomplished by tallying the amount of phrases each company reported. Since the goal was to determine whether or not the theme was disclosed, only one sentence was counted if the theme was mentioned in multiple sentences. As indicated above there were forty –two themes that were expected to be reported, therefore the maximum number of sentences that were expected to be reported by each company were forty-two. In order to know whether the reporting is low, average or high, the level of reporting was categorised based on the work of (Chek et al., 2013) as follows: 1-14 low reporting, 15-28 average reporting and above 29 as high reporting.

4 Results

As indicated in the methodology content analysis technique was used to identify the type of sustainability information most reported by companies listed at DSE. In order

to identify the type of sustainability information reported, first the annual reports were read and the information disclosed were classified into themes and sub –themes as stipulated in GRI i.e. environment, labour practices, human rights and society. The most reported theme was identified by looking on the frequency the item has been reported by each company. Table 2 presents the results for the most reported type of social and environmental information by listed companies.

Table 2: The most reported type of social and environment information by listed companies

Type of industry	No.	Env. Disclosure	Labour Prac- tices	Human Rights	Society Disclo- sure	Product Resp.
Industry and allied	1	8.00	6.00	1.00	5.00	3.00
	2	1.00	6.00	.00	1.00	3.00
	3	1.00	6.00	1.00	5.00	3.00
	4	1.00	6.00	1.00	3.00	3.00
	5	10.00	6.00	4.00	5.00	3.00
	6	1.00	6.00	1.00	3.00	3.00
	7	7.00	5.00	.00	5.00	3.00
	Mean	**4.1429**	**5.8571**	**1.1429**	**3.8571**	**3.0000**
Telecommunication	1	8.00	5.00	1.00	5.00	4.00
	Mean	**8.0000**	**5.0000**	**1.0000**	**5.0000**	**4.0000**
Commercial services	1	7.00	5.00	.00	4.00	3.00
	2	.00	5.00	.00	4.00	2.00
	3	1.00	5.00	.00	4.00	3.00
	Mean	**2.6667**	**5.0000**	**.0000**	**4.0000**	**2.6667**
Oil and gas	1	.00	5.00	.00	3.00	.00
	Mean	**.0000**	**5.0000**	**.0000**	**3.0000**	**.0000**
Banking, finance and investment	1	1.00	5.00	.00	3.00	3.00
	2	1.00	5.00	.00	2.00	4.00
	3	7.00	5.00	.00	5.00	4.00
	4	2.00	6.00	.00	5.00	4.00
	5	1.00	5.00	1.00	1.00	4.00
	6	.00	4.00	.00	2.00	3.00
	7	6.00	6.00	1.00	4.00	4.00
	8	7.00	5.00	1.00	6.00	4.00
	9	.00	5.00	.00	3.00	4.00
	10	4.00	5.00	1.00	4.00	4.00
	11	.00	6.00	1.00	3.00	3.00
	12	.00	5.00	.00	1.00	4.00
	Mean	**2.4167**	**5.1667**	**.4167**	**3.2500**	**3.7500**
Total	**Mean**	**3.0833**	**5.3333**	**.5833**	**3.5833**	**3.2500**

Table 2 show that the most reported aspect by companies is labour practices and decent work with mean 5.33, followed by society (3.58 mean), product responsibility (3.25 mean), environmental disclosure (3.08) and the least one is human right with mean of 0.58. Specifically, industry and allied reported more information on labour practices and decent work with mean of 5.85, followed by environmental disclosure with mean of 4.14, society with mean of 3.85, product responsibility disclosure with mean of 3.00 and the least on is human rights with 1.14.

Telecommunication reported more information on environmental with a mean of 8.00 followed by society, labour practices and decent work both with a mean of 5.00, product responsibility with a mean of 4.00 and the least is human rights with a mean of 1.00. On the other hand, commercial services reported more information on labour practices and decent work with mean of 5.00, followed by society with mean of 4.00, product responsibility and environmental both with a mean of 2.66 and least one is human rights

which was not disclosed.

Oil and gas reported more information on labour practices with a mean of 5.00 and society with a mean of 3.00. Environment, human right and product responsibility were not reported. Banking finance and investment reported more information on labour practices and decent work with a mean of 5.16, followed by product responsibility disclosure with a mean of 3.75, society with a mean of 3.25, environmental disclosure with a mean of 2.14, and the least reported is human rights with a mean of 0.41.

Furthermore, in order to determine the level of sustainability reporting the number of sentences disclosed in annual report for each company was counted and added up to find the total number of sentences disclosed. In order to know whether the reporting is low, average or high, the level of disclosure was categorised as follows: 1-14 low reporting, 15-28 average reporting and above 29 as high reporting. Table 3 shows the results.

Table 3: The level of sustainability reporting

Level	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Lower than 1-14	13	54.2	54.2	54.2
Average 15-28	11	45.8	45.8	100.0
Total	**24**	**100.0**	**100.0**	

As indicated in table 3, the results show that thirteen (13) listed companies which is 54.2 percent have low level of sustainability reporting and eleven (11) listed companies which is 45.8 percent have an average level of disclosure and no company had high reporting (i.e. reported above 29 sentences) in their annual report. The results imply that listed companies have low level of sustainability reporting. The companies that had low level of reporting were TOL, TCC, TBL, TATEPA, KA, SWISS, SWALA, Maendeleo bank, DSE, DCB BANK, Mwalimu bank, TCCIA and NICOL. SWALA and DSE were the least reporters, whereby they reported only ten (10) sentences each followed by TCC, TCCIA and NICOL who reported eleven (11) sentences each. The companies that had average reporting included TPC, Tanga cement, EABL, Vodacom, NMG, KCB, JUBILEE, CRDB bank, and NMB bank. Tanga cement, Vodacom and CRDB reported 24 sentences each followed KCB who reported 22 sentences. As indicated above no company was ranked higher reporter.

5 Discussion of results

Regarding the type of information most reported by listed companies at DSE, the findings show that labour practices and decent work is reported most, followed by society, product responsibility, environmental disclosure and the last one is human rights. When looking to specific item in each category (see appendix 2), under the category of labour practices and decent work all sub-items were reported by all companies except two items named supplier assessment for labour practices and labour practices grievance mechanism were not reported. Although these two items have not been reported by all companies, their importance remains unchanged. For example, the item on supplier assessment is crucial to be reported because it show how the company identify potential risks in its supply chain, comply with standards, committed to work with high quality supplier and it demonstrate transparency on how company selects and monitors its suppliers.

Generally reporting labour practices and decent work demonstrates how companies are committed to ethical standards by ensuring that their operations respects the rights and

dignity of workers. In addition, reporting labour practices not only show how organisations are accountable to their shareholders such as employee's customers and employees but also builds their trust and confidence. Further by reporting labour practices regularly companies can monitor and improve working conditions by addressing issues such as fair wages, safe working environments, and work-life balance.

Under society category, 18 out of 24 companies reported sub-item named local communities. This item seeks to address information on how company report information about individuals or groups living or working in areas that are affected or that could be affected by the organization's activities. Reporting the item is beneficial to the companies as it builds trust and reputation. Specifically, reporting on how the organization interacts with and impacts the local community demonstrates transparency and it builds trust with the community, customers, investors, and other stakeholders. Likewise reporting this item gives the company a social license to operate and conflicts with local community can be prevented.

Vodacom for example, reported that they have the foundation (Vodacom Tanzania Foundation) which is responsible for managing social investment. The foundation invested over TZS 12.5 billion since 2004 impacting millions of lives directly and indirectly in various communities in area of education, health care and financial inclusion. In addition, many companies reported that during the breakdown of COVID 19 pandemic they spent money to support community by giving health facilities and ventilators.

Further, product responsibility was reported by several companies. For instance, almost every company reported on product and services labelling, marketing communication and product responsibility compliance. However, item named customer health and safety was left unreported. It is important for the companies operating in the country to report on this aspect because by reporting it ensures that products are safe, meet regulatory standard and no harm is caused to consumer. In addition, reporting in product responsibility helps companies to identify areas of improvement and communicate their sustainability efforts to shareholders. Likewise, when companies report about product responsibility on how products are made, used and disposed it engage stakeholders and enable them to make informed decision whether to continue supporting or investing in a company.

Regarding the environmental category most of the items were not reported by all companies. Eight (08) companies reported in the aspect of energy, water, biodiversity, emission, effluent and waste and compliance. The aspects of materials, transport, overall, supplier environmental and environmental grievance mechanisms were not reported.

In particular, given the activities carried out by industry and affiliated businesses, it was anticipated that the corporations would provide more data in this area as outlined in G4 because of the substantial environmental impact of their operations. For instance, because they use a variety of sources in their production process, all enterprises were required to report on their energy consumption. Since cement production generates waste, effluent, air emissions, and energy consumption, the cement sector was specifically expected to submit comprehensive information on these topics. Once more, because breweries use a lot of water and release wastewater into the environment, they were asked to give detailed information on water usage and waste water generation. Likewise, companies from mining and cement were expected to report the information on land use and biodiversity as their activities requires large land to operate. The reporting status under industry and allied companies implies that there is need of regulators to enforce existing laws and making amendment of laws regarding sustainability reporting in order to enforce companies to practice and disclose sustainability information in their corporate report.

The least reported category was human rights. The majority of the items that GRI (G4)

was supposed to report were not. The only business in the industry and its allies to reveal four human rights-related things was Tanga Cement Ltd. Specifically, they reported non-discrimination, freedom of association and collective bargaining, child labour and forced labour. Twelve (12) companies reported on non-discrimination item. They reported that they focus on giving equal opportunities to the employees and avoiding any kind of discrimination. Even if the category was not adequately reported but its importance remains.

Reporting human rights is important because it make companies accountable for their actions and decisions. In particular reporting human rights helps unveil any human rights violations like forced labour, discrimination or unsafe working conditions and forces companies to address these issues. Similarly, reporting on human rights pushes companies to comply with laws and regulations as most countries have laws and regulations that requires companies to respect human rights. Also, human rights violations can lead to significant risks such as legal actions, financial losses and damage to company's reputation. Therefore, reporting on human rights helps companies to identify and address potential risks early, mitigating negative impacts and ensuring sustainable operations.

Generally, the literature shows that when companies fail to provide sufficient disclosure on environmental matters, labour practices and decent work, human rights, society or product responsibility, it can lead to significant consequences for the companies, their stakeholders, and society as a whole. For instance, when companies make low disclosure on sustainability they may expose themselves to negative consequences such as lower trust, loyalty, reputational damage and dissatisfaction from their stakeholders (such as customers, investors, employees, suppliers, regulators and other stakeholders (Stojanović et al., 2016). They may also miss out opportunities to innovate, differentiate themselves from competitors, attract new markets and customers, access new sources of funding or investment, reduce operational costs or waste (Stojanović et al., 2016). Moreover, they may expose themselves to higher risks of fraud, corruption, litigation (Ahmad et al., 2023), which can damage their reputation and profitability. Additionally, stakeholders who are interested in the environmental aspects may suffer from lack of information or awareness about the firms' actual environmental performance or impact (Stojanović et al., 2016).

Moreover, apart from the benefits the company can gain from reporting sustainability information such disclosures also enable companies to demonstrate how they are working towards achieving various SDGs. For example, reporting on labour practices and decent work can directly contribute to achieving several SDGs (such as DG 8: Decent work and Economic, SDG5: Gender Equality, SDG 10: Reduced Inequality, SDG 3: Good Health and well-being, SDG12: Responsible Consumption and production, SDG1: No poverty). Likewise reporting on human rights can contribute in achieving SDG4: Quality education, SDG5: Gender Equality and SGD8: Decent work and economic growth. Also reporting on environmental issues related to materials, energy, water, biodiversity, emissions, effluent and waste can contribute to achievement of several SDGs (such as SDG 3: Good health and wellbeing, SDG 6: Clean water and sanitation, SDG 7: affordable and clean energy, SDG 9: Industry, Innovation and Infrastructure, SDG 11: Sustainable cities and communities, SDG 12: Responsible consumption and Production, SDG 13: Climate Action, SDG 14: Life below water SDG 15: Life on Land).

6 Conclusion

Companies listed on the DSE continue to report on environmental issues at a low level. But as we have seen, a business can profit much from reporting this information, particularly from a variety of stakeholders, including investors, consumers, the government, and others. Beyond these advantages, the world now demands that every industry show

how it is carrying out its operations while simultaneously striving to meet the SDGs. It is time for these businesses to begin offering these reports so they can benefit from the information that is provided.

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Data Availability

Data can be made available on the behavior of the request

Declaration of interests' statement

The author declare no competing interests.

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Table 4: Appendix 1: Item to be disclosed as adopted from GRI (G4) guideline

No.	ITEM	CATEGORISE OF CSR
1	Materials	
2	Energy	
3	Water	
4	Biodiversity	
5	Emissions	
6	Effluents and Waste	Environmental Disclosure
7	Products and Services	
8	Compliance	
9	Transport	
10	Overall	
11	Supplier Environmental Assessment	
12	Environmental Grievance Mechanisms	
13	Employment	
14	Labor/Management Relations	
15	Occupational Health and Safety	
16	Training and Education	Labour practices and
17	Diversity and equal opportunities	decent work
18	Equal remuneration for women & men	
19	Supplier assessment for labor practices	
20	Labor practices grievance mechanisms	
21	Investment	
22	Non-discrimination	
23	Freedom of association and Collective bargaining	
24	Child labor	
25	Forced labor	
26	Security practices	Human rights disclosure
27	Indigenous rights	
28	Assessments	
29	Supplier human rights assessment	
30	Human rights grievance mechanisms	
31	Local communities	
32	Anti-corruption	
33	Public policy	
34	Anti-competitive behavior	Society disclosure
35	Compliance	
36	Supplier assessment for impacts on Society	
37	Grievance mechanisms for impacts on society	
38	Customer health and safety	
39	Product and service labeling	
40	Marketing communications	Product responsibility
41	Customer privacy	disclosure
42	Product responsibility compliance	

Table 5: Appendix 1: Item to be disclosed as adopted from GRI (G4) guideline

No. of items	ITEM	CATEGORISE OF CSR
1	Materials	
2	Energy	
3	Water	
4	Biodiversity	
5	Emissions	
6	Effluents and Waste	Environmental Disclosure
7	Products and Services	
8	Compliance	
9	Transport	
10	Overall	
11	Supplier Environmental Assessment	
12	Environmental Grievance Mechanisms	
13	Employment	
14	Labor/Management Relations	
15	Occupational Health and Safety	
16	Training and Education	
17	Diversity and equal opportunities	Labour practices and decent work
18	Equal remuneration for women & men	
19	Supplier assessment for labor practices	
20	Labor practices grievance mechanisms	
21	Investment	
22	Non-discrimination	
23	Freedom of association and Collective bargaining	
24	Child labor	
25	Forced labor	
26	Security practices	Human rights disclosure
27	Indigenous rights	
28	Assessments	
29	Supplier human rights assessment	
30	Human rights grievance mechanisms	
31	Local communities	
32	Anti-corruption	
33	Public policy	
34	Anti-competitive behavior	Society disclosure
35	Compliance	
36	Supplier assessment for impacts on Society	
37	Grievance mechanisms for impacts on society	
38	Customer health and safety	
39	Product and service labeling	
40	Marketing communications	Product responsibility disclosure
41	Customer privacy	
42	Product responsibility compliance	

ITEM	TPC PLC	TOL	TCC	TBL	TANGA CEMENT LTD	TATEPA	EABL	VODACOM COMPANY LTD	NMG	KA	SWISS	SWALA	KCB	JUBILEE	MAENDELEO BANK	DSE	DCB BANK	CRDB BANK	MKOMBOZI BANK	NMB BANK	MWALIMU	NICOL	TCCIA	YETU
Environmental disclosure																								
Materials	X	X	X	X	X	X	X	√	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Energy	√	X	X	X	√	X	√	√	√	X	X	X	√	√	X	X	√	√	X	√	X	X	X	X
Water	√	X	X	X	√	X	√	√	√	X	X	X	√	X	X	X	√	√	X	√	X	X	X	X
Biodiversity	√	X	X	X	√	X	√	√	√	X	X	X	√	X	X	X	√	X	X	X	X	X	X	X
Emissions	√	X	X	X	√	X	√	√	√	X	X	X	√	X	X	x	√	X	X	X	X	X	X	X
Effluents and Waste	√	X	X	X	√	X	√	√	√	X	X	X	√	X	X	X	√	X	X	X	X	X	X	X
Products and Services	X	X	X	X	√	X	√	√	√	X	X	X	√	X	X	X	√	X	X	X	X	X	X	X
Compliance	√	√	√	√	√	√	√	√	√	X	√	X	√	√	√	√	√	√	√	X	√	√	√	√
Transport	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Overall	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Supplier Environmental Assessment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Environmental Grievance Mechanisms	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	√	X	X	X	X	X	X	X
labor practices and decent work disclosure																								
Employment	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	X	√	√	√	√	√	√	√	√
Labor/Management Relations	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Occupational Health and Safety	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Training and Education	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Diversity and equal opportunities	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Equal remuneration for women & men	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Supplier assessment for labor practices	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Labor practices grievance mechanisms	X	X	X	X	X	X	X	X	X	X	X	X	X	X	√	X	X	X	X	X	X	√	X	X
Human rights disclosure																								
Investment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Non-discrimination	√	X	√	√	√	√	X	√	X	√	X	X	X	X	X	X	X	X	X	√	X	X	X	X
Freedom of association and Collective	X	X	X	X	√	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Child labor	X	X	X	X	√	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Forced labor	X	X	X	X	√	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Security practices	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Indigenous rights	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Assessments	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Supplier human rights assessment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Human rights grievance mechanisms	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Society disclosure																								
Local communities	√	√	X	√	√	√	√	√	√	X	√	√	√	√	X	X	√	√	√	√	√	X	X	√
Anti-corruption	√	X	X	X	X	X	√	√	X	X	X	X	√	√	X	X	x	√	X	X	X	X	X	X
Public policy	√	√	X	√	√	X	√	√	√	√	√	√	√	√	X	√	√	√	X	√	X	X	√	√
Anti-competitive behavior	√	√	X	X	√	√	√	√	√	X	X	√	√	√	X	X	√	√	√	√	√	X	X	X
Compliance	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Supplier assessment for impacts on Society	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Grievance mechanisms for impacts on society	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	x	√	X	X	X	X	X	X
Product responsibility disclosure																								
Customer health and safety	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Product and service labeling	√	√	√	√	√	√	√	√	√	√	√	X	√	√	√	√	√	√	√	√	√	√	√	√
Marketing communications	√	√	√	√	√	√	√	√	√	√	√	X	√	√	√	√	√	√	√	√	√	√	X	√
Customer privacy	X	X	X	X	X	X	X	X	X	√	X	X	√	√	√	X	√	√	√	X	√	X	X	X
Product responsibility compliance	√	√	√	√	√	√	√	√	√	√	√	X	√	√	√	√	√	√	√	√	√	√	√	√

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Research Article

The Effect of Employees Empowerment on Organizational Performance: The Case of Ethiopian Telecommunication, Jimma Main Branch

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Abstract

The main purpose of this study was to evaluate how employee empowerment influences organizational performance at Ethiopian Telecommunications' Jimma main branch. This study used a quantitative research method and an explanatory research design to meet the specific study goal and answer the research inquiries. The study's target group consisted of Ethiopian Telecommunication personnel from the Jimma main branch. The data collected from 87 respondents via questionnaires were evaluated using descriptive and inferential statistics in SPSS (Statistical Package for Social Sciences). The researcher used both primary and secondary data. Using a linear regression model, the researcher used psychological empowerment, trust, employee engagement, employee training, and teamwork as independent variables to predict organizational success. The study's findings revealed that teamwork, trust, employee involvement, and staff training have a substantial impact on organizational effectiveness. Trust has a favorable, considerable impact on organizational performance. According to the research, the organization should promote teamwork and employee engagement. Top management should also recognize the importance of training in improving corporate performance and urge lower-level staff to do the same.

1 Introduction

1.1 Background of the Study

To navigate today's modest and fast-paced business landscape, organizations increasingly turn to employee empowerment as a key driver of success. Studies confirm that empowered employees contribute significantly to efficiency and effectiveness (Chen and Silverthorne, 2008), boosting productivity, achievement, and company reputation. This intrinsic motivation eliminates wasted time waiting for decisions, as noted by Klidas et

al. (2007), and positions the organization for independent growth in the market (Abid and Ahmed, 2020). Empowering employees, therefore, becomes not just a benefit but a strategic investment in the organization's future. In a globalized, dynamic business world, employee empowerment takes center stage. Psychologically empowered employees contribute more, rely less on micromanagement, and adapt readily to diverse markets (Desta and Mulie, 2024). This aligns with organizational needs: as Aragón-Correa et al. (2007) note, globalization demands flexibility and responsiveness to various audiences. Empowering employees is thus a global strategy for enhancing internal dynamics and external performance, addressing both sides of the "coin" of organizational success (Klidas et al., 2007; Noruzy et al., 2013).

Research by Chan et al. (2010) suggests that employee empowerment's impact on service quality depends on their need for achievement. Higher need for achievement weakens the positive effect of empowerment, implying a potential over-reliance on intrinsic motivation in such cases. This aligns with the broader emphasis on employee development and learning through various methods Desta and Mulie (2024) to optimize performance and achieve short- and long-term goals. Organizations granting autonomy and tailoring empowerment based on internal structures can unlock the potential of a dedicated, high-performing workforce. Empowering employees fuels organizational success through enhanced commitment and performance (Spreitzer, 2008). Internal environments fostering employee autonomy and decision-making, like those in Ethiopian telecommunication companies, see higher goal achievement and job satisfaction (Desta and Mulie, 2024). Studies worldwide (Ibharhokanrhowa, 2016; Theron, 2010; Wang and Lee, 2009) confirm this positive impact, emphasizing the critical role of empowerment in propelling organizational performance. Despite implementing practices like granting power and open communication, the lack of employee experience with actual empowerment hinders its effectiveness (Desta and Mulie, 2024). This research was prompted by this disconnect between intended and experienced empowerment at Ethiopian Telecommunication, Jimma branch.

Interviews revealed limited, unresponsive empowerment structures and policies, neglecting employee needs and psychological aspects. Therefore, the research aimed to bridge this gap and understand the true dynamics of employee empowerment in this context. This study aims to fill a knowledge gap on employee empowerment and its effects on performance, specifically at Ethiopian Telecommunications' Jimma branch. The initial interviews revealed a disparity between desired and real empowerment, as well as a lack of emphasis on employee empowerment methods. The study explores deeper, looking at the factors that influence employee empowerment and how it affects organizational performance in this specific scenario. This ground-breaking study has the ability to provide insightful information and guide strategies for optimizing staff power and improving performance at Ethiopian Telecommunications' Jimma branch.

The following research topics will be addressed in order to gain a complete understanding of the phenomenon under investigation, in the case of Ethiopian Telecommunication, Jimma's main branch, and to propose viable answers. What relationship exists between employee training and organizational performance? What is the relationship between collaboration and organizational performance? What is the relationship between employee psychological empowerment and organizational performance? What relationship exists, between employee trust and organizational performance? How does employee participation affect organizational success?

1.2 Hypotheses Development

Based on theoretical reviews and empirical findings, the researcher presents the following hypotheses:

Hypothesis 1: Employee psychological empowerment positively impacts organizational performance at the Ethiopian Telecommunication Jimma main branch.
Hypothesis 2: Employee trust positively impacts organizational performance at the Ethiopian Telecommunication Jimma main branch.
Hypothesis 3: Employee participation positively impacts organizational performance at the Ethiopian Telecommunication Jimma main branch.
Hypothesis 4: Employee training positively impacts organizational performance at the Ethiopian Telecommunication Jimma main branch.
Hypothesis 5: Teamwork positively impacts organizational performance at the Ethiopian Telecommunication Jimma main branch.

2 Theoretical literature review

Though "empowerment" as a term is recent, the concept has deep roots in management thought. While contemporary forms like psychological empowerment capture broader aspects, earlier interest focused on "situational" and "role" empowerment, particularly during the rise of scientific management (Taylor, 1911) . While this approach emphasized efficiency through defined tasks, concerns emerged about its long-term impact on worker satisfaction and potential downsides of work simplification (Arnold et al., 2000). This historical context highlights the ongoing evolution of empowerment strategies and the constant pursuit of balancing efficiency with employee well-being. Criticism of scientific management during the 1920s Rose (1978) spurred research into its impact on employee well-being, funded bodies like the UK's Industrial Fatigue Research Board Wall and Martin (1987). This research, shaping what became I/O psychology and occupational psychology, advocated for broader job tasks and, more subtly, greater employee authority. This birthed interest in "role empowerment" as a counterpoint to work simplification, paving the way for job redesign and laying the groundwork for the evolution of empowerment beyond narrowly defined roles.

Though the notion of empowerment existed historically, its application in business took hold in the 1970s (Klose, 1993). Initially, related concepts like participative management, quality circles, and individual development served as stepping stones towards true empowerment . Despite its roots in participative and involvement theories Spreitzer et al. (1997), confusion arises from differing historical interpretations, like attributing Mayo's Hawthorne studies as the sole foundation of employee participation (Herrenkohl et al., 1999). This highlights the gradual evolution of empowerment terminology and underscores the ongoing discourse surrounding its origins and applications.

Tracing its roots back to the Human Relations movement (1930s), empowerment has gained momentum as a key factor in boosting employee satisfaction Korukonda and Hunt (1989) and organizational effectiveness. While the link between empowerment and job satisfaction is generally positive, research by Dickson and Lorenz (2009) revealed nuanced connections. Meaning, impact, and self-determination dimensions of empowerment consistently boost job satisfaction, unlike competence. However, studies like Carless (2004) and Liden et al. (2000) show varying degrees of association between specific empowerment aspects and different outcomes, highlighting the need for further investigation into these complex models of Employee empowerment. Employee empowerment models have been established by researchers such as Conger and Kanungo (1988), Menon (2001), Spreitzer (1995), and Thomas and Velthouse (1990a) among others. Here's a summary of these models.

2.1 Empowerment in the view of Conger and Kanungo

Conger and Kanungo (1988) proposed the concept of psychological empowerment, arguing for the promotion of employee self-efficacy while criticizing the narrow focus on power sharing. They proposed five phases to describe empowerment as a process: Conditions of helplessness: Organizational factors like lack of shared values, poor supervision, and demotivating rewards create feelings of powerlessness. Managerial strategies: Employee involvement, goal setting, feedback, modeling, competency-based rewards, and increased responsibility empower employees. Empowerment interventions: Providing self-efficacy information through persuasion, vicarious experiences, and active attainment boosts confidence. Empowering experience: Increased personal efficacy leads to a sense of control and higher performance expectations. Employees who feel empowered take the initiative and work harder to fulfill projects.

2.1.1 The Cognitive Model of Empowerment by Thomas and Velthouse.

Spreitzer (1995) enhanced and operationalized Thomas and Velthouse (1990a) four-dimensional model of empowerment, resulting in a widely used scale. Spreitzer's scale, which renamed "meaningfulness" to "meaning" and "choice" to "self-determination," measured impact, competence, meaning, and self-determination as distinct but complementary components of overall psychological empowerment. Her research confirmed a positive link between these dimensions and managerial effectiveness. These core concepts offer a valuable framework for understanding and measuring employee empowerment across various organizational contexts.

2.1.2 Spreitzer's Psychological Empowerment Model.

Spreitzer (1995) improved on Thomas and Thomas and Velthouse (1990b) well-known four-dimensional model of psychological empowerment by renaming two components ("meaningfulness" to "meaning," "choice" to "self-determination") and developing a valid evaluation method. According to her research, the four components of psychological empowerment—meaning, competence, self-determination, and impact—work together to improve management performance. Additionally, found that while the absence of any dimension weakens the effect, it doesn't completely negate the overall impact. This robust and widely supported model, drawing from diverse disciplines, forms the foundation for measuring psychological empowerment in this study.

2.2 Empirical literature review.

The manufacturing sector has traditionally been the focus of empirical research on employee empowerment, with few studies undertaken in the service industry. Empowerment is critical for success; however, due to the unique characteristics of service firms, where employees have frequent, direct contact with clients. Because service workers need more freedom to react quickly to customer needs, complaints, and shifting preferences, which directly affects customer satisfaction and service encounter outcomes, the application and effects of empowerment in services are very different from those in manufacturing (Zaki and Mohammed, 2018). Researchers generally agree that empowerment results in more motivated employees who can manage the customer experience, please clients, and prevent delays caused by hierarchical approvals . The service organization's structure should reflect the level of effective empowerment. The ultimate purpose of empowerment is to resist the suppression of employee capability caused by conventional management approaches (Beuren et al., 2020).

Recent research has improved our comprehension of the function of empowerment in the service industry. Chan et al. (2010) discovered that although psychological empowerment and the need for achievement are both positively connected with service quality, the need for achievement moderates the relationship between empowerment and service quality; in other words, the positive effect of empowerment decreases as an employee's need for achievement rises. According to research by Chiang and Hsieh (2012), hotel employees typically agree that they feel psychologically empowered to do their jobs, but they frequently do not perceive strong organizational support in the hospitality business.

Numerous studies conducted worldwide have demonstrated a connection between organizational performance and empowerment (Ibharhokanrhowa, 2016; Theron, 2010; Wang and Lee, 2009). Empowerment initiatives like training and development receive substantial funding from both state and private organizations in Ethiopia. However, as Desta and Mulie (2024) highlights, employees' personal reactions to these activities are a critical factor in determining their effectiveness; the sheer existence of empowerment techniques (such as delegated power and open communication) does not guarantee that employees feel empowered. There is still a sizable research deficit despite its acknowledged significance. In particular, there is a dearth of scholarly and empirical studies on how employee empowerment affects organizational performance in electric power companies, especially in Ethiopia. This emphasizes how important it is to do context-specific research in order to direct efficient management techniques in this crucial industry.

2.2.1 Conceptual framework

A conceptual framework is an analytical tool that may be modified and used in different ways. Diagrams, charts, and other visual aids are used to organize ideas and depict conceptual differences. Thus, the investigator attempts to assess the correlation between the independent and dependent variables. The conceptual framework below was developed based on a review of previous literature.

Independent-variables

Dependent Variables

• Psychological empowerments
• Trusty of employees
• Employee participation
• Training for employees
• Teamwork

Organizational performances
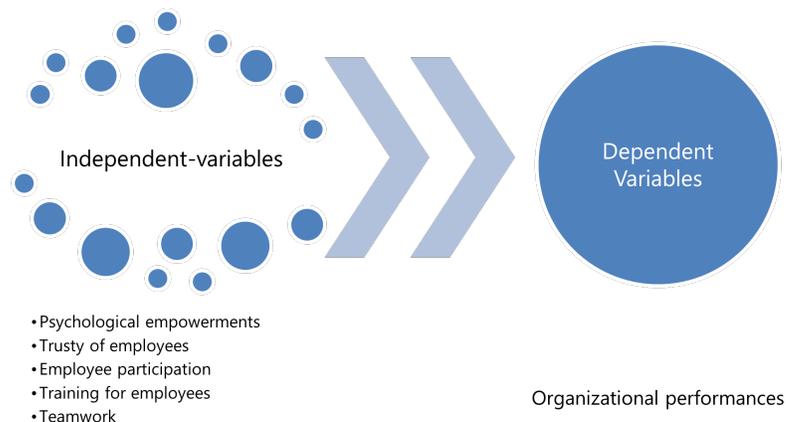
Figure 1: Conceptual framework
Source: own construct based on previous literature review.

This framework proposes that organizational performance (the dependent variable) is directly influenced by four key independent variables: psychological empowerment, trust, employee participation, training, and teamwork. The diagram illustrates a causal hypothesis: by fostering these positive workplace factors, empowered and trusted employees who participate in decisions, receive training, and collaborate in teams, the organization

will achieve enhanced overall performance. The framework, built from prior research, guides the investigation into measuring the strength and nature of these specific correlations.

3 Methodology

Jimma is the largest city in Ethiopia's Southwest Oromia Region. The Jimma Zone surrounds this one-of-a-kind location of the Oromia Region. Its coordinates are 7°40′ N 36°50′ E. Jimma was formally reformed as a special zone prior to the 2007 census. Jimma is a zone in the Oromia Region of Ethiopia. The name Jimma originates from the old Kingdom of Jimma, which was merged into the former province of Kaffa in 1932. The investigator adopted an explanatory research design. An explanatory research determines and explains the dependent variable (organizational performance) as well as the independent elements. A cross-sectional study is one that is undertaken all at once rather than over a period of years. An explanatory research design is appropriate for studies that establish a causal relationship between two or more variables (Creswell, 2009).

The researchers used a quantitative research approach and primary as well as secondary data sources. While the secondary data has come from the internet, magazines, journals, various articles, and books discussing the impact of employee empowerment on organizational performance at Ethiopian Telecommunication, Jimma's main branch, the primary data has come from questionnaires distributed to respondents. Given the limited size of the Ethiopian Telecommunication Jimma main branch (117 employees), the researcher wisely chose a census method rather than taking samples. This involves collecting data from all members of the target population (permanent and non-permanent employees) to analyze the relationships between employee empowerment and organizational performance. By opting for a complete enumeration, the research can achieve precise results without relying on sampling techniques often used for larger populations. This ensures an accurate representation of the entire employee group within the branch. To gather data, the researcher distributed and collected structured questionnaires from all employees (117) at the Ethiopian Telecommunication Jimma main branch. Employing a quantitative approach, the respondent data were analyzed using the SPSS software (version 20). This involved summarizing, organizing, tabulating, coding, and analyzing the data with both descriptive and inferential statistical tools.

A Pearson correlation analysis was used to investigate the strength of the relationships between the independent variables (psychological empowerment, trust, involvement, training, and collaboration) and the dependent variable. The goal of this statistical analysis is to assess how employee empowerment techniques affect organizational performance at the Ethiopian Telecommunication, Jimma main branch. A linearity test using a point plot and a normality test using a histogram were conducted before the regression analysis. The effect of employee empowerment on organizational performance was studied using regression analysis. A variety of linear regression models are used to assess the amount and direction of each independent variable:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + e_i$$

Where Y = dependent variables, x_1, x_2, x_3 are the independent variables, β_0 is the intercept, β_1 measures of change in Y with respect to x_1, holding other factors fixed, β_2 measures the change in Y with respect to x_2, holding other factors fixed, β_3 measures the change in Y with respect to x_3, and e_i is the error term. Where, Psychological empowerment = PE, Trust of employees = T, Employee participation = EP, Training for employees = TE, Teamwork = TW, and Organizational performance = OP.

The regression model of this study was estimated in the following:

$$Y(OP) = \beta_0 + \beta_1 PE + \beta_2 T + \beta_3 EP + \beta_4 TE + \beta_5 TW + e_i$$

4 Data Presentation, Analysis, and Interpretation

4.1 Respondents Demographic Characteristics

To meet the study's goal, questionnaires were distributed for 117 employees , and 87 (74.36%) of them were returned, which is logically acceptable. According to Nulty (2008), the response rate exceeds 70% of the total sample size and is therefore acceptable. Table 4.1 displays the respondents' gender, employment experience, marital status, and degree of education. As can be observed, 36.78% of responders were female, and 63.22% were male. This shows that men made up the majority of respondents, and given the small number of employees in this group, the table may indicate that men make up the majority of employees. In terms of age distribution, young adults aged 31 to 40 make up the majority of Ethiopian Telecommunication Jimma main branch employees (48.28%). This shows that the majority of the sample workers were young adults looking for challenging jobs, adaptability, a desire to learn more, and a dynamic work environment.

Of the respondents, 54.02% have completed their first degree. Conversely, 4.6% of those polled had a master's degree or more. As a result, the majority of the workers held first-degree educational credentials. As a result, it is possible to state that the major branch of Ethiopian Telecommunication, Jimma, employed people with a diploma or higher education. The majority of workers held a degree, indicating that they had a higher level of education, which could lead to enhanced organizational performance. Employees' employment experiences inside the current company are displayed. Approximately 47.13% of respondents stated that they had worked for less than a year, while 1.15% had worked for more than sixteen years. This shows that a substantial majority of responding employees have less than five years of experience with the current organization, which may result in poor performance. Furthermore, the majority of responders (54%) were married, with only 1.15 percent divorced.

Table 1: Respondents' demographic information

Characteristics	Frequency	Percent (%)
Gender		
Male	55	63.22
Female	32	36.78
Age		
Below 30	30	34.48
31-40	42	48.28
41-50	7	8.05
Above 51	8	9.20
Education		
A diploma and less	36	41.38
First Degree	47	54.02
Masters and above	4	4.60
Work Experience		
Below 1	41	47.13
2-5	38	41.53
6-10	1	1.15
11-15	8	9.20
Above 16	1	1.15
Marital status		
Single	41	51.72
Married	45	42.53
Divorced	1	1.15
Widow	0	0.00

Source: Computed from own survey data, 2023

Table 2: Descriptive statistics of variables

Variables	Obs.	Mean	Std. Dev.	Max	Min
Organizational performance	87	3.61	0.95	5	1
Trust	87	3.85	1.06	5	1
Psychological Empowerment	87	2.91	0.94	5	1
Employee participation	87	2.83	1.27	5	1
Training for employees	87	2.39	1.01	5	1
Team work	87	3.11	1.01	5	1

Source: Computed from own survey data, 2023

4.2 Reliability analysis of the study instruments

When developing a questionnaire, reliability analysis assesses the internal consistency, stability, or dependability of a group of items. Cronbach's alpha coefficient was used to assess questionnaire consistency. The reliability test found six independent variables with alpha values greater than 0.7. Organizational performance has the highest alpha value (0.853), whilst trust has the lowest (0.703). According to Nunnally (1978), an alpha score better than 0.70 is normally considered good. This study's model included five explanatory variables to investigate their impact on organizational performance.

Table 3: Reliability of the instrument

Variables	Observation	Cronbach's alpha
Organizational performance	87	0.853
Psychological Empowerment of employee	87	0.823
Trust	87	0.703
Employee participation	87	0.711
Training for employees	87	0.712
Team work	87	0.732

Source: Computed from own survey data, 2023

4.3 The Relationship between Organizational performance and explanatory variables

This section uses Pearson correlation to describe the relationship between explanatory variables and organizational performance. Taylor's (1990) guidelines were followed in order to better comprehend the strength of correlations between variables. He categorizes the correlation coefficient (r) as follows: Correlation values < 0.35 indicate low or weak correlation, 0.36-0.67 suggest mild or moderate correlation, 0.68-0.89 indicate strong or high correlation, and r coefficient ≥0.90 indicates very high correlation. Once again, the two variables are negatively associated if the correlation coefficient is between -1 and 0. This criterion is applied in each dimension to help comprehend and explain the outcome. Pearson correlation is a statistical computation that examines the relationship between two variables. It is determined by dividing the average product of two variables' deviation scores by the product of the Employee psychological empowerment and organizational performance were found to be connected. Table 4.4 indicates a positive and significant (p<0.003) correlation between employee psychological empowerment and organizational performance. However, the relationship is weak, with a value of.292. The study found substantial connections between employee participation, training, teamwork, and organizational performance (r=.680**, 643**, and 518**, respectively, at p<0.01) standard deviation .Furthermore, it is a very useful technique to summarize the relationships between the variables.

Table 4: Correlation Matrix

Variable	Measure	OP	PEE	TR	EP	ET	TW
OP	Pearson Corr.	1	.292**	.239*	.680**	.643**	.518**
	Sig. (1-tailed)		.003	.013	.000	.000	.000
	N		87	87	87	87	87
PEE	Pearson Corr.	.292**	1	-.002	.140	.049	.404**
	Sig. (1-tailed)	.003		.493	.098	.325	.000
	N	87		87	87	87	87
TR	Pearson Corr.	.239*	-.002	1	-.172	.327**	.592**
	Sig. (1-tailed)	.013	.493		.055	.001	.000
	N	87	87		87	87	87
EP	Pearson Corr.	.680**	.140	-.172	1	.301**	.020
	Sig. (1-tailed)	.000	.098	.055		.002	.428
	N	87	87	87		87	87
ET	Pearson Corr.	.643**	.049	.327**	.301**	1	.656**
	Sig. (1-tailed)	.000	.325	.001	.002		.000
	N	87	87	87	87		87
TW	Pearson Corr.	.518**	.404**	.592**	.020	.656**	1
	Sig. (1-tailed)	.000	.000	.000	.428	.000	
	N	87	87	87	87	87	

**. Correlation is significant at the 0.01 level (1-tailed).
*. Correlation is significant at the 0.05 level (1-tailed).
Source: Computed from own survey data, 2023

4.4 Econometric Analysis

The impact of employee empowerment on organizational performance was investigated using a linear regression model. Before doing regression, we examined the model and model-fitting information assumptions.

4.4.1 Diagnosis Tests

Prior to employing the regression analysis, a few tests were performed to ensure that the data met the regression analysis assumptions.

Normality test

Skewness the Kurtosis normality test was used to check whether the residuals are regularly distributed. The skewness, or chi (2), is 0.1426. To avoid rejecting the null hypothesis of normality at the 5% level, the p-value presented at the bottom of the normality test screen must exceed 0.05. As a result, we conclude that the model's error terms in this inquiry are regularly distributed.

Test for Heteroskedasticity

The heteroskedasticity problem has been recognized to ensure that standard errors are not skewed and that any conclusions drawn are not misleading, as well as to improve the model's performance. The test's null hypothesis states that there is no misspecification problem and that the errors are homoskedastic and independent of the repressor. The

Breusch-Pagan test was used to assess heteroskedasticity. The decision rule specifies that if the test's p-value is less than any of the selected significance levels of 1% and 5%, there may be a heteroskedasticity issue; if it is more than any of the selected significance levels of 1% and 5%, there may not be a heteroskedasticity issue. With one degree of freedom and a chi-square p-value of 0.0805, the Breusch-Pagan Test yields a chi-square of 3.06. The chi-square p-value of more than 5% implies the null hypothesis that the residuals are homoskedastic at 1%, and the 5% significance level is not rejected. As a result, the model's residuals do not exhibit heteroskedasticity.

Table 5: Breusch-Pagan / Cook-Weisberg Heteroscedasticity Test

Statistic	Value
$\chi^2(1)$	3.06
Prob $> \chi^2$	0.0803

Multicollinearity

The linear regression model also assumes that there is no multicollinearity. Multicollinearity is defined as a significant association between two or more independent variables. Five independent variables were tested for multicollinearity using correlation coefficients and the variance inflation factor (VIF). VIF's mean value is 2.28, which is less than 10. This proves that multicollinearity issues do not exist.

Table 6: Correlation Matrix

Variables	TW	ET	TR	PEE	EP
TW	1.0000				
ET	0.6778	1.0000			
TR	0.5811	0.3366	1.0000		
PEE	0.4067	0.0529	-0.0044	1.0000	
EP	0.0934	0.3249	-0.1280	0.1546	1.0000

Source: Computed from own survey data, 2023

According to Pallet (2005), multicollinearity develops when independent variables are highly correlated (r=0.9 or above). The correlation coefficient between the variables is less than the cut point (0.9), as indicated in Table 4.5 above, showing that no multicollinearity exists. Thus, the final model consisted of five independent variables: employee psychological empowerment, trust, employee engagement, employee training, and cooperation.

Autocorrelation Test

One of the main assumptions of the linear regression model is that the random error components or disturbances are distributed uniformly and independently. Even if serial correlation exists in time series data, the Durbin-Watson test in SPSS was employed to investigate it, as autocorrelation is one of the linear regression assumptions. The Durbin-Watson test statistic, d, ranges between 0 and 4. Positive autocorrelation is closer to zero, and negative autocorrelation is closer to four. A d-value of 2 indicates no autocorrelation. Around d = 2, there is a soft cushion where autocorrelation exists but is not severe enough to require remedial intervention. As a result, any d value between 1.5 and 2.3 can be read as indicating either no or ignorable autocorrelation. The Durbin-Watson test results from the regression output show a value of 2.3. Because its value is relative to 2, the DW tests show no autocorrelation.

4.5 Multiple Regression Analysis

This section presents all of the empirical findings from the regressions. The statistical relationship between employee empowerment characteristics and organizational performance was determined in this study using multiple linear regressions. When each independent variable varies by one unit, linear regression is used to calculate the average change in a dependent variable. The determination coefficient R is a measure of how much of the variance in dependent variables around their mean can be explained by independent or predictive variables. The study's goal is to determine the independent variable's relative significant influence on the dependent variable; in other words, a higher R value suggests that the regression equation has greater explanatory power.

Table 7: Summary of Parameter Estimates (Dependent Variable: OP)

OP	Coef.	Std. Err.	t	P> |t|	[95% Conf. Interval]	
PEE	0.0514	0.0333	1.54	0.127	-0.0149	0.1176
TR	0.0624	0.0359	1.74	0.086	-0.0092	0.1338
EP	0.5173	0.0577	8.96	0.000	0.4024	0.6322
ET	0.1113	0.0337	3.38	0.001	0.0443	0.1783
TW	0.1144	0.0567	2.02	0.047	0.0017	0.2272
_cons	0.1614	0.2313	0.70	0.487	-0.2988	0.6218

Number of obs = 87	R-squared = 0.7594
F(5, 81) = 51.13	Adj R-squared = 0.7445
Prob > F = 0.0000	

The coefficient of determination, or R2, is the percentage of a change in the dependent variable that can be explained by a change in the independent variables. Furthermore, it clarifies the level of explanatory strength. if there is no explanatory power (R-squared = zero). This means that the change in the independent variables cannot be utilized to measure any change in the dependent variable. There is no need for an estimated equation. If the total explanatory power (R-squared) is one. This means that the change in the independent variables can fully explain the change in the dependent variable. However, the adjusted R-squared is a modified R-squared that takes into consideration the model's predictor count. Only when the additional term improves the model more than would be expected by chance does the adjusted R-squared increase. When a predictor improves the model less than is expected by chance, it falls.

In this investigation, both R-squared and adjusted R-squared appear to be better, and the coefficient estimates are significant because all but one have p-values less than 0.1. The results show an adjusted R-squared of 0.744. This means that the change in independent variables can explain for 74.4% of the change in the dependent variable, implying a linear link between organizational success and employee psychological empowerment, trust, engagement, training, and collaboration. However, other factors may account for 25.6%. This suggests that the independent factors offer a compelling explanation for the dependent variable.

Furthermore, it has an acknowledged 74.4% greater explanatory power. As a result, it is beneficial to show how the independent variable influences the dependent variable in the sample, but the corresponding P-value from the F-statistic can be used to show the overall importance for the population. The regression table above shows that a p-value less than 5% is very significant for both the model and the population inference. The model in this study looks to be good overall, as it passes all diagnostic tests and regression assumptions. The researcher discovers variances in the coefficients and relevance of the elements influencing organizational performance, as predicted. Using the previously given estimation result, the following estimated regression function is obtained.

Estimated Equation:

$$Y = \alpha + \beta_1 \text{PEE} + \beta_2 \text{TR} + \beta_3 \text{EP} + \beta_4 \text{ET} + \beta_5 \text{TW} + \varepsilon$$

Substituted Coefficients:

$$Y = 0.1614 + 0.0513\text{PEE} + 0.0624\text{TR} + 0.5173\text{EP3} + 0.1113\text{ET} + 0.1144\text{TW} + e$$

Thus, this regression equation can be used to predict the value of the dependent variable based on a set of values for the independent variables. The regression coefficient for employee trust (β_2) = 0.062 in the equation above indicates that a one unit increase in trust improves organizational performance by 0.062, holding other variables constant.If all other parameters remain constant, the regression coefficient for employee participation (β_3) = 0.517 shows that a one unit increase in employee participation enhances organizational performance by 0.517 holding other variables constant.If all other parameters remain constant, the regression coefficient for employee training (β_4) = 0.111 shows that a one unit increase in employee training enhances organizational performance by 0.111 holding other variables constant.

When all other parameters are maintained constant, the regression coefficient for employee teamwork (β_5) = 0.1144 shows that a one unit increase in employee cooperation improves organizational performance by 0.1144. At the 10% level of significance, regression analysis shows that trust has a significant and positive impact on organizational performance. The results show a positive coefficient of 0.624 and a p-value of 0.086. This suggests that a growth in trust will significantly increase employee satisfaction. The findings are congruent with those of Chan et al. (2010), Chiang and Hsieh (2012), and Salamon and Robinson (2008). There is a direct link between greater felt trust and organizational performance. Despite the fact that the firm followed a consistent approach to processes such as hiring and training across all sites, perceptions of management's trust varied throughout the organization.

Team performance is enhanced by a culture of trust in the workplace, yet this calls for positive communication. Senior management must explain the organization's goals and mission to every employee so that everyone knows how to contribute to its success. Establishing the culture and providing workers with the information they need to make decisions that align with the organization's overarching objectives depend heavily on communication. Every employee must be able to offer suggestions and possible fixes for issues that could have an impact on clients. Because of this, it is widely acknowledged that trust significantly and favourably affects organizational performance. Employee participation of 1% has a strong favourable influence on organizational performance (p<0.001). The coefficient value is 0.5173, which is positive. Employee participation refers to an employee's involvement in shared decision-making at work. Organizational performance can be improved if employees are given the opportunity to participate in decision-making based on their abilities. Employees that participate in organizational activities, such as decision-making processes, take their jobs more seriously, become more loyal to the company, and give managers with a means of increasing employee satisfaction. Finally, employee participation boosts a company's productivity and competitiveness by encouraging employee loyalty. The findings are similar with Chekole (2021), Sagie and Aycan (2003), and Witte (1980).

Psychological empowerment shows weak correlation and limited regression significance with organizational performances. This weaker correlation may stem from centralized structures in public enterprises. In such contexts, formal empowerment can be constrained by rigid hierarchies and limited real autonomy, diluting its impact on performance. This aligns with research noting the "paradox of empowerment" in bureaucratic systems (Cho and Faerman, 2010).

Furthermore, this finding is consistent with Williamson (2008). This study concludes that employee engagement allows individuals to use their intellectual abilities, which leads to better decisions for the organization and improves organizational performance. Consequently, the study's hypothesis is approved. Employee training has a considerable beneficial impact on organizational performance ($p < 0.01$), with a coefficient of 0.1113. The findings are congruent with Mukwakungu et al. (2018). Employee participation will improve as a result of training, raising their self-esteem. Total quality, decision-making, customer service approaches, and employee relationships should all be addressed in training. Staff training has been connected to a variety of benefits, including lower costs, fewer absenteeism and turnover, higher revenues, employee contentment, and flexibility. As a result, it is considered that staff training has a significant and positive impact on organizational performance.

Teamwork is also regarded to be an explanatory factor. Teamwork is the process of working together as a group to achieve a common goal. Teamwork has a significant beneficial impact on organizational performance at 5% ($p < 0.047$), with a positive coefficient of 0.1144. The findings are consistent with earlier studies. Employee empowerment is one technique for improving workplace cooperation (Parker et al., 1994) . Employees who are properly empowered can assist their organization in boosting customer loyalty, profitability, and quality, and cut costs (Parker et al., 1994) . Giving empowered groups immediate access to data, control, recognition, rewards, and training is likely to result in responsible teams that successfully implement strategies to achieve the organization's goals. Over the last decade, social and hierarchical doctors have given collaboration a lot of thought (Guzzo and Shea, 1992).

5 Summary of major findings

5.1 Findings

The purpose of this study was to assess the impact of employee empowerment on organizational performance. This goal was met by employing questionnaires to collect primary data from Ethiopian Telecommunication Jimma main branch employees. To achieve the goal, the researcher employed the census method, and the data were analyzed using a linear regression model in SPSS version 20. In this study, both the R-squared and the adjusted R-squared appear to be higher, with the adjusted R-squared measuring 0.744. This means that the change in independent variables can explain for 74.4% of the change in the dependent variable, implying a linear link between organizational success and employee psychological empowerment, trust, engagement, training, and collaboration. However, additional factors may account for 25.6%. This suggests that the independent factors offer a compelling explanation for the dependent variable.

Furthermore, it has an acknowledged 74.4% greater explanatory power. As a result, it is beneficial to show how the independent variable influences the dependent variable in the sample, but the corresponding P-value from the F-statistic can be used to show the overall importance for the population. The study's findings indicate that trust, staff involvement, employee training, and teamwork all have a substantial impact on organizational performance. Trust has a favourable, considerable impact on organizational performance. According to the research, the organization should promote teamwork and employee engagement. Top management should recognize the importance of training in enhancing organizational performance and encourage lower-level staff to do the same. The model in this study looks to be good overall, as it passes all diagnostic tests and regression assumptions.

5.2 Conclusions

Organizations seek to improve the effectiveness of human resources by applying management applications that achieve optimal resource utilisation in light of global competitiveness and rapid changes in the business environment. This study used a linear regression model to look at how employee psychological empowerment, trust, engagement, training, and teamwork affect organizational success. Likert scales were used to assess organizational performance (the outcome variable). The study's findings indicate that trust, employee involvement, staff training, and teamwork all have a substantial impact on organizational effectiveness. There is a direct link between greater felt trust and organizational performance. Trust has a favourable, considerable impact on organizational performance. Their performance as individuals and as a team is influenced by their lack of trust in the organization, which also affects their level of involvement and commitment to their work. Managers and employees will have a high level of trust if it is consistent and high, and this will influence how passionate they are about their work. They will subsequently be able to work more productively, allowing them to advance within the organization. Trust has a favourable impact on a company's performance.

Employee participation has been proved to have a favourable and significant impact on organizational success. Raising employee engagement improves the organization's ability to plan work in independent decision-making teams, and vice versa. The statistically significant correlation suggests that systemic and integrated approaches, rather than partial solutions, are required for the implementation of employee engagement programs. Employee training has been shown to have a considerable positive impact on organizational performance. Employee training has an impact on the organizational effectiveness of Ethiopian Telecommunication's Jimma main branch. Ethiopian Telecommunication Jimma main branch staff' skills, knowledge, and capacities would undoubtedly improve with frequent training. As a result, trained employees will apply their knowledge, skills, and talents to boost commitment, productivity, and efficiency, resulting in high-quality services for the organization's clients. Collaboration is another factor. Teamwork has been shown to have a considerable positive impact on organizational performance. Teamwork is essential for a company's effectiveness and efficiency. Effective teams foster team cohesion as members learn from one another in order to improve performance.

5.3 Recommendations

Examining the various factors that influence an organization's performance is required to improve its performance. This study looked at employee empowerment as one of the causes. Based on the main conclusion, the following policy recommendations have been proposed. According to the study, there should be mutual trust among all members of the organization, human resource processes should be correctly handled, and the HR manager should have a complete awareness of the employees' emotions and the factors that may influence their level of trust. Managers can assist employees acquire confidence by supporting them, offering shared responsibilities, reducing criticism of their performance standards, and cultivating positive interpersonal relationships inside the organization. Employee empowerment, self-managed teams, and participation in decision-making and problem-solving have become key components of organizational innovation and effectiveness in today's competitive business climate. They are becoming increasingly significant in businesses with a high concentration of knowledge workers, particularly as those organizations shift to an organic, decentralized structure. According to the findings, organizations should develop employee involvement initiatives to boost performance, growth, and competitiveness in both the domestic and foreign markets.

Top management should recognize the importance of training for the organization's success and urge lower-level employees to do the same. Top management should not hide

its support for training in this regard. Training should not be considered as a technique to demonstrate employee loyalty and partiality. Employees should be properly trained to satisfy the demands of their jobs in order to benefit the organization.

The research advises that the organization promote collaboration. Employers may be able to improve employee performance by boosting teamwork and taking actions to improve individual performance; however, they must be cautious of the amount and type of teamwork given. Employee performance is heavily influenced by cooperation activities within the organization, which are quite beneficial. Employee performance enhances organizational performance.

6 Future Direction of the Research

The findings of this study, while insightful, are limited by its cross-sectional design, sample size, and focus on a single public enterprise. Future research should seek to validate and extend these results by employing larger, randomly selected samples across diverse sectors including other public utilities, private firms, and NGOs to enhance generalizability and allow for cross-sectoral comparison. To better establish causality and understand underlying mechanisms, longitudinal and mixed-method designs are strongly recommended. Furthermore, expanding the conceptual framework to investigate dimensional-level effects and to include critical mediating or moderating variables such as organizational culture, leadership style, and reward systems would provide a more nuanced explanation of the pathways from employee empowerment to organizational performance, particularly for factors like psychological empowerment that showed a weaker relationship. Finally, research should explore additional predictors beyond the five empowerment factors examined here.

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Data Availability

Data can be made available on the behavior of the request

Declaration of interests' statement

The author declare no competing interests.

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Author's Guideline

African Journal of Economics and Business Research (AJEBR),

College of Business and Economics, Hawassa University

(Revised, December 2024)

The author must ensure that the work submitted for AJEBR must be original, previously unpublished, and not under consideration for publication elsewhere. In other words, the article should not be published in another publication and is not being submitted simultaneously to another journal.

Style and Format

Contributors should consider the following requirements in order to prepare their manuscript for submission to the AJEBR.

Title page of the manuscript

The following should appear on the title page:

The full title of the manuscript

The title should be short, not more than 15 words, attractive and straightforward directed at the general reader. Contributors are encouraged to avoid lengthy names and complicated ideas from their titles. Abbreviations and symbols should not be used - in a title.

The name (s), full address, and institutional affiliation of the authors (s)

The author (s) of a manuscript should give his/her/their full name (s). To give due acknowledgment to all authors contributing to the work, those who have contributed to the research should be listed as co-authors. Upon submission of the manuscript, the corresponding author attests to the fact that those named as co-authors have agreed to its submission for publication and accepts the responsibility for having properly included all (and only) co-authors. If there is a difference in the level of contribution of the co-authors, the corresponding author should provide a statement

specifying the contribution of each co-author. Besides, the corresponding author signs a copyright license on behalf of all co-authors.

The title page should also include the academic and/or other professional affiliations and the complete mailing address of the author(s). Affiliations should be indicated at the bottom of the title page with an asterisk if it is a single author and by numerical superscripts against each name if more than one author.

Abstract

The abstract should summarize the content of the paper. It should provide a clear and precise description of what the study is about including the problem, objective, method, major findings, conclusion, and recommendations. Do not make references nor display equations and abbreviations in the abstract. The abstract should not exceed 250 words including key words. It should be italicized, written in single line space, ten font size.

Keywords

The keywords should be placed under the abstract. About 3 to 6 keywords or phrases related to the study can be stated in alphabetical order, separated by a comma.

Introduction

The introduction section should explain the nature of the problem, previous related works on the topic, and the purpose and contribution/s of the paper. Hence, this introduction section may also contain theoretical and empirical evidence in order to put the major problem or topic of the study into context, show existing knowledge gaps in the area, derive objectives, and emphasize major contributions of the study.

Material and methods

Description of the Study Area and Population

It is optional based on the nature and type of the study. Hence, it is not mandatory for all contributions (in some disciplines such as anthropology, authors may use the last one or two paragraphs of the introduction section under the description of the study area, population, and even duration of their study). This section under the description of the study area may contain a brief explanation about the location of the study area, physical setting, climate, population, social, economic, and cultural aspects of the study area. Map of the study area can also be included; if the author believes it is important.

Methods

The research methods used for the study should be stated in this section. This section includes research design, sampling techniques, tools for data collection, methods of data collection, and methods of data analysis.

Results and Discussion

This section includes the results or findings of the study supported by discussion. It contains data presentation, data interpretation and/or discussion substantiating the result of the study with other relevant literature, theory, and empirical evidence. Authors may use narrations, descriptions, tables, graphs, charts, statistical models, formulas, etc., to write this section depending on the type of data and research approach employed in their study. In this section, authors are expected to show their unique and/or new contributions to knowledge by comparing their findings with existing literature.

Conclusion and Recommendations

This section includes the conclusion and recommendations. The conclusion statement should include major conclusive ideas of the paper. However, do not replicate the abstract within the conclusion section. The conclusion may magnify major findings of the study and its implication as well as the importance of the work for practical application of knowledge and extension of ideas. Recommendations (though not always mandatory for all disciplines) of the study should be stated following the conclusion with brief statements. The recommendation may deal on suggestions of remedial options for intervention by concerned bodies to manage investigated issues within the study.

Acknowledgments

Acknowledgments appear in a separate paragraph after conclusion section, but before the references, and should be as brief as possible. All sources of funding should also be declared for articles published from funded projects.

References and citation of notes

This section deals with in-text citation and referencing techniques that should be applied under social science, business, and economics research.

In-text Citation

Social Sciences, business, and economics dominantly follow the American Psychological Association (APA) style of referencing. Ensure

that every reference cited in the text is also present on the reference list (and vice versa). Personal communications are not recommended on the reference list but maybe mentioned in the text and indicated in footnotes. Citation of a reference as 'in press' implies that the item has been accepted for publication. Direct quotations should be as short as possible and should be reproduced exactly in all details (spelling, punctuation and paragraphing) as the original. Short quotations (four or less than four lines) should run in to the text and enclosed in quotation marks. Similarly, long quotations (five or more than five lines) should be set off from the text in a separate paragraph indented (five spaces from the left) and single-spaced between lines. Quotation- marks are omitted.

References should be cited in the text as follows:

- Use et al. when citing a work by more than three authors.

Example: The nexus between environment and development, as Rony et al. (2016) states that...

- The letters a, b, c, and so on should be used to distinguish citations of different works by the same author/s in the same year.

Example: FAO (2010b) recommends that...

- Only the first name of Ethiopian authors should be cited in the text.

Example: Demel Teketay should be cited as (Demel, 2016)

- Essential notes should be indicated by consecutive superscript numbers in the text and in the footnotes.

- ▪ Authors of all references cited in the text and other supporting materials should be listed alphabetically in a section entitled References.

- ▪ Ethiopian names should be written in full in the References, and the order should be: first (given) name followed by third name.

- ▪ Honorific titles such as Prof., Dr., W/ro, W/rt, Ato, Mr. Mrs. Commander, etc. should be avoided in citation and references.

Reference Style

A reference list must be included using the following information as a guide. Only cited text references are included. All references must be arranged in alphabetical order.

The references should be arranged alphabetically by the author's last name (for all authors except Ethiopian authors) then chronologically per author. Publications by the same author in the same year should be listed by year followed by the letters a. b. c. etc. (e.g. 2002a. 2002b, 2002c.). Some examples of referencing for different published and unpublished sources are illustrated below:

Journal Article References

Author (s), year of publication (in parenthesis), title of the article (sentence case), full name of Journal (in italic), volume, issue number (in parenthesis), and page numbers in full separated from volume number with a colon. Where page numbers are not known, articles should be cited by DOI (Digital Object Identifier).

Examples:

Gemedo Dalle., Brigitte, L., and Isselstein, J. (2005). Plant Biodiversity and Ethnobotany of Borana Pastoralists in Southern Oromia, Ethiopia. Economic Botany, 59(1): 43-65

Tamire Geda and Mengistu Seyoum. (2013). Zooplankton community grazing rates in a small crater Lake: Lake Kuriftu, Ethiopia. SINET: Ethiopian Journal of Science 36(1): 118.

Book(s) References

Author (s), year of publication (in parenthesis), the title of the book (italic), publisher, and place of publication (city/town)

Examples:

Perrott, E. (1982). Effective Teaching: A Practical Guide to Improve your Teaching.
Longman Inc: New York.

Nair, P. K. R. (1993). An Introduction to Agroforestry. Kluwer Academic Publishers: London.

Proceedings References

Author(s), year of publication (in parenthesis), title of the publication in italics, name of the proceedings (bold font), pages, place (city/town, country)

Examples:

Sebsebe Demisse and Edwards, S. (2006). The Diversity of Vegetation Types, Agricultural Systems and Their Crops in Ethiopia. Proceedings of the Workshop on Facilitating the Implementation and Adoption of Intergrated Pest Management

(IPM) in Ethiopia, pp 92-107, Melkassa Agricultural Research Center, Melkassa, Ethiopia

Eshetu Derso, Teame Geberzgi and Girma Adugna (2000). Significance of minor diseases of Coffee arabica in Ethiopia. In: Proceedings of the Workshop on Control of Coffee Berry Disease (CBD) in Ethiopia, pp. 35-46, Addis Ababa, Ethiopia.

Thesis References

Author(s), year of publication (in parenthesis), title of the thesis, type (M.A., MSc. MPhil or PhD), University, Country

Example:

Mwavu, E. N. (2007). Human Impact, Plant Communities, Diversity and Regeneration in Budongo Forest Reserve, North-western Uganda. University of the Witwatersrand, Johannesburg.

Web References

The full URL and the date the reference was last accessed should be provided. Any further information, if known (e.g., DOI, author names, dates, reference to a source publication, etc.), should also be given.

Example:

Toni, R.L. and Culvert, L.L. (2003). Safer Hospital Stay and Reducing Hospital-Born

Infections. Health Scout News. http://www.healthscout.com, (accessed January 9, 2010).

Other Important Rules

Length of an Article

Manuscript should not exceed 8,000 words, including references and the abstract. The abstract should be provided in a separate page.

Use the following formats for manuscript submission.

Heading

The headings and sub-headings starting with "1. Introduction", appears in upper and lower case letters and should be set in bold and aligned flush left. All headings from the Introduction to Acknowledgements are numbered sequentially using 1, 2, 3, etc. Subheadings are numbered 1.1, 1.2, etc. If a subsection must be further divided, the numbers 1.1.1, 1.1.2, etc. will be used.

The font size for the heading is 11 points bold face and subsections with

11 points and not bold. Do not underline any of the headers, or add dashes, colons, etc.

Indentations and equations

The first paragraph under each heading or subheading should be flush left, and subsequent paragraphs should have a five-space indentation. A colon is inserted before an equation is presented, but there is no punctuation following the equation. All equations are numbered and referred to in the text solely by a number enclosed in a round bracket (i.e., (3) reads as "equation 3"). Ensure that any miscellaneous numbering system you use in your paper cannot be confused with a reference [4] or an equation (3) designation.

Tables and figures

To ensure a high-quality product, diagrams and lettering must be either computer-drafted or drawn using India ink.

1. **Tables**
   - Tables and graphs should be of reproducible quality. They should include only comprehensive captions and not duplicate material presented in the text. Moreover, they should be given short titles, and properly labeled, and carefully drawn. All sources should be placed under the table. Furthermore, each table must have a caption at the top and fully showing the content with the table numbered in Arabic numbers (i.e., Table 1, Table 2, etc.).

   - Table captions appear centered above the table in upper and lower case letters. When referring to a table in the text, no abbreviation is used, and "Table" is capitalized.

2. **Figures**
   - Figures should contain numerals as captions at the bottom of or below the figure. Figure numerals and colon should be in bold, and the caption in the normal case. Each figure must be fully cited if taken from another source, and referred to in the body of the article. Colored figures shall be used only if it is very important.

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