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Determinants of Adoption of Improved Agricultural Inputs by Small Holder Farmers: A Study in Estie Woreda, Amhara Region, Ethiopia

By

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Abstract

Despite the fact that the use of improved agricultural input increase productivity of smallholders' farmers, most farmers continued with traditional way of farming and the rate of adoption of improved input is too low. It is believed that many socio-economic, institutional and technology related factors have an impact on improved technology adoption. Hence, the interest of this study is to identify factors affecting adoption of improved agricultural input. The study used primary data collected from sample small scale farmers selected by multistage sampling method. Binary logit model was employed to analyze the data. The result of the study shows that age of the household head, family size, contact to extension agent and membership of framers association have positive and significant effect at 1 percent level. Whereas, land size and access to credit have positive significant effect at 5 percent level of significance. Based on the finding, the study recommends the government to increase access to credit and provide information to farmers about the available improved agricultural inputs and their impact on productivity through extension agents and farmers association.

Keywords: Adoption, Agriculture, Determinants, Improved Input, Small Scale Farmer

Acknowledgment

This study is carried out with the sponsorship of the office of University of Gondar Research and Community Service. So, I owe my deepest gratitude to University of Gondar for covering all costs related to the study. I would further like to extend our gratitude to all those who supported me on the process of conducting this study.

Introduction

The agriculture sector is the backbone of developing countries their economy heavily depend agriculture. Agriculture is essential because it produces food as well as economic wealth for many of the world's poorest people. To many countries, agricultural success in the agricultural sector contributed considerably to their economic advancement. The sector's advancement is also important for improving the supply of raw materials to the agro-based industries. The advancement of the agricultural sector helps to reduce the income inequality between the rural and urban areas of developing countries. Furthermore, the sector plays vital role for export earnings which increase the capacity to import capital goods and machinery for industrial development (IFAD, 2012).

However, agricultural sector has not been able to ensure food self sufficiency in many underdeveloped countries. Although production has risen over the last years, productivity has not increased proportional to the total area cultivated in the region. This low productivity is partly because of low agricultural technology adoption (Christiansen et al. 2007).

Evidences show that some of the main the reasons for low productivity in under developed countries are dependence on rain-fed agriculture, poor infrastructure, policy discrimination against agriculture, low investment in technology, low rate of technology adoption. Much emphasis is placed on technology as a prime mover of enhancing agricultural productivity that improves food security and human

welfare. There are many factors that influence farmers behavior related to the adoption of modern agricultural inputs. Some of the factors are attributes of technology; the adopters behavior; the change agent (like extension worker); and the socio-economic, biological, and physical environment in which the technology is going to be implemented (Cruz, 1987).

Agriculture plays a dominant role in Ethiopian economy. It provide source of income, food, contribution in employment, contribution in GDP and foreign exchange earnings, raw material for other sectors (CSA, 2015). The sector has been contributing about 41 percent of the country's gross domestic product (GDP), 84 percent of the total exports, and 80 percent of employment in the country (Matoussa, Todob, & Mojoc, 2013). However, Ethiopian agriculture is dominated by subsistence, low input, low output, rained farming system like many under developed countries (Gebreselassie and Bekele, 2010).

In spite of its promising contribution to Ethiopian economy, the sector has been challenged by periodic drought, poor infrastructure, massive soil degradation (duet to overgrazing, deforestation and high population density). Moreover, use of traditional farming activities and technologies has become the main manifestation of Ethiopian agricultural sector. Gebreselassie and Bekele (2010) explained that land tilled by the Ethiopian small-scale farmer accounts for 95 percent of the total area of agricultural land, and these small holder farmers contribute more than 90 percent of the total agricultural output. The sector is characterized by traditional farming technology, adopting a low-input and low-output production system.

Based on MoARD (2010), low agricultural productivity is caused by limited access to improved agricultural inputs, access to credit services, improved seeds, irrigation and agricultural markets and poor land management practices. One of the factors which contribute to low productivity of smallholder farming is low of adoption of improved agricultural input technology (Ashenafi, 2006). It is pointed out that the introduced technologies were not widely accepted by farmers (FAO, 2015).

Increasing agricultural productivity is critical to meeting the continuously rising demand for food. Although using improved technologies including application of inputs like improved seeds, chemical fertilizers, and chemical pesticide is essential for increasing productivity, majority the small scale farmers didn't use these inputs (Tigist, 2017). There are many factors which affect the adoption of improved agricultural inputs. These include human specific factors, social factor, cultural factor, economic factor and characteristics of the innovation itself.

To design appropriate intervention strategy that enhance farmers' use of improved agricultural technology, the factors which have significant contribution to the problem at hand should be identified. Understanding factors affecting adoption of agricultural technologies is very important in planning and executing technology related programs to enhance agricultural productivity in developing countries. The objective of this study is, thus, to investigate important factors which significantly affect adoption of improved agricultural input.

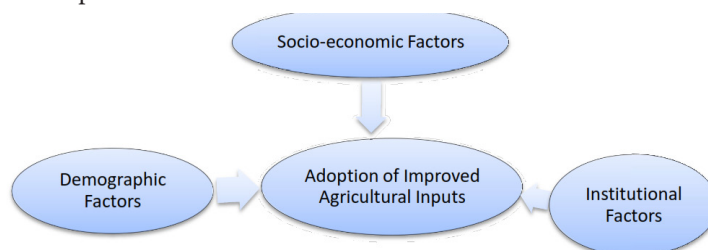


Figure-1 Conceptual Framework

Material and Method

This study was conducted in Estie Woreda, South Gondar Zone, Amhara Region. Estie wereda shares common borders with Farta woreda and Debre Tabor town in the North, Gaint and Simada woredas in the East, East Gojam Zone in the South, Fogera, Andabet and Dera woredas in the West. It is located at 106 km to the East of Bahir Dar and 52 km to the south of the main city of South Gonder Zone (Debre Tabor town). The annual rain fall is 1307.7-1500mm and the minimum and maximum temperature is 8.3°C and 25°C respectively. It is found between 2460 mm and 1500mm above sea level. Its total population is 228,839 with an estimated area of 137,889.56 hectares. Of which 3.48% is Wurch, 50.8% is Dega, 44.12% is Weynadega and 1.6% is Kola. The land is used for different purpose; 11.5% is covered by forest, 50.91 % is used for cultivation, 22.06 % is used for grazing and the remaining 15.48% is used for other purposes (Shiferaw, 2010).

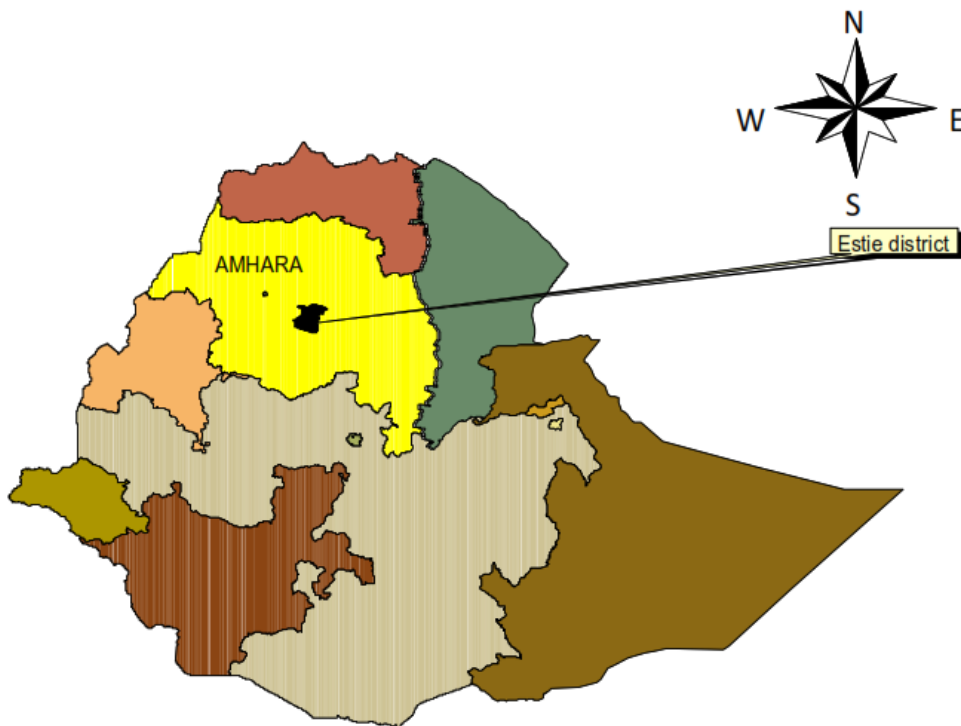


Figure-2 Location of East Estie Woreda

Sampling and Data Collection Methods

The study used primary data collected from sample small scale farmers using structured questionnaire which includes both closed and open ended questions. Multistage sampling method was applied to select representative samples from the target small scale farmers in this study area. First, the study area was stratified in to three groups based on ecological zone. Then, simple random sampling technique was used to select one district from each stratum. Finally, random sampling was applied to obtain sample households from each selected districts. Sample size is allocated to each district proportionate to their population size. Yemane (1967) sample size determination formula was used to determine the sample size and data was collected from 180 sample respondents.

Method of Analysis

Logistic regression is one of the commonly used methods to analysis the relationship between limited dependent variable and independent variable which involves a mixed set of qualitative and quantitative explanatory variable. As the response variable of this study is dichotomous that takes two values, 1 if a farmer adopt improved agricultural input and 0 if farmers did not adopt improved agricultural input, binary logistic regression model was employed for analysis.

The model is presented as follow:

$$P(Y = 1 | X) = \frac{e^{\beta_0 + \beta_1 X}}{1 + e^{\beta_0 + \beta_1 X}} \dots\dots\dots 1$$

Where P is probability, Y is dichotomous dependent variable (take value of 1 for adopter and 0 otherwise), Xs are explanatory variables which are expected to affect input adoption and β_s are the coefficients of explanatory variables.

The odd of success (adoption) is:

$$\frac{P}{1 - P} = e^{\beta_0 + \beta_1 X} \dots\dots\dots 2$$

The logit transformation (log odds of the outcome) is:

$$\ln\left(\frac{P(Y | X)}{1 - P(Y | X)}\right) = \beta_0 + \beta_1 X \dots\dots\dots 3$$

Therefore the odds ratio (OR)

$$= \frac{\text{Odds of adoption} | X = a + 1}{\text{Odds of adoption} | X = a} = \frac{e^{\beta_0 + \beta_1}}{e^{\beta_0}} = e^{\beta_1} \dots\dots\dots 4$$

If X is dummy explanatory variable, the above equation could be written as:

$$OR = \frac{\frac{P(Y = 1 | X = 1)}{P(Y = 0 | X = 1)}}{\frac{P(Y = 1 | X = 0)}{P(Y = 0 | X = 0)}} \dots\dots\dots 5$$

Definition of Variables

The variables considered, their level of measurement, nature and expected sign are presented in Table-1.

Table-1 Variables Considered

Variable Name	Measurement	Nature	Expected Sign
Improved input (improved seed and chemical fertilizer)	1=Yes and 0=No	Categorical	Dependent variable
Formal Education of HH	1=Male and 0=Female	Categorical	+
Age of HH	Years	Continuous	+/-
Sex of HH	1=Male and 0=Female	Categorical	+
Family Size	Number	Continuous	+
Land Size	Hectare	Continuous	+
Off-income	1=Yes and 0=No	Categorical	+
Extension Agent Contact	1=Yes and 0=No	Categorical	+
Access to Credit	1=Yes and 0=No	Categorical	+
Size of Livestock	ALU	Continuous	+
Membership	1=Yes and 0=No	Categorical	+
Access to Information	1=Yes and 0=No	Categorical	+
Distance to Market	Minutes	Continuous	-

Result and Discussion

Description of Respondents Characteristic

As it is presented at Table-2 below, it is found that only 44 percent of respondent used improved agricultural inputs (improved seed and chemical fertilizer). It revealed that the adoption of improved agricultural input is still low. More than half of the household head did not get formal education. Like many other developing countries most households were male headed. It is found that about half of the respondents had access to credit information. The data also shows that about 75 percent of the respondents relayed only on agriculture as source of livelihood. Only about 30 percent of the respondents were member of farmers association but it is good that around 85 percent of the farmers had contact to extension agent. The survey also indicated that the average family size was 3.4 and average age of the respondents was 48.5 years. The average livestock size was 4.5 units, and the average land size was around one hectare. On average they traveled one hour and 45 minutes to reach at the nearest market.

Table-2 Respondents' Characteristics

Variable name	Categories	Percentage	Mean Value
Adoption of improved input	Yes	44.05	
	No	55.95	
Formal education	Yes	41.20	
	No	58.80	
Sex of the household	Male	90.53	
	Female	9.47	
Access to information	Yes	50.71	
	No	49.29	
Access to credit	Yes	51.05	
	No	48.95	
Off-farm income	Yes	24.60	
	No	75.40	
Association Membership	Yes	30.20	
	No	69.80	
Extension Agent Contact	Yes	85.01	
	No	14.99	
Family size			3.60
Age			45.52
Land size			4.00
Livestock size			4.90
Distance to market			1:45

Regression Result

The binary logit result indicates that 6 out of the 12 variables under consideration were found to be significant at most 5 percent level (See Table-3). Those factors which significantly affect the adoption of improved agricultural input are discussed as follow.

Education level is one of the variables which are expected to affect the adoption of improved agricultural inputs. As depicted on Table-3, level education has significant positive effect on adoption of agricultural improved input. The coefficient is significant at 1 percent level of significant. Households with high level of education are more likely to use improved agricultural inputs. Other variables held constant, a one year increase in education level result in 2 percent increase in the probability adopting improved inputs. This finding is consistent with the study of Ashenafi (2006). Ashenafi (2006), on his study tried to identify the major factors that influence the adoption of modern agricultural inputs. He explored that education levels of household head are significant effect on adoption. Paltasinghand Goyari (2018) and Dachito (2017) also found that there is positive relationship education and adoption of modern inputs.

Another important variable this is hypothesized to influence adoption behavior is family size. Consistent with the expectation, it is found to be positive and significant at one percent level of significance. Holding other factor constant, a unit increase in family size increases the probability of adoption by about 7 percent. With the objective assessing agricultural technology adoption Bassa (2019) also conducted a study using cross-sectional data. His finding revealed that farmers with more family size are

more likely to adopt improve agricultural inputs.

Land size is also an important factor which affects the adoption of improved agricultural inputs. The regression result shows that the coefficient of land size is positive and significant at 5 percent level. Households with large farm land size are more likely to use improved inputs. The findings of Ashenafi (2006) and Dachito (2017) also show similar result. They found that farm land size has significant effect on adoption.

Ethiopian Government has assigned agricultural extension agents in most rural districts to give technical assistance and other relevant information to farmers that help them increase productivity. Hence, contact with extension agent is expected to affect farmers' behavior of using improved inputs. The binary logit regression result supports this assumption. The variable was found to be statistically significant at 1 percent level. Farmers with better contact with agricultural extension agent are higher probability of adopting improved inputs. The studies by Zenaye (2016) and Dachito (2017) give similar result.

Although financial constraint is a common problem to farmers throughout the year, the problem is more acute during cultivation period when they buy many agricultural inputs. Therefore, access to credit is expected to have big impact on the use of improved inputs. In line with the expectation the output of the regression revealed that the coefficient of access to credit is positive significant at 5 percent level. This implies that there is positive relationship between credit access and adoption of improved agricultural inputs. Farmers with access to credit are about 40 percent more probability to adopt improved inputs compared to their counterpart. Many studies proved that credit access has positive contribution to improved input adoption. For example; Dachito (2017) and Bassa (2019) confirmed this relationship.

There are different farmers' associations in which farmers become member. The association help farmers get updated information, share experiences, get manufactured products easy, sale their product at fair price, etc. The study considered this variable as one factor affecting farmers' behavior to improved input use. Consistent with the expectation membership has positive significant effect on improved inputs. Farmers who are member of an association are about 20 percent more probability to use improved agricultural input. This finding is similar to the finding of Zenaye (2016).

The study used different test to check whether the data satisfies the basic assumptions. Breusch-Pagan test was used to check heteroscedasticity problem. The result indicates that there is no heteroscedasticity problem. Furthermore, the VIF value and Contingency coefficient result shows that there is no multicollinearity problem. The model fitness test also shows that, the model is good enough. The likelihood ratio test statistic exceeds the χ^2 critical value with 12 degrees of freedom at less than 1 percent probability level, indicating that the hypothesis that all the coefficients, except the intercept are equal to zero is rejected.

Table-3 Logistic Regression Result

Adoption	Coefficient	P-value	Marginal Effect (dy/dx)
Education of HH	.2963218	0.0098***	.0230
Age of HH	.056132	0.9239	.007
Sex of HH	-.18169	0.8256	.0131
Family Size	1.1001	0.0006***	.0728
Land Size	1.3328	0.0270 **	.0567
Off-income	.9792	0.1587	.0468
Extension Agent Contact	2.6138	0.0081 * **	.3121
Access to Credit	2.1302	0.017 **	.4002
Size of Livestock	.7064	0.1158	.0251
Membership	1.8763	0.0058 ***	.2001
Access to Information	.3046	0.6634	.0901
Distance to Market	.1594	0.3040	.0012
_cons	-13.35054	0.000	

*** & ** represents significance level at 1%, 5% respectively.

Conclusion and Recommendation

Agriculture plays a dominant role in Ethiopian economy. It provide source of income, food, contribution in employment, contribution in GDP and foreign exchange earnings, raw material for other sectors. In spite of its promising contribution to Ethiopian economy, the sector has been challenged by periodic drought, poor infrastructure, massive soil degradation (duet to overgrazing, deforestation and high population density). Moreover, use of traditional farming activities and technologies has become the main manifestation of Ethiopian agricultural sector. It is pointed out that the introduced technologies were not widely accepted by farmers. The objective of this study is, thus, to investigate important factors which affect adoption of improved agricultural input. Primary data from randomly selected small holder farmers was use. Binary logit model is employed for analysis. The result of the study shows that age of the household head, family size, contact to extension agent, membership of framers association land size and credit access have positive and significant effect on households' technology adoption. Based on the finding, the study recommends the government to increase access to credit and provide information to farmers about the available improved agricultural inputs and their impact on productivity through extension agents and farmers association.

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Appendices:**Appendix-1 Test Result for Omitted Variable Bias**

ovtest

Ramsey RESET test using powers of the fitted values of improved input

Ho: model has no omitted variables

F (3, 164) = 0.40

Prob. > F = 0.7532

Appendix-2 Test Result for Homoscedasticity Bias

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of improved input

chi2 (1) = 2.56

Prob > chi2 = 0.1096

Appendix-3 VIF test Result for Continuous Variable

Variable Name	VIF	1/VIF
Age of HH	2.03	0.492012
Family Size	2.11	0.474962
Land Size	2.02	0.495986
Size of Livestock	1.47	0.681689
Distance to Market	1.32	0.757576

Economic Implications of the Changing Political Dynamics in Ethiopia

By

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Abstract

The Horn of Africa is one of the most volatile and conflict prone regions in Africa bedeviled by a host of security concerns. On the positive note, however, Ethiopia has witnessed since June 2018 a wave of political changes with far-reaching regional implications. In this regard, this study investigated the implications of the ongoing political reforms undertaken in Ethiopia for regional dynamics of trade and economic cooperation in the Horn. To this end, the paper adopted a qualitative research approach that uses descriptive, explanatory, and interpretive techniques. Using descriptive techniques, the salient issues that form part of the political dynamics were analyzed to explain their economic implications in the broader context of the Horn of Africa sub-region. Then findings were interpreted to draw pertinent conclusions and recommendations. Primary data were gathered through unstructured interviews conducted with two key informants selected purposely based on their expertise as well as engagement to the theme of the research. As for secondary sources, peer-reviewed journals, books, and official documents relevant to the themes of the research were consulted. The findings show that the current political dynamics in Ethiopia has a beneficiary effect across the region given Ethiopia's status as the regional powerhouse of the Horn of Africa, its thirst for growth, and the potential of using the port of Assab. As such, it will not only stabilize the political volatility of the region but also promote investment on joint infrastructure projects that expedite regional integration in the Horn of Africa.

Keywords: access to the sea, economic cooperation, political reforms, regional integration

Introduction

The Horn of Africa is one of the most volatile regions in the world bedeviled by a host of threats emanating from rebel activities, military coups, ethnic and racial insurgencies, human rights violations, drugs and arms trafficking, state collapse, and currently terrorism (Mukuwaya, 2004). As a result, the Horn is characterized as one of the most politically dynamic regions in the world (Markakis, 1994; Kassahun Berhanu, 2013). This is despite the fact that sub-region has the most important strategic position straddling the Red sea, Suez Canal and Indian Ocean. The Red Sea is a vital shipping route for international trade among Africa, the Far East, Europe and the Muslim Empires of the Middle East. The region is also noted for possessing strategic resources, such as the Nile basin, which has a prominent place in history in terms of giving rise to civilizations like Ancient Egypt. Due to its strategic location and vital natural resources, the region attracted foreign powers such as the Ottoman Turks and Portugal in the sixteenth century, European colonial powers mainly Britain, France and Italy during the period of scramble for Africa, and the United States and USSR during the Cold War (Henok Merhatsidk, 2011).

In the wake of the Cold War, the region remained hotspot for continued external power involvement (Ali, 2015). It soon turned out to capture the attention of the West due to the rise of radical Islam and terrorism. The Horn has become the world's 'soft underbelly' for global terrorism creating conducive situations that terrorist groups such as Al-Qaeda, and Al-Shabaab exploit to perpetrate their attacks

(De Waal, 2004). Since the fall of Siad Barre in 1991, Somalia has remained training and breeding ground for terrorist organizations (Kimunguyi, 2011). In other words, the post-Cold War period represents a new departure in security discourses in the Horn, signaling a shift from state-centric perspectives to security to individuals/ human beings at all levels.

The political and security dynamics of the Horn can be encapsulated with the concept of 'security complex' (Berouk Mesfin, 2010, pp.1-2). In this regard, there are four major types of threats that affect the political dynamics of security complexes: balance of power contests between great powers; lingering conflicts which emerge between states; intrastate conflicts which are usually spillovers of internal politics; and conflicts which arise from transna

tional threats caused for instance, by the rise of radical Islam and informal networks, state fragility, demographic explosion, environmental degradation or resource scarcity (Berouk Mesfin, 2010; Odo-ck, 2013).

The vulnerability of the region to such myriad conflict patterns is attributed to many factors. According to Weber (2012) boundaries of most states in the region have symbolic meanings and thus serve as a triggering factor for conflicts. This diverges from the situation in the rest of Africa where borders are not demarcated as in the Horn but do not cause conflicts. The case in point is the war between Eritrea and Ethiopia over "a small border village with little strategic interest but high emotional value and cost more than 70,000 lives" during the war that began in 1998 and ended in 2002 (Weber, 2012, p.2).

The geostrategic location of Horn of Africa adjoining the route of the international maritime trade via the Red Sea, has also been a critical factor that made the region vulnerable to foreign interferences that worsen domestic security situations (Cardoso, 2016). In pursuit of their geostrategic interests, super powers and their allies meddled in the affairs of weak Horn states by supporting factions aligned with them with funding, military aid, troops and ideology. This was responsible for the creation of what is termed as "Cold War Orphans" (Ncube and Jones, 2015).

Interestingly, globalization has been posing security challenges because of its tendency of shrinking "the time for decision making", and enhancing structural violence by unevenly "affecting various societies, and generating asymmetric threats" (Osafo-Affum, 2015, p.2). As such, fragile states such as those in the Horn are more likely to be at the receiving end of "negative effects because high levels of poverty, inequality and violence, poor governance and low levels of economic development make them less resilient", and unable to exploit the opportunities globalization fosters (Ncube and Jones, 2015, pp.5-6).

Refugee crises also account for the prevailing precarious political dynamics of the region. Owing to the continued violence and civil war in Southern Sudan, Ethiopia continued being infested with refugees. Between December 2013 and October 2014, nearly half million South Sudanese flowed into neighboring countries of including Kenya, Ethiopia, Uganda and Sudan. Ethiopia received the highest number of the refugees- 245,000 refugees in its Gambella region; this influx of refugees almost matches the size of the 300,000 strong host communities of Gambella region (International Rescue Committee, 2014, pp.18-22).

On the positive note, the region has recently witnessed a wave of political changes that determine the course of political and economic trajectories of the constituting countries. The political reforms taking place in Ethiopia merits a sober consideration because the country is considered an important player

in Africa, and particularly in the Horn of Africa sub-region. Ethiopia, which stands Africa's second most populous country "is increasingly described as a regional power in the Horn of Africa, in consideration of its military and diplomatic power and demographic size." (Kidist Mulugeta, 2014, p.13; Klosowicz, 2015, p.86; and Byiers, 2016, p.14). Moreover, the country's increasing engagement in regional peace and security further indicates the changing domestic political dynamics in one way or another has considerable influence the region.

Amidst political and economic transitions since April 2018, Ethiopia has pursued at an unprecedented pace and scope political and economic reforms, one of which is the signing of the 'Friendship and Cooperation' Agreement with Eritrea (Redie Bereketeab, 2019). This agreement has been acclaimed as an important breakthrough to end the 'no peace no war' situation that has prevailed between the two countries for well over 20 years. The other reforms on the agenda included the release of political prisoners, strengthening cooperation with Middle East countries, ending the state of emergency in Ethiopia declared by the previous government, demonstrating willingness to re-establish the currently defunct Ethiopian navy, privatization of the telecommunications sector and more (Gottlieb, 2018). These all reforms are believed to influence the geopolitical climate of the Horn of Africa. In view of this, the paper intends to investigate the implications of the ongoing political reforms undertaken in Ethiopia for regional economic cooperation and integration in the Horn of Africa.

Materials and Methods

This paper adopted a qualitative research approach with the intention of investigating the implications of the changing political dynamics in Ethiopia on the economic development of the Horn of Africa. To this end, descriptive, explanatory, and interpretive techniques were employed in the course of data processing and analysis with greater emphasis on the political reforms being underway in Ethiopia and their implications for economic development in broader context of the Horn of Africa. Using descriptive techniques, the salient issues that form part of the political reforms were analyzed. Once this step was done, their implications in the broader context of the Horn of Africa sub-region were analyzed in view of the research objectives set in the introduction section. Finally, the findings were interpreted to draw pertinent conclusions and recommendations for future researchers or policy makers on the field.

For the purpose of data collection, both primary and secondary data sources were employed. Primary data for the research were gathered through unstructured interviews conducted with two key informants (one from Addis Ababa University, and the other from Ministry of Foreign Affairs of Ethiopia) selected purposely based on their expertise as well as engagement to the theme of the research. As far as secondary sources were concerned, peer-reviewed journals, books, official documents including reports, proclamations, as well as policy and strategy papers relevant to the themes of the research were consulted.

In the conduct of this study, research ethical standards were adhered. Thus, any kind of plagiarism was avoided, and intellectual properties and materials were duly cited and acknowledged. During data collection phase, secondary sources were evaluated for their validity, credibility, and their significance to the theme of the research. To fend off the risk of subjectivity and bias, triangulation method was used to crosscheck the data from various sources. Moreover, from the outset, informants were informed about the purpose and theme of the study so as to get their consent for interview. This is ethically recommended to make sure that the privacy and safety of informants is not jeopardized. Thus, all data collected were used for only this research and are kept with great confidentiality.

Results and Discussion

Political Reforms Underway in Ethiopia

The political dynamics in the Horn is in a constant state of flux. This is true at the level of states as well as of inter-state relations. Since early 2018, Ethiopia's political dynamics has been juddered with an up-rush of political protests that posed a deep popular challenge to 'democratic centralism', and the prevailing political order set in place by the ruling Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) coalition. Since 1991, which marked the ascent to power of the ruling EPRDF coalition party, the country has been governed on the basis of the principle of democratic centralism, which dictated a centralized decision-making culture within the internal workings of the party. However, far from responding to the country's complex political and economic conundrums, this top-down decision-making practice imposed in disregard of local initiatives turned out to be one of the contributing factors for the country's deepening political malaise (The Danish Immigration Service, 2018). The regime in power subsequently lost political legitimacy despite its endeavors to bring about commendable developments in the direction of democratic system, inclusiveness, and multi-party politics in the country. The government has been the subject of criticism in the aftermath of the 2005 parliamentary election in which opposition parties gained landslide victories over the incumbent party in most constituencies. In fact, the subsequent elections were not competitive because "the ruling party narrowed the political space by enacting a series of laws, including: the civil society organizations law, terrorism law, press law, and the electoral codes of conduct. Journalists, opposition party members, and supporters were jailed and forced into exile" (Kidist Mulugeta, 2014, p.10).

There has been a simmering opposition to various government institutions and policies, which finally reached boiling point in the 2016/2016 nation-wide violent protests forcing the government to venture into the ongoing political reforms. As Mehari Taddele (2017) keenly observed, the recent political crises originated from longstanding popular calls for reforms on the issues of democratic constitutionalism, federalism, land governance, rampant corruption, youth unemployment, and constitutional accountability of the security sector. On the backdrop of this, a brief probe into the ongoing political dynamics of Ethiopia is in order with a high emphasis on political reforms that have been underway since April 2018, when the incumbent party succumbed to the demands of the nation-wide political protest and embarked on the reform agenda.

Strengthening Democratization

Since its ascendancy to power in 1992, EPRDF has ratified and put into implementation a constitution, which incorporated citizens' basic human and democratic rights as well as rights of nations, nationalities and peoples for self-determination, for which the people and ethno-nationalist groups were struggling. However, as Alemante G. Selassie (1992, p.205) averred, from the outset "EPRDF deliberately excluded opposition groups when developing the legal and institutional framework for the new government". The ruling party continued with its acts of undermining the prospects for democracy by employing violent and undemocratic tactics in the course of election.

Due to this, public resentment was simmering across the country and eventually a popular uprising against the ruling party exploded in Oromia in 2015. This popular protest was fuelled by the youth of the second largest ethnic group, Amhara. The magnitude of the political crisis reached unprecedented level threatening the ruling party and the very existence of the country alike. The party finally decided to set out reforms the first of which was the resignation of Prime Minister Haile Mariam Desalegn, which paved the way for the rise of Dr Abiy Ahmed, from the OPDO (Oromo People's Democratic

Organisation) as Chairman of the EPRDF in March 2018 (Gottlieb, 2018). Since then, the new Prime Minister started taking bold and sweeping measures including releasing thousands of prisoners, lifting state of emergency, repealing terrorism law, sucking senior military and security officers, allowing the reopening of websites that were blocked during the state of emergency and before, declaration of general amnesty for individuals and groups who were labelled as terrorists (Redie Bereketeab, 2019).

If the political space is to be expanded, two issues need to be resolved as they constitute the underlying factors that sparked the recent popular uprisings and thus ushered in political reforms. The first is one is the ethnic-based federal system installed by the ruling power upon taking power in 1991. Based on this federal arrangement, nine regional governments were formed. The rationale put forward by EPRDF for putting in place the federal arrangement is to maintain the territorial integrity and political stability of the country. Far from this rational however, the prevailing situation is that “ethnic competition and mistrust can be felt at all levels of society, including in organizations where much efforts have been invested in creating a workplace free of ethno-nationalist sentiments” (The Danish Immigration Service, 2018, p.7). Thus, ethnicity becomes an engine for political conflict throughout the country.

The second issue over which the power of the ruling party is anchored is the ideology of *revolutionary democracy*. This ideology was first adopted by TPLF, the core of EPRDF in the course of its armed struggle that ousted the Derg regime in 1991. This ideology was the re-adaptation of “Leninist interpretation of Marx’s Proletariat Dictatorship thesis” based on *democratic centralism*, which requires a vanguard party that does not tolerate any internal factionalism (Bach, 2011, p.641).

By virtue of the ideological *modus operandi* of democratic centralism, EPRDF as a vanguard party endeavored to elicit absolute compliance to its policies through a range of strategies including use of violence against opposition, ethnic federalism and state led-development, and liberal tools such as multi-party elections (Aalen, 2006). The ruling party has captured the whole state machinery and extended its extensive control of the public bureaucracy through patronage system embedded in all tiers of government from federal to regional to *wereda* (district) and *kebele* (lowest administrative unit) levels (Bach, 2011). According to Mattes and Mulu Teka (2016, p.4), EPRDF relies on the patronage system and a “community surveillance regime known as the ‘5:1 system’ to gather information on the day-to-day activities of households and individuals” and to mobilize voters during elections.

Reforming Electoral System

Since 1991, a series of elections were held at the interval of five years with the intention of achieving democracy and good governance. However, this democratic experiment of holding multi-party elections has not shown any progress over time. Contrary to the popular expectation for genuine multi-party democratic system, “a de facto one-party state, with a vanguard party at its centre” was institutionalized (Merera Gudina, 2011, p.664).

There are four issues that factor into the dominance of EPRDF. The first issue has to do with electoral system put in place by the ruling party. The ruling party adopted the first-past-the-post system instead of other electoral systems with the intention of facilitating its dominance in the context of multi-party elections. Based on his empirical study, Gebremeskel Hailu (2016) inferred that the electoral system in place is ill-suited to the country’s political context and is thus unlikely to deliver democratic progress. As in most African countries, there is in the words of Schedler cited in Merera Gudina (2011, p.666) *electoral authoritarianism* in Ethiopia. This explains the context under authoritarian governments where elections are mere instruments of incumbent ruling parties (instead of being instruments of

democracy) to sustain their power in the guise of the liberal democratic principles of freedom and fairness, inclusivity, pluralism and competitiveness.

The other issue to the challenge of democracy in Ethiopia is the ethnic-based federal system enforced by the ruling party (Aalen, 2006). Despite its merits, it has been the subject of criticisms. It has been the cause for conflicts over the demarcation of ethnic territories as the system resulted in the division of the country into nations and nationalities. Though its efficacy and merits deserve further scrutiny, it has so far proved to be an obstacle on the road to democratization. As Clapham (2004, p.79) opined, “on a changing society in which - even more than in many other parts of Africa - ethnic identities had become blurred by intermarriage, internal migration, social assimilation, and the development of a national economy and consciousness”, it has paved the way for heightened ethnic politics, and as a result “many Ethiopians living outside their areas of ethnic origin into foreigners within their own country.” Far from resolving the age-old *national question*¹, it has aggravated the precarious political landscape by promoting ethnic consciousness and fierce competition among ethnic groups for state resources and territories. For one thing, the ethnic-based federal formula is devoid of mechanisms that facilitate dialogue and reconciliation. For another thing, it is claimed to have fanned existing ethnic grievances and neglected to promote a strong national unity (International Crisis Group, 2009).

The third issue is that the ruling party has controlled state institutions and public bureaucracy to the extent that the party and the state are fused seamlessly. As such the party-state network extends from federal to regional to *wereda* (district) and *kebele* (lowest administrative unit) levels and that the party is engaged with distributing patronage resources to loyal followers (Mattes and Mulu Teka, 2016, p.4). This patronage system helps the party to mobilize rural voters and set in place a community surveillance regime known as the “5:1 system” through which the party cadres gather information on the day-to-day activities of households and individuals.

Fourthly, the ruling party has been keen on passing draconian legislations on terrorism, civil society organizations, and media outlets. Anti-terrorism Proclamation 652/2009 was passed in July 2009 on the grounds of fighting against terrorism. However, the proclamation has been criticized as a mere legal instrument exploited by the ruling party to quell political opposition (Wondwossen Demissie, 2013). This law has been manipulated by the police and security personnel “to conduct warrantless searches and to seize property, authorizes detention of suspects for up to four months without charge, and places no prohibition on the use of evidence obtained through torture” (Center for International Human Rights Law & Advocacy, 2018, p.18).

Signing Peace Deal with Eritrea

Following its hard-won independence *de facto* in 1991, and *de jure*² in 1993, Eritrea forged a close cooperation with Ethiopia on a range of areas and signed a number of bi-lateral agreements and protocols to harmonize their economic relations and maintain security. This cordial neighborly relationship however did not last long. It ran into a full-blown large scale war following Eritrea's incursion into the territory of Ethiopia in 1998. This border war, which was the cause of a high death toll among civilians and combatants on both sides (ranging from 70 000 to 100 000), run from 1998 well into 2000 (Mehari Taddele, 2018, p.18). Despite the signing of the Algiers agreement in 2000 and other peacemaking attempts thereafter, the two countries were wedged into a deadlock for more than a decade.

3. On this issue, read Keller j. Edmond (1981) *Ethiopia: Revolution, Class, and the National Question*, African Affairs, Vol. 80, Issue 321, pp. 519-549

The eruption of political turmoil in Ethiopia in 2015 was a decisive factor that changed the then *no war no peace* aura in to that of *no war yes peace* that brought the ongoing political and diplomatic rapprochement between the two countries. In his inaugural address, Prime Minister Dr Abiy Ahmed criticized the mistakes made by the previous government in its border conflicts with Eritrea and pledged to work for reconciliation with Eritrea (Weber, 2018, p. 2). As part of his intent to make a diplomatic rapprochement with Eritrea, he announced that Ethiopia accepted unconditionally the terms of the Algiers Agreements (2000) and the verdict of the Eritrea-Ethiopia Border Commission (EEBC). This foreign policy move by the Ethiopian government was welcome on the part of Eritrea. Prime Minister Abiy's state visit to Eritrea on 8 July 2018 led to the signing of a Peace and Friendship agreement on five points: (i) ending the state of war, (ii) cooperation in political, economic, social, cultural and security issues; opening embassy in respective capital, (iii) links in trade, communication, transport, (iv) implement the border decision, (v) work together for peace and security in the region (Peace and Friendship Agreement 2018) (Redie Bereketeab, 2019).

Economic Implications of Ethiopia's Political Dynamics in the Horn of Africa

The diplomatic rapprochement between Ethiopia and Eritrea represents a major paradigm in the foreign policy of the two countries, receiving a world-wide acclaim. This positive development has brought enthusiasm in the conflict-ridden region of the Horn, which is expected to bring about peace, cooperation and development between the two countries and beyond. This diplomatic rapprochement, along with political reforms underway in Ethiopia potentially has a beneficiary effect across the region given Ethiopia's status as the regional powerhouse of the Horn of Africa (Tana Forum, 2019). On the backdrop of this, the subsequent section looks into the implications of the ongoing political reforms in Ethiopia including peace deal with Eritrea on socio-economic development in the Horn of Africa. It specifically analyzes the implications of such positive developments on the themes of diversifying access to the sea as well as rendering regional trade and integration.

Access to the Sea

Ethiopia is one of the land-locked⁴ countries in the world. Prior to the secession of Eritrea in 1991, Ethiopia was a coastal state having sea outlets of port Massawa and Assab. Economic analysts argue that land-locked countries are economically disadvantaged. For one, in order to connect to ports via neighboring countries, they incur the cost of building infrastructure. For another, they pay as rents to neighboring countries higher prices for imported and exported goods (Lahiri and Feroz, 2012). Moreover, landlockedness results in dependence on neighboring countries for the use of port facilities, with deleterious implications on foreign policy of landlocked countries. On this issue, Mehari Teddele (2017) attributes the loss of strategic access to the sea to the foreign policy approach of the ruling party EPRDF. The naïve ideological decision of EPRDF in support of Eritrea's secession is responsible for undermining its geopolitical significance in the Red Sea region and allowing "its long-term port-related security vulnerabilities to be exploited by its adversaries, chiefly Eritrea, Egypt and other Middle Eastern countries" (Mehari Taddele, 2017, pp.19-20).

In the wake of the secession of Eritrea, Ethiopia continued to use the port of Assab until 1997. However, the outbreak of the Ethio-Eritrean war in 1998 forced Ethiopia to shift its trading route to the port of Djibouti, which became since then the principal conduit for Ethiopia's import-export trade. Currently, the bulk of the country's international trade is conducted through the port of Djibouti (Styan,

4. Eritrea seceded from Ethiopia and became an officially recognized independent state after holding a referendum on 27 April 1993. Before this, the EPLF which spearheaded the liberation struggle for more than 30 years controlled Eritrea by defeating the Derg regime in 1991.

2013). The recurrent disputes over transit and taxation, high cost of infrastructure development, and freight services and long distance between the port and the capital Addis have made the port less attractive and dependable for Ethiopia. This caused the urgency for Ethiopia to look for alternative ports in other neighboring countries including the port of Berbera.

The potential of using the ports of Assab and Massawa is, however, shrouded in mixed scenarios. On the one hand, the peace deal will help Ethiopia to diversify options and use 'natural' ports for Ethiopia, which are proximate to the northern regions of the country. In this regard, these 'natural' ports are additions to the existing options including port Djibouti, Port Sudan, port of Lamu, port of Berbera, and Tadjoura port⁵. On the other hand, some argue that the possible use of the two ports of Eritrea calls for mutual agreement over their operations and currently need to be rehabilitated. Moreover, Ethiopia has now been well connected to port Djibouti through modern railways and road infrastructures, which makes the two Eritrean ports less attractive for Ethiopia than they were before the war broke out in 1998⁶. At any rate, Ethiopia has the potential to secure additional access to sea outlets along the Red Sea and thus mitigate its heavy reliance on Djibouti and enhance its international trade in the future by using Eritrean ports.

Regional Trade and Integration

States in the Horn are members of at least one of the three continental intergovernmental organizations meant for expediting the project of integration and cooperation in Africa. These organizations are Intergovernmental Organization on Development (IGAD), Common Market for Eastern and Southern Africa (COMESA), and the African Union. The overall policy conviction behind the formation of such schemes is to gear forward the integration process in the region thereby creating trade and economic interdependence and close cooperation over common security concerns as a way of avoiding war and conflict. However, their track record in terms of developing effective and viable mechanisms capable of resolving the myriad security challenges has been dismal. Moreover, some members are reluctant to actively take part in IGAD's initiatives. For example, due to its border conflicts with Ethiopia, Eritrea withdrew from IGAD membership.

A positive trend is in the making driving countries closer together in the Horn. The first one is Ethiopia's thirst for growth, and need for infrastructure facilitating sea access in particular, as well as other major economies in the sub-region similarly reaching for growth-enabling infrastructure beyond national borders. Indeed, a key component of Ethiopia's recent success in development terms has been its embrace of multilateralism as a vehicle for advancing national interests. The emergence of Ethiopia as a stronger regional influence in the Horn of Africa may come to allow for the possibility of a less volatile character to inter-state relations in the coming years. Compared to other members of IGAD, Ethiopia has been "pivotal to IGAD policy choice and implementation" (Byiers, 2016, p.14).

One of the preconditions that facilitates regional integration is the existence of one "big brother" that ensures a reasonable size of market is an emerging phenomena in today's regional groupings" as Germany is in the European Union; Brazil in MERCOSUR; the United States in NAFTA; South Africa in SADC; Nigeria in ECOWAS; and India in SAARC (Bhalla and Bhalla, 1997, p.199). Thus, given its steady economic growth, military preponderance and political hegemony in the region, Ethiopia has the potential to play the role of big brother to enhance the project of regional integration within the purview of IGAD. Its diplomatic rapprochement with Eritrea is also a positive development that will expedite regional integration by fostering regional peace and stability⁷. In other words, the recent

5 Interview with key informant from Addis Ababa University, 03 March 2019, 3 p. m

6 Interview with key informant from the Ministry of Foreign Affairs of Ethiopia, 05 March 2019, 10 a. m

7 Interview with key informant from the Ministry of Foreign Affairs of Ethiopia, 05 March 2019, 10 a. m

diplomatic rapprochement between Ethiopia and Eritrea is taken as the other node of energy that will expedite the process of integration in the Horn. It is reiterated that the search for collaborative sub-regional cooperation in responding to the complex challenges commonly faced by countries in the Horn of Africa has historically been stymied by the enduring pattern of insecurity and bitterness between states.

The reform government led by Prime Minister Abiy Ahmed concluded agreements with Djibouti and Sudan to jointly develop sea ports and promote investment on joint infrastructure projects, which are believed to expedite regional integration efforts in the Horn of Africa⁸. In the same vein, Ethiopia and Eritrea entered into various agreements to open road communications through two border checkpoints: on the south-eastern common border of Debay Sima-Burre; and the other on the south-central common border of Serha-Zalambesa region. The first checkpoint lies at the route that connects the Eritrean port of Asab and the Ethiopian capital of Addis Ababa. The second checkpoint lies at the road connecting the capital of Eritrea to Tigray region and on to central and southern Ethiopia. The opening of road links was intended to facilitate the movement of goods and people. The opening of these borders has already encouraged the movement of people and goods on both sides of the border. On the importance of the opening of the highly militarized border, Redie Bereketeab (2019, p.15) opined that

the people who live on either side of the border are related by blood, but had been separated, without any contact, for 20 years. Hence the mass dash and the exhilaration once the border was opened. At the same time, they are the people most affected by implementation of the border decision. Therefore, amicable relations between them are important for future peace and stability.

Moreover, in a bid to facilitate trade relations, Dr. Abiy Ahmed vowed to support regional trade during his official visits to all neighboring countries and affirmed Ethiopia's keen interest for regional integration in the Horn of Africa. In this regard, "Ethiopia concluded agreements with Djibouti and Sudan to jointly develop sea ports and promote investment on joint infrastructure projects"⁹. In the same vein, Ethiopia and Eritrea entered into various agreements to open road communications through two border checkpoints: on the south-eastern common border of Debay Sima-Burre; and the other on the south-central common border of Serha-Zalambesa region. The first checkpoint lies at the route that connects the Eritrean port of Asab and the Ethiopian capital of Addis Ababa. The second checkpoint lies at the road connecting the capital of Eritrea to Tigray region and on to central and southern Ethiopia. The opening of road links was intended to facilitate the movement of goods and people. The opening of these borders has already encouraged the movement of people and goods on both sides of the border (Redie Bereketeab, 2019).

Conclusion and Recommendations

Conclusion

The Horn of Africa is a conflict prone and conflict ridden region characterized by various forms of structural violence, economic disparity as well as local conflicts within and between different communities across international borders. On the positive note, the region has witnessed since June 2018 a wave of political changes that swept through the Horn of Africa, with far-reaching regional implications in terms of ending long-entrenched inter-state and intra-state hostilities as well as expediting economic development and regional integration. In this regard, the thawing of relations between Ethiopia and Eritrea has triggered favorable and unfavorable speculations as to how this improved relationship could reshape the political landscape as well as the economic dynamics of the respective

8 Interview with key informant from the Ministry of Foreign Affairs of Ethiopia, 05 March 2019, 10 a. m
9 Interview with key informant from the Ministry of Foreign Affairs, 05 March 2019, 10 a. m

countries as well as the Horn of Africa region as a whole. In this regard, the political reforms taking place in Ethiopia, which is an important player in Africa as a regional power, are believed to influence the geopolitical climate of the Horn of Africa.

First and for most, the peace deal struck between Ethiopia and Eritrea brought to end the long running diplomatic deadlock lasting for over a decade. As a result, Eritrea vowed to discontinue its proxy wars against Ethiopia, which in turn produced a pattern of cooperation and lessened the pattern of conflict that bedeviled the region through mutual intervention. Secondly, the peace deal with Eritrea as part of its political reforms will help Ethiopia to diversify options to use Eritrean ports. However, it is premature to take for granted that the implications of such political reforms for socio-economic developments in the broader context of the Horn will certainly materialize. This is because the success of the reforms is contingent upon a couple of factors. For one thing, the political environment is fluid and is in a constant state of flux. For another thing, the process of political reforms in Ethiopia is still underway and its trajectory is surrounded with several political challenges. The political crises that led to the ongoing reforms have not still been cleared from the road to successful culmination with peace and democratic government in the country.

Recommendations

The study informs that future researchers on this issue could inquire into the challenges that stand in the way of the intended political transition such as ethnic hostility and conflict, continued quest of ethnic groups for further autonomy and self-determination, and political rift in the leadership of the incumbent party. Moreover, the amicable diplomatic relations that has recently ensued should be concretized into formal economic agreements that spell out the commitments of states in the region. So far, the diplomatic rapprochements have been initiated at the level of leaders which need to be continued and cemented in a way that warrants long-lasting political relations among the states, promotes people to people integration in the region, and solidifies economic cooperation and integration in the IGAD region.

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Valuation of Lake Tana Attributes with the Application of Choice Experiment Method

By

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Abstract

The grand objective of the study was valuing Lake Tana attributes using stated preference method of valuation in general and choice experiment method in particular. The target population was households who live around Lake Tana. The study has identified four attributes of Lake Tana (Water quality, fishery, irrigation, and recreation). The study has formulated three alternatives in which two of them were improved whereas the one is the status quo. Each attribute has three levels. The study has surveyed 238 households which were selected using multistage sampling method. Each respondent was presented with eight choice sets. Each choice set has three alternatives including opt option. The study has employed the standard class of logit model those are conditional logit. In line with this model the study has conducted the extended model of conditional logit model. The status quo (ASC0) is negative and significant both in conditional and extended conditional logit model. This means that households have preferred the improved situation of the Lake Tana. This indicates that households are willing to pay to improve the current situation of the lake. The basic conditional and random parameter logit model shows that all improved attributes have positive sign and significant at 1% significance level. This means that improved situation of attributes that are identified by this study improve utility of households. Government should protect Lake Tana from any problem by raising funds from households since households are willing to pay to protect the lake.

Keywords: Attribute, Choice-Experiment, Conditional logit Model, Lake Tana, Willingness to Pay

Introduction

Lakes are very important element of earth's hydrological process and it provides various services for human beings and ecosystem functioning(Mekete& Jan, 2015). Ethiopia has above 24 natural lakes and several manmade reservoir, with a total of surface area of about 7500km square(Gebremedhin et al, 2018). Among those natural lakes, Lake Tana is the largest lake in Ethiopia which accounts for 50% of the fresh water resource of the country. According to Dessalegn et al(2011), Lake Tana is well known for its biodiversity. It is source of fish resource for both local communities particularly and elsewhere in Ethiopia in general. The lake is an important source of natural resources including water for domestic supply, irrigation and hydropower production, fisheries, grazing and water for livestock, and reeds for boat construction. It is also important for water transport and as a tourist destination. Vijverberg et al(2017), Lake Tana and its adjacent wetlands provide directly and indirectly a livelihood for more than 500000 people. Wetlands are very important for breeding for different biodiversity. Wetlands in Lake Tana are important section of the lake and has significant role in sediment retention, flood protection, purification of water 'Kidney' of the landscape, important breeding grounds for birds and some fish species like Oreochromis Nilotic us(Goraw& Shimelis, 2017).

Environmental resources are one of scarce resources which provide wide range of goods and services that are valuable for society. The set of needs and wants satisfied by environmental services range from breathing pure air to much more complex one like recreation. Economics as a deal of how to allocate limited productive resources depends on valuation to convey society with information about the relative resource scarcity. The value of ecosystem services and biodiversity is reflection of what societies

are given up to conserve these natural and environmental resources (U Pascual et al, 2010). Natural resources, such as forest and commercially and exploitable fisheries, and environmental attributes like air quality are valuable assets in which it provides series of services to people. Public policies and actions of agents can lead to changes the flows of services of environmental resources, thereby creating benefits and costs. The public good nature of most environmental resources hinder the market system to convey information about the value those resources, and the market system is inefficient to signal directions about the allocation of such resource (Freeman III, 2003). This means market fail to capture the value of environmental services due to non-excludability and externality. However, it does not mean that environmental resources have not value. People derive real value from natural resources and environment for many reasons.

Scholars have developed different techniques to estimate economic value of non-marketed environmental goods and resources. Broadly, valuation techniques can be categorized into stated preference and revealed preference. Stated preference valuation method attempts to estimate the economic value of non-marketed goods by providing imaginary market to individuals who are concerned to the resource being valued. However, revealed preference method of environmental valuation uses the support of the actual market to derive the economic value of non-marketable resources (Gunatilake, 2003). Stated preference valuation method has used two main questions to derive the economic value of environmental resource. These questions are willingness to pay (WTP) and willingness to accept (WTA). The choice between these questions lies from the property rights regarding resource being valued. If an individual has the right to sell the resource, WTA question is more appropriate whereas if the individual buy the resource, WTP question is recommended. Stated preference method of environmental valuation has two main methods that are contingent valuation method and choice experiment method.

Contingent valuation method (CVM) is valuation method where respondents are asked their maximum willingness to pay (or minimum willingness to accept in compensation) for a predetermined improvement or loss in environmental quality (Mogas, 2005). Choice experiment is the second popular type of stated preference method of valuation. Choice experiment method (CEM) is state of art method which has been applied to economic valuation of environment recently. Choice experiment provides the respondents with the choice of attributes regarding with the resource being valued (Henrik et al, 2014). The base of choice experiment method (CEM) is Lancaster's characteristics theory of value (1966) which states that any goods can be explained in terms of its attributes of the good, and consumers purchase the attributes of the good rather than the good itself. The dominant valuation method that was employed by economists for the past three decades is contingent valuation method. However, choice experiment has become an alternative and best valuation method over contingent valuation method. Choice experiment has its own strengths over contingent valuation. Contingent valuation method has focused on describing changes in a given good or service via different information instruments. This means respondents presented with power points of the good or service being valued without detail of the good or service. However, the result of contingent valuation rely on accuracy and completeness of information provided to respondents about the resource being valued. However, choice experiment is not rely on information about specific resource rather it describes that resource through its attributes. The other strength of choice experiment over contingent valuation is that choice experiment allows for respondents to make tradeoff between attributes of the good or service being valued (Boxall et al, 1996).

Lake Tana is one of the ecosystems and environmental resource in which its value could not be determined by standard market institution. The lake has multidimensional advantage for local communi

ty. According to Melesse.A & Chebud.Y(2010), the lake provide transport, electric power generation, fishing, ecological preservation, recreational activity, and irrigation supply in dry season for the local community. However, the economic value these and other services of the lake are not estimated by standard market institution. Failing to determine the value of the Lake Tana's services leads to undesirable outcome of the lake. Estimating the value of the lake by any means is mandatory to decide whether the public value the lake's attribute or not. Economic valuation is the best alternative to estimate the value the lake. Economic valuation of Lake Tana will demonstrate whether the lake is source of utility or not to the surrounding people. Not only this but also economic valuation give direction about the effectiveness of the policies whether to conserve the lake.

Carlsson et al(2003) used choice experiment to value wetland attributes. Their study had attempted to identify the attributes of wetland that improve or deteriorate society welfare. They identified six attributes those are surrounding vegetation, fish, cray fish, biodiversity, walking facilities and fence. They employed random parameter model to analyze the data. Their result show that fence and cray fish have negative effect on welfare but biodiversity and walking facilities have positive effect on welfare. Goibov et al(2012) used choice experiment to estimate farmers' preference for different land use option in Northern Tajikistan. Their objectives were to confirm the applicability of choice experiment in the study area, and to estimate the non-market values of agri-environmental attributes based on farmers' preference. They have identified seven attributes including cost attribute, and each attribute has four levels. Attributes are agricultural land use pattern prioritization, water quality, number of trees per hectare, number of workers in agriculture, loss in biodiversity and cost attribute. They presented eight choice set per respondent, and three choice options in each choice set. They surveyed 117 farmers. They employed both conditional logit and random parameter logit model. However, except cost attribute they got different result between those models. By using log likelihood test, they recommended the result of random parameter logit model to their analysis.

There are a few valuation studies regarding with Lake Tana. Among these "*economic analysis of household preferences for wetland attributes : Application of Choice Experiment to the Case of Lake Tana Wetlands*" by Yimenu & Nandeewara (2015). The main objective of the study conducted by Yimenu & Nandeewara (2015) entitled on economic analysis of household preferences for wetland attributes : Application of Choice Experiment to the Case of Lake Tana Wetlands was estimating the economic value of Yiganda wetland attached by households. Their study has not given due attention to the economic value of other Lake Tana's attributes. Their study identified four attributes that are fish stock, preserved ecology function, surface area and monetary cost. They have applied conditional logit model and their finding shows that the improved attributes of wetland are positive and significant. The other study was "*estimating willingness to pay for Labeobarbus fish species conservation in Lake Tana , Ethiopia : a contingent valuation study*" by Asmamaw et al(2016). The major objective of their study was estimating willingness to pay of households for continuous existence of Labeobarbus fish conservation. Their study has methodological gap since they were applied contingent valuation method (CVM) to estimate households' willingness to pay. However, contingent valuation could value the whole thing without considering different characteristics of the good being valued. The above both studies have emphasized on the single attributes of Lake Tana. In other word, they could not address the different attributes of the lake since Lake Tana has several characteristics. However, this study has attempted to address this gap by examining the economic value of the Lake Tana attributes with application of choice experiment method.

Grand Objective:

The grand objective of this study is valuing Lake Tana attributes using choice experiment method.

Specific Objectives:

Estimating the marginal willingness to pay to each attribute that are included in the model.

To identify socioeconomic factors which determine the marginal willingness to pay to conserve Lake Tana.

Materials and Methods**Description Of The Study Area**

Lake Tana is the largest lake among Lakes in Ethiopia with an area of about 3200 km² and it is located in the northwestern highland part of the country. Lake Tana's highest altitude is 1800m. It is shallow lake and its depth range between eight meter and 14m. It is the tropical lake with surface area of 3111Km², 284Km³ volume and has maximum length of 90km and 65km. The lake is fed by four major rivers those are Gumara, Megech, Rib and Abay. The drainage basin receives an average annual rain fall of 1200 mm which helps to replenish the lake seasonally. Lake Tana is surrounded by four districts; Dembia in north, Alefa in west, Fogera in east and Bahirdar in south.

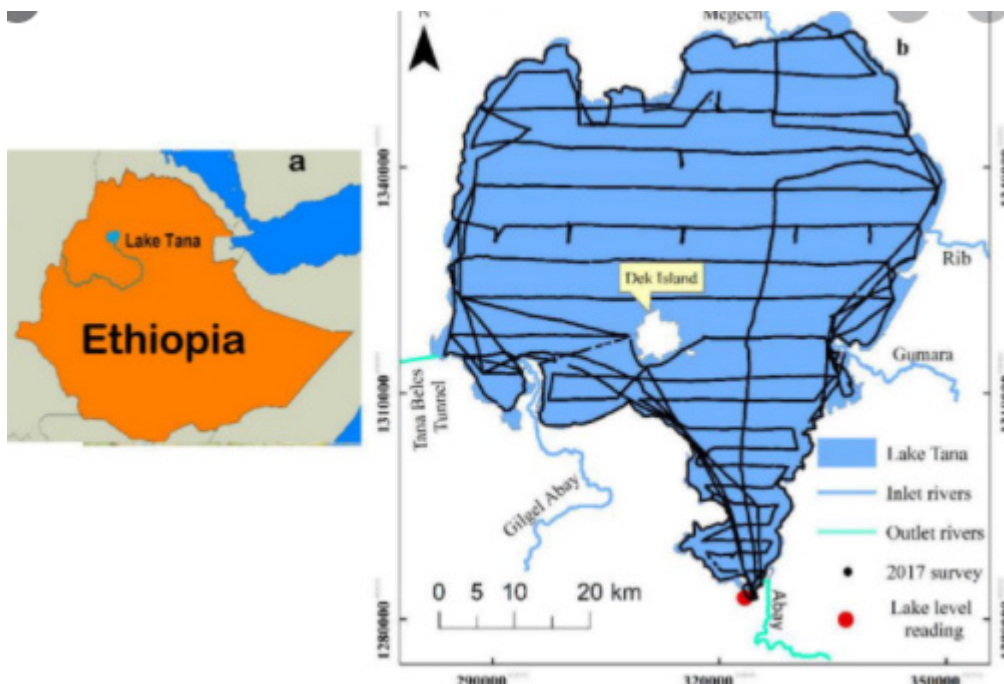


Figure-1 Location of the Study Area

Nature of Data and Sampling

The data that is employed in this is primary cross sectional. The data is collected from the local residents who live around the Lake Tana. The study has collected the relevant data with structured questioner. The questioner of this study that is presented to respondents contained socioeconomic characteristics of the respondents and choice set questions. Even if population of the study has same socioeconom

ic characteristics, the study clustered the population in different category in terms of geographical location; Alefa Taqusa, Semen Achefer, Dembia, Fogera, Bahirdar Town, Gondar Zuria and Bahirdar zuria. After this clustering, proportional sampling would be applied to draw representative from each clustered. The total projected households who live permanently in the study area is 383,703 (CSA, 2013).

There are many sampling size determinations; however, rule of thumb sample size determination is common practice in choice experiment studies. According to Orme (2010), the following rule of thumb formula is used to determine sample size in choice experiment.

$$n=500 (*LLOAA)/(NA*CSPR)$$

Where, n minimum sample size, LLOAA = largest level of any attribute, NA = number of alternative and CSPR = choice set per respondent. Hence, in this study there are five attributes including the monetary cost and each attribute has three levels but the monetary cost has six levels. Total number of choice sets per respondent is 16 but it is too much to present 16 choice set for a single respondent. For this reason, the study has applied two blocking choice set design. As a result, each respondent should present with eight choice set. Therefore, based on the above formula, the study has employed 250 respondents that is twice of 125 the since the design is two blocking. After this, the study has applied purposive sampling in each cluster to select kebeles based on nearness to the Lake Tana.

$$n=500 (*6)/(3*8)=125$$

The study area has clustered in to seven groups based on geography. To draw the representative sample in each cluster, proportional sampling has applied.

$$S_i = \frac{n_i}{N} * n, \text{ where, } (i = 1, 2, 3, 4, 5, 6, 7)$$

$$s_1 = \frac{58780.444}{383,703} * 250 = 38 \text{ (Fogera)}$$

$$s_5 = \frac{45392}{383,703} * 278 = 29.57 = 30, \text{ (BDR zuria)}$$

$$s_2 = \frac{69199}{383,703} * 250 = 45, \text{ (Dembia)}$$

$$s_6 = \frac{69647}{383,703} * 250 = 45.37 = 46, \text{ (BDR)}$$

$$s_3 = \frac{43281}{383,703} * 278 = 28.19 = 28 \text{ (Kunzla)}$$

$$s_7 = \frac{49018}{383,703} * 278 = 31.94 = 32, \text{ (Gondar)}$$

$$s_4 = \frac{48383}{383,703} * 278 = 31.52 = 32 \text{ (Alefa)}$$

Method of Data Analysis and Model Specification

The study has applied econometric model to analyze data that is collected with choice elicitation method. The econometric analysis of the study used one of the classes of standard logit model that is conditional logit. Choice experiment has utilized the theory of consumer behavior to specify its model of analysis by borrowing from Lancasterian microeconomics approach that states consumers derive utility from the characteristics of the good rather than directly from the good itself. A change in price of the good will cause discrete change from one bundle to the other that will provide the most cost-effective combination of attributes. The choice experiment provides respondents with attributes of the resource being valued and then they will choose the attribute that offer highest utility. This study also identified the basic attributes of Lake Tana. For such process, Random utility model is appropriate. Random util-

ity model states that respondents have consistently selected among alternatives that offer the highest utility. Assume two alternatives (i& j) provided to the respondents. Rational respondents will choose alternative j if its utility higher than utility of state i.

$$\begin{aligned} u_{nj} &= v_j [A_j, X_n] \dots\dots\dots 1 \\ u_{ni} &= v_i [A_i, X_n] \dots\dots\dots 2 \end{aligned}$$

Where A_j = attribute j, A_i = attribute i, X_n = socioeconomic characteristics of individual n, u_{nj} & u_{ni} = total utility derived from attribute i or j by individual n respectively.

According to Lancaster(1966), utility derived from the consumption of a good is the sum of two components. The first one is deterministic but the second one is stochastic. Hence the above two equations show the deterministic one. However, the study must incorporate the stochastic term of utility from the consumption of the good.

$$U_{nj} = v_j [A_j, X_n, \varepsilon_{nj}] = v_j [A_j, X_n] + \varepsilon_{nj} \dots\dots\dots 3$$

Where, X_n is the vector of socioeconomic variables of individual n.

$$U_{ni} = v_i [A_i, X_n, \varepsilon_{ni}] = v_i [A_i, X_n] + \varepsilon_{ni} \dots\dots\dots 4$$

Thus, an individual n will choose attribute j if:

$$U_{nj} - U_{ni} \geq 0 \dots\dots\dots 5$$

There is probabilistic nature regarding with the choice since the researcher could not know individuals' utility:

$$p(j/A_c) = P\{v_j [A_j, X_n] + \varepsilon_{nj} > P\{v_i [A_i, X_n] + \varepsilon_{ni}\} \dots\dots\dots 6$$

$$p(j/A_c) = P\{v_j [A_j, X_n] - v_i [A_i, X_i] > \varepsilon_{ni} - \varepsilon_{nj}\} \dots\dots\dots 7$$

The correct econometric model specification of a given study depends up on the distribution of error term and how the error term enter in indirect utility function(Alpízar et al., 2001). Based on equation 7 we have to make some assumption about the error term to make important analysis. From equation 7 we have the difference of two error terms. The difference of two gumbel errors is logistically distributed with Type I gumbel distribution. Hence, it is possible to express the probability to choose alternative j over alternative i by individual n with conditional logit model(Meginnis, 2018). Greene(2003), if the disturbance term of choice j is independent and identically distributed with type I Extreme Value, the probability to choose alternative j will be given by:

$$p(j) = \frac{e^{\omega v_j}}{\sum_{i=1}^N e^{\omega v_i}} \dots\dots\dots -8$$

$\omega = \text{scaling parameter}$

Equation 8 can be calculated by using multinomial logit model since choice experiment provides individuals with multiple alternatives that are set of attributes levels.

Attribute Identification

The attribute identification of this study has used the help of experts and focus group discussion of households. Therefore, the study has identified five major attributes of Lake Tana including monetary

cost. These are water quality of Lake Tana, irrigation service of Lake Tana, fishery, recreation and price. Except price (monetary cost) all attributes have three levels including status quo. The level of each attributes has been determined with the help of experts and focus group discussion. However, Price (monetary cost) has seven levels. The level of price seems many; however, it has its own advantage. Providing respondents with many prices will expand the choice of respondents among different attributes of the resource being valued.

Table 1 attribute identification

Attribute	Description	Level
Water Quality	It is measured by amount of turbidity and Sewage of the lake	1. Status quo 2. Medium quality 3. High quality
Irrigation	The lake has its own role of irrigation. The role Of irrigation measured by the cover of irrigation land	1. Status quo 2. Increase by 5% 3. Increase by 10%
Fishing	Fishery is the main economic activity of Lake Tana. Harvesting of fish by using tone is the Measure of fishery economic activity.	1. Status quo 2. Increase by 10% 3. Increase by 20%
Recreation	The other service of Lake Tana is recreation. Recreation facilities are main factors to derive some Sort of pleasure. The study beaches around the lake as recreation Facility proxy variable to beach since no beach still around the lake.	1. Status quo 2. Increase by 5% 3. Increase by 10%
Monetary Cost	It is the price that is paid by households to preserve Lake Tana's attributes.	1. Birr 0 2. Birr 75 3. Birr 140 4. Birr 200 5. Birr 300 6. Birr 410 7. Birr 600

Identification of Socioeconomic Variable

Socioeconomic factors would have their own effect on household's willingness to pay to the resource being valued. Hence, the following socioeconomic variables are included in this study.

Expenditure: it is the amount of expenditure spent by households for their consumption, and other activities. It is measured in terms of birr. The study expects that expenditure would have positive effect on status quo but negative for improved situation. The result proven the study's expectation that is expenditure of household's on other commodity has negative effect on the improved situations of attributes of Lake Tana but positive on status quo.

Level of Education: it is the schooling year of individuals. The study used education as categorical variable. Education in this study is categorized in to four (Illiterate (Edui), Basic Education (EduB), Primary and secondary Education (Edusp) and TVT and above Education (EduTA)); the reference category is illiterate (Edui). The study had expected that as household's schooling increases, they will prefer the improved attributes of Lake Tana attributes. The result also supports this expectation in

which households who attend technical and vocational training (TVT) and above have preferred the improved attributes of the lake relative to illiterate individuals.

Sex: it is the Sex of Respondents. It is discrete variable which sex takes value 1 if individual is male, 0 otherwise. The study expects that being female or male would not have an effect. The result shows that sex has not significant effect.

Age: it is the years of old for individuals. It is continuous variable that is measured in terms of year. The study expects that it would have positive effect for improved situation but negative for status quo. The result shows that younger households have preferred the improved attributes of Lake Tana, however households who are aged have preferred the status quo attributes of Lake Tana.

Land Ownership around Lake Tana (lav). This variable is categorical variable in which land ownership takes value 1, if a respondent has land around the lake 0 otherwise. The study had expected that households who land around the lake will prefer the improved attributes of the lake relative to the status quo. The result support this expectation that is households who land around the Lake Tana have preferred the improved attributes of the lake relative to households who have not land around.

Distance from the Lake Tana (Dist): It is continuous variable and measured in terms of kilometer about Lake Tana. The study had expected that distance from the lake will have negative effect on the improved attributes of the lake. However, distance from Lake Tana has not significant effect on the choice of households.

Family Size (Famsiz): This is one of the socioeconomic variables that many studies consider as factor to conserve natural resource. Family size means the number of people in a given household. The study had expected that family size will have negative effect on willingness to pay to improved attributes of Lake Tana. However, the result shows that family size has positive effect on the improved situation of attributes of Lake Tana. This means as family size increases households have preferred the improved attributes of the lake relative to status quo. The justification is provided in the discussion part of the article.

Choice Experimental Design

After the identification of attributes and levels of the resources being valued, the next task of choice experiment is experimental design (Birol et al., 2006). Experimental design is used to nominate attribute levels to the alternatives that form basis for choices and it is also important to construct set of choices that will be provided to respondents. Alternatives that will be presented to respondents must have sufficient variation over attribute levels to estimate parameters of preference. Providing all combinations of attributes of will difficult and impossible (Holmes et al., 2017). Providing all combinations of the good attributes is not feasible because the number of combinations of the good attributes is many and resulting very large number of choice sets. Many choice sets discourage respondents to make rational choice among alternatives. Hence, the challenges of choice experiment are designing choice sets with simple and efficient manner. Different experimental design are available including orthogonal main effect design, D-optimal design, fractional factorial design and cyclic design (Zhifeng Gao, 2009). Therefore, by considering the element of efficient experimental design, this study has applied fractional design and R lab was used to design the choice set of this study.

Result and Discussion

Nature of Survey

The survey was administered for two months between March and April 2011 E.C. The survey was conducted through face to face interview with structured questioner. The survey had two parts. The first part deals with socioeconomic character of respondents, the second part deal with about choice of respondents regarding with valuation. The study was proposed to survey 250 respondents. The respondents were household head. However, the actual survey used to analysis of the study was 238 individuals. Twelve questioners were defective due to carelessness response of respondents. This means the response rate was 95.2%. Among 238 respondents, 45's were females. The survey found that female respondents were small relative to their counterpart males due to unwillingness of females to give interview.

Relative Choice of the Alternative

The study has developed and presented two improved scenario and status quo of Lake Tana to respondents. As mentioned on the design part of the study eight choice sets were presented to each respondent. This indicates that 1904(238*24) choices are made by respondents. Among choices the opt out (status quo) is chosen 81 times. In other words, 4.25% of the whole choices are status quo. The second option is chosen 978 times among the whole choices. The third scenario is selected 845 times among the total choices. This means 44.38% of 1904 choices are the third scenario. Therefore, it is possible to say that households have more likelihood to prefer the improved scenario. This implies that households will better off for the improved scenario of Lake Tana relative to the scenario. Table 2 summarizes the relative choice of the scenario.

Table-2 Relative choice of scenario

Alternative	Choice of Freq	Percentage
Scenario1(status quo)	81	4.25
Scenario2	978	51.36
Scenario3	845	44.38

Econometric Result

Econometric model of this study has entertained choice experiment method by applying basic conditional and extended logit model. The study used the status quo as bench mark to see the preference of respondents for improved situation of Lake Tana. The result shows that every level of attribute is positive and significant at 1% significance level. As mentioned on identification of attributes the status quo is the level of each attribute. Hence, the positive coefficient of each level of attribute shows that respondents prefer the improved level of attributes relative to the status quo. However, the monetary cost is negative and significant at 1% significance level. This indicates that as price increases, individuals will not prefer the improved situation of Lake Tana.

This study has also derived the alternative specific constant for status quo (ASC0). The result shows that alternative specific constant is negative and significant at 1% significance level. This means that respondents prefer improved alternative relative to the status quo scenario. Table3 summarizes the result of basic conditional logit model.

Table-3 Result of Basic Conditional Logit Model

Dependent Variable	Independent Variable	Coefficient	P - value
Choice	ASC0	-0.85	5.193e-06 ***
	WQ_medium	0.99	1.665e-14 ***
	WQ_high	1.41	2.2e-16 ***
	IR_10	0.47	8.123e-08 ***
	IR_20	0.69	6.972e-05 ***
	Fish_10	0.53	5.342e-07 ***
	Fish_20	0.51	1.307e-08 ***
	Rec_5	0.73	5.588e-09 ***
	Rec_10	0.49	2.875e-07 ***
	Price	-0.0011	3.279e-05 ***
	McFadden Pseudo 0.18 Prob > chi2 27.40307e-116 AIC 2647.036 Obs 5712 Note: *p<0.1; **p<0.05; ***p<0.01		

Model fitness is one criterion to have better model estimation. Greene (2003), pseudo R square that was developed by McFadden in 1974 is the most applicable model fitness measurement.

$$pR^2 = 1 - \frac{\ln LL_{UR}}{\ln LL_R}$$
 -Where, $\ln LL_{UR}$ is log likelihood value of unrestricted model; $\ln LL_R$ is log likelihood value of restricted model.

Pseudo R square lies between zero and one. Having this, Pseudo R square in the basic model of this study is 0.18. It is between zero and one, and the probability value indicates that better model. However, (Wilsterman, 2015) stated that a better fitted model should have pseudo R square that lies between 0.2 and 0.4. The pseudo R square of the basic conditional logit model of this study is lower.

Extended Conditional Logit Model

Extended conditional logit model is same with basic conditional logit model in terms of its modeling. However, the extended conditional logit model includes socioeconomic variables with attributes. This study has conducted extended conditional logit model to identify socioeconomic factors that affect the conservation of Lake Tana. Socioeconomic variables are included in the model by interacting them with alternative specific constant that is for status quo (ASC0). The result shows that alternative specific constant for status quo (ASC0) is positive but insignificant. All improved levels of attributes are positive and significant at 1% significance level. This means that individuals prefer the improved level of attributes relative to the status quo of attributes.

The interaction between alternative specific constant for status quo and household's expenditure (ASC0: Expe) is positive and significant at 5% significance level. This result is expected since as the household's expenditure increases on other areas of expenditure, household left less level of income that will allocate to care the lake. This means that as household expenditure increases, individuals will prefer the status quo alternative relative to the improved alternatives. Interaction of alternative specific constant with family size (ASC0: Famsiz) is negative and significant at 5% significance level. This implies that as family size increase, individuals will prefer the improved situation of Lake Tana

relative to the status quo. This result is stranger because the study did not expect such like result. However, during the mini focus group discussion with the local households, they said that Lake Tana is one source of job for our children in terms of fishery, boat transport, and papyrus. Hence, this result is not that much surprising. The interaction between alternative specific constant and distance from the lake (ASC0: dist) is negative but insignificant. This implies that households who far from the lake have more likelihood to prefer relative to the improved scenario. The interaction of alternative specific constant with land availability around the lake (ASC0: lav) is negative and significant at 1% significance level. This means that individuals who have land near to the lake prefer the improved scenario of the lake relative to individuals who have not land around the lake. Interaction between alternative specific constant and age is negative as it is expected and significant at 1% significance level. This indicates that younger individuals will prefer the improved alternative relative to the status quo. The interaction between alternative specific constant and age square (ASC0: age2) are positive and significant. This implies that aged households have more likelihood to prefer the status quo scenario. The interaction between sex and alternative specific constant (ASC0: sex) is negative but insignificant. The interaction between alternative specific constant and education categories (ASC0: Edui, ASC0: EduTA, ASC0: EduB) is positive and insignificant except Edusp (individuals who attend primary and secondary education). Individuals who attend primary and secondary education support the status quo relative to the improved alternative. This result is expected in our country because our education curriculum has not any content that advocate about natural resource and environment. Table 4 shows the result of extended conditional logit model.

Table-4 Result of Extended ConditionalLogit Model

Dependent Variable	Independent Variables	Parameters	Standard Errors	Prob-Value
Choice	ASC0	2.58	1.65	0.118508
	WQ_medium	1.007	1.3104e-01	1.577e-14 ***
	WQ_high	1.42	1.0933e-01	2.2e-16 ***
	IR_10	0.48	8.9509e-02	9.041e-08 ***
	IR_15	0.74	1.7769e-01	2.697e-05 ***
	Fish_10	0.54	1.0663e-01	4.609e-07 ***
	Fish_20	0.48	9.0299e-02	9.021e-08 ***
	Rec_5	0.75	1.2840e-01	6.093e-09 ***
	Rec_10	0.52	9.9364e-02	1.695e-07 ***
	Price	-0.0012	2.9324e-04	2.846e-05 ***
	ASC0: Expe	5.6427e-06	1.8774e-06	0.002651 **
	ASC0: Famsiz	-0.16	7.5833e-02	0.040055 *
	ASC0: dist	-0.14	7.1735e-02	0.059454
	ASC0: lav	-3.91	6.1770e-01	2.544e-10 ***
	ASC0: age	-0.19	6.7887e-02	0.005118 **
	ASC0: age2	0.0028	7.0806e-04	6.142e-05 ***
	ASC0: Edui	0.31	6.0224e-01	0.602674
	ASC0: Edups	1.62	6.1319e-01	0.008421 **
	ASC0: EduTA	0.78	5.9313e-01	0.193164
	ASC0: EduB	0.47	6.6281e-01	0.479649
	ASC0: sex	-0.13	2.0566e-01	0.522885
	AIC 2484.696 pseudo 0.23 = 744.7872, Pchisq 1.143964e-145 Log Likelihood 0.2336599 Obs 5712 Note: *p<0.1;**p<0.05;***p<0.01			

Willingness to Pay Estimation

Maximum likelihood estimation can derive consumer surplus regarding with changes in the level of attributes from conditional logit model. The parameter estimates of attributes of the resource being valued are marginal utility of that attribute, and the coefficient of monetary cost indicates marginal utility of income. The ratio between the parameter estimate of a given attribute say(X) and monetary cost(P) is marginal willingness to pay to that attribute(Poirier & Fleuret, 2010).

$WTP_x = -\frac{p_x}{\beta_n}$, where β_x and β_p are coefficient of attribute X and monetary cost respectively.

Therefore, this study derives the marginal willingness to pay for Lake Tana's attributes identified by the study. As mentioned on methodology section of the study, this study has identified five attributes of Lake Tana including monetary cost. For the analysis purpose, the study has identified three levels for each attribute, and status quo of each attribute is considered as one level. The study set the status quo of each attribute as reference. Table 5 shows marginal willingness to pay for basic conditional logit model.

Table-5 Estimation of Marginal Willingness to Pay

Attributes with their improved levels	MWTP	95% CI
Basic conditional Logit Model		
WQ_medium	833.6254	(375.22 1292.02)
WQ_high	1190.514	(615.84 1765.19)
IR_10%	398.7835	(157.25 640.32)
IR_15%	587.8955	(193.03 982.75)
Fish_10%	442.8549	(184.51 701.19)
Fish_20%	426.7374	(151.21 702.27)
Rec_5%	615.4871	(284.51 946.47)
Rec_10%	420.9418	(200.11 641.77)

The estimated marginal willingness to pay for each improved level of attribute implies that households' willingly payment for medium water quality, high water quality, expansion of Lake Tana irrigation by 10%, expansion of Lake Tana irrigation by 15%, increasing of fish harvesting by 10%, increasing of fish harvesting by 20%, expansion of recreation facility by 5%, and expansion of recreation facility by 10%. On average households willingly pay birr 1190.514 per year if government propose to improve the water quality into high standard. The same is true for the remaining attribute levels.

Conclusion and Recommendation

Conclusion

The grand objective of the study was estimating the economic value of Lake Tana attributes using stated preference method of valuation in general and choice experiment method in particular. The study has identified four attributes of Lake Tana with the help of experts and focus group discussion with local community. These are fishery resource, water quality, irrigation, and recreation. Each attribute has three levels including their corresponding status quo. The study has identified two scenarios which can describe the improved situation of Lake Tana. However, the current situation (status quo) also presented with the improved scenarios of the lake. This is because to expand the choice of the household. Choice experiment provides series of choice set to respondents to choose one of alternative in the

series of choice set. This study has surveyed 238 individuals to obtain relevant data then to meet the objective of the study. Face to face interview was applied to collect data from individuals. Each respondent was provided with eight series choice set question. Choice experiment has attempted to illicit the marginal willingness to pay/willingness to accept for the resource being valued by identifying the characteristics (attributes). The study has conducted basic conditional logit model and extended conditional logit model. The result shows that attributes of the Lake Tana that are included in the model are positive and significant in all models. This means that households are better off due to the improvement of the lake. The study has also estimated marginal willingness to pay for improved level of attributes of Lake Tana. The marginal willingness to pay is positive for all improved attributes.

Recommendation

The final task of a given study is suggesting recommendation for policy makers, general public, and researchers. This study also gives some recommendation based on the findings.

Government should protect Lake Tana from any problem by raising fund from each household since Lake Tana's attribute like fishery production, its water quality, recreation and irrigation by the lake are valued by households.

Government should improve utility of households who have land near to Lake Tana by expanding irrigation from Lake Tana.

Government should construct recreational infrastructure around Lake Tana by mobilizing households who attended education TVT and above.

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The Role of Social Entrepreneurship in Social Transformation during Covid-19 Pandemic in Ethiopia

By
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Abstract

Social entrepreneurship is the decisive spectacle for developing nation to plug the government deficiency to alleviate socio-economic problem for sustainable community livelihood development. The purpose of the study is to explore the role of social entrepreneurship on social transformation during covid-19 pandemic and discover the contributing factors for the development of the sector. Based on the purposive sampling technique 15 social entrepreneurs from four sectors and 5 key informants totally 20 participants were selected. The data was collected through in-depth semi-structured interview from both key informants and entrepreneurs and from documents such as peer-reviewed journals, books, magazines, documents and archival sources, official documents and publications issued by government as well as non-government organizations on the social entrepreneurs. The finding of this study shows that the involvement of the social entrepreneurship for social transformation is insignificant in Ethiopia. There is no fertile entrepreneurial ecosystem ground for social enterprise development. Principally, human capital, legal system and social capital are impacting factors for the sector.

Keywords: Covid-19 Pandemic, Entrepreneurial Ecosystem, Human Capital, Social Entrepreneurship, Social Transformation

Introduction

The economic system is a cause for the nation's income inequality in the business world. This is realized by socialism and capitalist economy ideology. For instance, capitalism has been a constructive power for global economic development. However, there has been great social exploitation and income inequality effect on a nation (Collison et al., 2010; Dahms, 2011; Dahms, 2005 and Blad, 2015). The mainstream business experience is inmate form of capitalist system in which the business performance is valued by financial indicators mainly by a single pointer which is 'profit maximization' (Wills et al., 1990; Koch, 2010 and Marroquin, 2020). The conventional approach of business practice is a source of prodigious social misuse. The business owners are greedy and tend to overlook sustainable social welfare. Their business mentality has a destructive societal and ecological effect (Kakabadse and Kakabadse, 2003; Amr and Mamdouh, 2019 and Robson et al., 2020). This raises another issue of the emerging of the new entrepreneurship language which is named "social entrepreneurship" (Dahles et al., 2010).

Social entrepreneurship has a wide range of concepts from socially driven business ventures to hybrid organizations that amalgam nonprofit and for-profit features (Lumpkin and Katz, 2011; Mthembu and Barnard, 2019 and Amr and Mamdouh, 2019). Scholars argue that there are several definitions of social entrepreneurship. Regardless of metamorphoses in delineations, the pivotal point is to create social worth and welfare, to address a social and environmental problem innovatively. Consequently, social entrepreneurship is mainly focused on the social and ecological problematic being resolved, making social prosperity through the formation of entrepreneurial social enterprise to mobilize the local resources to generate new product and service needed to tackle the problem most effectively and efficiently (Kim, 2014; Mthembu and Ghalwash et al., 2017 and Barnard, 2019).

Lately, social entrepreneurship has become a popular and emerging word for politicians, business owners, and institutions (Jiao, 2011). The classical social entrepreneurship literature manifestation and hypotheses show that the primary purpose of social innovation is to bring about lasting change through long-term social benefits. Besides, it is noted that the focus of social entrepreneurship is positively associated with creating a positive social impact (Adesuwa, 2012; Lumpkin and Katz, 2015). It bridges the balance between the social exploitation of businesses and the financial well-being of non-profit institutions. It creates a social transformation and positive influence by reconciling unlimited business organization interests and social well-being. The basic causes of the creation and growth of social entrepreneurship are the global wealth disparity, corporate social responsibility, injustice from profit-oriented market, and lack of capacity of institutions and government to meet the needs the society (Jiao, 2011; Helmsing, 2015 and Roundy, 2016).

The mainstream business practices have high levels of community exploitation. There is also a scarcity of resources in the market. This problem has left the community free service providers ineffective and unsustainable. However, it has forced the institutions to pursue a new entrepreneurial path that combines business and social services. This enables them to serve the community more effectively by adopting an effective marketing strategy. The existing situation has required strong partnerships between corporate and nonprofit organizations to provide a more effective and efficient community service (Griffiths et al., 2013). On a broader scale, the main purpose and focus of entrepreneurship in the field of social entrepreneurship is to carry the social mission, ensure the prosperity of the community, create a comfortable and modern life, and enable the community to meet its basic needs at minimal cost and time. As a result, this concept has been proposed by many researchers as the center and destination of social entrepreneurship (Kannampuzha and Hockerts, 2019).

The empirical research finding shows that the noteworthy factors for the initiation and the development of social entrepreneurship are institutional factors (public awareness about social entrepreneurship through training and teaching social entrepreneurship course by universities, governmental agencies' support, financial support from the foundation, initial technical support, free advice for public venture enterprises, established research center for social entrepreneurship as well as relevant support from other non-profit organizations), desirability and feasibility of social entrepreneur (self-cognitive desirability and feasibility), human capital, social capital and social environment (Jiao, 2011; Popkova, and Sergi, 2019 and Waqar et al., 2020). Social entrepreneurs are dynamic mediators in social innovation processes. In this regard, the researcher argues that social entrepreneurs add value to society by using business processes and new models to address stubborn social problems. The basic motivational drivers for a social entrepreneur are local condition (economic insufficiency, unawareness and intuitive faith and disparity), intentional mindset (watchfulness to a social cause, religious principle, moral judgment and prosperity to act), and passion (emotional attachment, personal investment, dissatisfaction and background of the entrepreneur education) and social network support (social challenge and physical and emotional support). Social entrepreneurs organize resources and apply business techniques to generate innovative resolutions (Omoredede, 2014 and Ghalwash et al., 2017)

According to recent research findings, social entrepreneurship is the novel, emerging, and twofold purpose of entrepreneurial business dialect. It is a discipline that became a dramatic growth of the new entrepreneurship model. It holds harmony of the economy which engross in remarkable economic, social, and political sustainability of the society (Dacin et al., 2011; Kim, 2014; Helmsing, 2015 and Mthembu and Barnard, 2019). Furthermore demanding inquiry result confirm that social entrepreneurship is a rising and rigorous drive in the quest for discovering alternative solutions to the nation's furthestmost intractable social, political and economic problems (Lawrence et al., 2012). It can make

the correct equilibrium amongst social and economic intentions (Jäger and Schröer, 2014). It is placed between the community, the government, and the market to reconcile the need of the society and the limited government service provision capacity especially when the crisis of economic wealth, epidemics, and other national disasters occur (Kim, 2014 and Balgova and Aray 2019).

Like the former pandemic influenza (1918 - 1920) and the great economic recession (1930), the economic performance of nations is deteriorating due to the current global Covid-19 pandemic. Subsequently, many governments have been forced to shrink their public expenditures and grants, and this affects social services' needs. Key social sector institutions are frequently being viewed as inefficient, unsuccessful, and unresponsive to disentangle social problems (Keogh et al., 2010; Gawell, 2014; Kim, 2014; Omoredede, 2014; Gonzi, 2019 and Ozili, 2020). On the other hand, social entrepreneurs are actively engaged in corporate social responsibility, inspiring social issues, and trying to satisfy crucial social needs. Besides, social entrepreneurs can help to plug the government exertion social services, satisfying social welfare that cannot be satisfied completely by governments only. This has led to a critical reconsideration the role of social entrepreneurs on social transformation and sustainable livelihood development such as job creation, improving living standard, economic development and environmental protection (Dacin et al., 2010; Jiao, 2011; Chowell & Viboud, 2016 and Naderi et al., 2019).

In particular, the newly created Covid-19 pandemic and the subsequent social distance policy exacerbate the socio-economic and political problems of developing countries. The problem, coupled with problems that have never been solved formerly, has become a 'back-and-forth'. High levels of medical devices and individual protective equipment are needed to prevent an outbreak (Eneko et al., 2020 and Wen et al., 2020). Government spending will increase, as it requires a large foreign currency to import such goods. On the other hand, the epidemic has dampened the movement of the social service and has led to the decline of social services. The cumulative effects of all of this can lead to serious social crises. It creates the government's limitations (Kabadayi et al., 2020 and Ozili, 2020). Therefore, entrepreneurs are needed by this time to fill the gap in the government and contribute to social transformation. To this end, social entrepreneurs create better products and services; they have an indispensable role to make national prosperity a reality by setting up an organization that focuses on the problems of the community. Nonetheless, the real situation in Ethiopia is the opposite. Instead of being an additional capacity of the business community in the current crisis, they create a man-made shortage and create overlapping problems for the government and the community.

Although the field of study is important for the development of the globe, the lack of sufficient theoretical groundwork on a global scale has kept the field intact. This, of course, is dominated by a host of problems in developing countries. Police and program delinquent, poor institutional entrepreneurship framework, lack of community entrepreneurship education at the appropriate level, and personal business-driven attitude have slowed the growth of the sector (Kim, 2014; Naderi, et al., 2019 and Arm and Mamdouh, 2019).

The situation in Ethiopia is no different. Separating Social Enterprise from Business Enterprise in Ethiopia is challenging because there is no separate legal form for social enterprises. Different enterprises consider themselves a social enterprise. However, they work in small and medium enterprise (MSE), in partnerships and sole proprietors (British Council, 2017). According to Capital Newspaper (2016) as cited by Abdunnasir Abdulmelike (2017) although the Ethiopian Social Entrepreneurship Forum (ESEF) was set up, it was limited to setting up enterprises as a social enterprise by entrepreneurs and the growth of social entrepreneurship has not been successful. Although very few studies (like Social

Entrepreneurship, Microfinance and Economic Development in Africa by Nega & Schneider, 2013; and Ethiopia social enterprise survey report commissioned by British Council, 2016) are conducted as cited by Abdunnasir Abdulmelike (2017) there are limited studies on social entrepreneurship in Ethiopia (British Council, 2017). In addition to the lack of scientific research in the field of social entrepreneurship, the sector as a whole is contributing immaterial to social transformation. Therefore, the current study explores the role of social entrepreneurship on social transformation during covid-19 pandemic in Ethiopia. It intends particularly to address the objectives of scrutinizing the role of social entrepreneurship on social transformation during covid-19 pandemic and investigating the launching and development factors of social entrepreneurship in Ethiopia.

Material and Methods

So as to achieve the objectives set out in this study and develop the theory that would elucidate the role of social entrepreneurial on society alteration and identify the factors that contribute to the development of the sector, an inductive, exploratory and qualitative methodology is utilized as recommended by (Yin, 1999) for investigations that are subtle, hopeful or poorly understood topic as cited by (Omoredede, 2014 and Ghalwash et al., 2017). This method was consistent with that used by (Omoredede, 2014; Haski-Leventhal and Mehra; 2016 and Ghalwash et al., 2017) in their qualitative studies of social entrepreneurs in Australia, India, Nigeria and Egypt.

The study emphasis on gathering information to replying research questions rather than testing assumptions. The investigation is fundamentally pure qualitative for the reason that the researcher aim to understand social entrepreneurship role on social transformation and their development determinants subsequent other linked work by Ghalwash et al. (2017), Aileen Boluk and Mottiar (2014) and Omoredede (2014). This design helps to capture the complexity and richness of the underlying phenomenon and to detect patterns across sample. Properly conducted qualitative methods can be scientifically rigorous and capable of generating theory as noted by (Saunders et al., 2003) as cited by Ghalwash et al. (2017). The researcher inferred concepts from literature to guide data gathering, and persuaded conclusions from data.

Sampling Technique and Sample Size Determination

To overawe the limitations of the smaller sample required by qualitative methods, the researcher used purposive sampling strategy and data triangulation with social entrepreneurship founders and key informants (Ghalwash et al., 2017). The researcher identifying 15 social entrepreneurs out of 50 social entrepreneurs grounded on descriptions from British Council assessment study (British Council, 2017) as social enterprise that seek alternative strategies to alleviate social problems and catalyze social transformations. The selection process is conducted through websites and public directories in Ethiopia. The researcher executed screening of the target group by setting the following exclusion criteria: The enterprise should have innovative, tackled social problems by creative ideas to realize social welfare in Ethiopian community (British Council, 2017).

The social entrepreneurs those have legal license and they have participated at least five years and above in different social commitment.

The social entrepreneur should be the member of the Ethiopian Social Entrepreneurship Forum (ESEF) according to Capital Newspaper (2016) as cited by Abdunnasir Abdulmelike (2017).

In addition, five key informants from the Ministry of Commerce and Industry of Ethiopia were selected purposely to participate in the study. To ensure representation of the sample the researcher picked

social entrepreneurs representing from five variety of sectors like health care, education, general development, disabilities and manufacturing (Abdunnasir, 2017) and thus offering a diverse sample and comparison, as recommended by Creswell (2007) as cited by Ghalwash et al., (2017).

Source of Data and Data Collection Instruments

The principal sources of data are both primary and secondary sources. The primary source is in-depth semi-structured interview. Besides the secondary sources are peer-reviewed journals, books, magazines, documents and archival sources, official documents such as reports, as well as policy and strategy papers, and publications issued by government as well as non-government organizations on the subject. The key respondent in the research participate through an e-mail and virtual meeting via zoom where the researcher described the objective of the research and estimated time for participation.

Data Analysis Technique

The research reintegrated with previous research in a thematic analysis by adopting Ghalwash et al., (2017) and Omoredé (2014) approach and guided by the thematic within-case analysis strategy which is suitable for gathering robust data. This study presents its findings in the form of narrative themes.

Results and Discussion

This study follows a purely qualitative method because the data was collected by raising open-ended research questions to achieve the purpose of the study. The research questions focus on two basic issues. The first is the role of social entrepreneurship in social transformation and change and the second is the factors that are crucial to the development of social entrepreneurship. Data were collected from both the textual evidence and five participants from five social entrepreneurs and two key informants. The analysis, presentation, and interpretation of information are discussed in detail, in conjunction with, and link to, related information. All the same ideas that were returned from the participants were summarized. But very different ideas are kept in mind and kept in isolation.

Based on the literature on social entrepreneurship and the guidelines for analyzing qualitative data the researcher carried out the analysis by identifying the responses that respond to the research questions Abdunnasir Abdulmelike (2017). For this, an interactive stand was implemented for the construction of themes from recorded interviews and extracts from archival data to verify the statements from the interview. Deeper meanings and patterns were identified in line with content analysis.

Q1: What is the role of social entrepreneurship on social transformation in the course of the Covid-19 pandemic?

The data is collected and analyzed based on four basic social problems which are solved by social entrepreneurs innovatively (i.e. economic deficiency, income disparity, social service dissatisfaction and awareness on Covid-19 pandemic) as suggested by Ghalwash et al., (2017), Omoredé (2014) and Roundy (2016). Even though economic deficiency, income disparity, social service dissatisfaction problems have happened before the corona virus epidemic, now it becomes challenging to make things a 'back-and-forth'. Overall socio-economic fissure has occurred in Ethiopia. For this, social entrepreneurs have cure (Dacin et al., 2010; Chowell & Viboud, 2016 and Naderi et al., 2019). Social entrepreneurs are unique and proactive to alleviate social problems to realize social transformation. But they engage in the same activities as conventional entrepreneurs in Ethiopia. These findings confirm the findings raised by Abdunnasir Abdulmelike (2017).

Despite the concept and application of Social Entrepreneurship, their contribution to community development has been relatively low compared to other countries. This is in contrast to a study carried out by Balgova and Aray (2019) and Arm and Mamdouh (2019) in Russia and Egypt respectively. In other words, their role concerning the magnitude of the social problem is worthless. Social enterprises do not have clear line differences with the normal business. Their operation is like a regular business enterprise. However, they worked to raise awareness about the Covid-19 epidemic. They also worked to stabilize the market by providing a locally produced sanitizer to the community at a discount rate to prevent the outbreak. One respondent in particular averred:

[.....] In fact, we were formed to do our part to alleviate the problems of the community. However, the general situation is not sufficient to do so. In my opinion, the contribution we make is not in comparison to the national problem. For example, most businesses use the current situation by creating supply problems and causing inflation to exert pressure on the community, barring companies like us from doing their jobs properly. The whole business system in Ethiopia is very difficult for social entrepreneurs. Therefore, it was not possible to bring much needed social change. However, in addition to raising awareness about the Covid-19 epidemic, we have provided sanitizer the community at affordable prices (Interview on 5 May at 3pm, Gondar, Ethiopia).

Notwithstanding the supposed social enterprises, the work done to bring about social prosperity and security is very limited. While anticipating new ideas and developing a culture of innovation requires much from social entrepreneurs, in Ethiopia the reality is quite different. This is similar to that reported by Abdunnasir Abdulmelike (2017) and British Council (2017). My key informant asserted:

[.....] Many say they have set up a Social Enterprise when they get permission from the government to work to alleviate the problems of the community. However, when you get into action, there is nothing. As usual, they run it for personal use. There is no exception from the mainstream business. In a country where there is a large number of social entrepreneurs, business fraud and exploitation can be reduced. But this is not the case in our country. For example- when we look at the current situation of the Covid-19 epidemic, the majority of the business community act as a thief and a police game. Many businesses were closed down due to governmental action. If all the social entrepreneurship culture flourished and flourished, then all this trouble would have been alleviated (Interview on 15 May 2020 at 3pm, Addis Ababa, Ethiopia).

Generally speaking, sustainable community transformation requires active participation from various partners, not just by the government only. In particular, social entrepreneurs are the perfect remedy for this. However, the lack of development in the sector of social entrepreneurship has undermined its role for national development.

RQ2: What are the decisive factors for the development of social entrepreneurship?

Human Capital: - Many researchers agree that the knowledge and skill (both soft and hard) of the social entrepreneur is very important for the development of social entrepreneurship, which determine

the desirability and feasibility of decision-making. This includes strategic plan to start social entrepreneurship, social vision and mission, decision making skill to understand their customers to satisfy their needs with continuous innovation methods. The skills to inspire ideas, integrate and utilize resources are also the human capital of social entrepreneur. The knowledge and skill of entrepreneurs contributing to the development of social entrepreneurship are the underlying mechanisms of social transformation (Jiao, 2011; and Waqar et al. 2020). However, this study has proven that from the interview result human capital is the critical problem for the flourishing of social entrepreneurship in Ethiopia.

Social Capital: - This is indicated by the large scale of the society. Unlike human capital which is important factor of social entrepreneurship at the individual level; social capital contains the organizational factors in social ventures such as capital, organizational structure, composition of top management team and stability and utilization of social networks also have a great effect on operations of social entrepreneurship activities. A number of empirical findings revealed that social capital is positively related to social entrepreneurship (Jiao, 2011 and Popkova, and Sergi, 2019). The more social capital a social entrepreneur has, the stronger the drive to start the new social entrepreneurship activities. The current study argue inconsistent with the previous study that the poor entrepreneurs social capital adversely affect the development of social entrepreneurship.

Legality Issue: - As Abdunnasir Abdulmelike(2017) and British Council (2017) indeed points out, there is no separate legal form and system for social enterprises in Ethiopia. As a result of this, they work in small and medium enterprises (MSE) in partnerships and sole proprietors. Similar findings were reported from interview result by this study.

Entrepreneurial Ecosystem:- A study conducted in entrepreneurial ecosystem showed that entrepreneurial ecosystem has a positive impact on productive social entrepreneurship, while distrust within the ecosystem is expected to be unproductive and destructive to an economy as a whole particularly social entrepreneurship development (Muldoon et al., 2018) and Velt et al.,2018). The launching, growth and effective integration among entrepreneurial ecosystem elements (i.e. government policy, regulatory framework and infrastructure, funding and finance, culture, mentor, advisor and support system, university as a catalyst, education and training, human capital and work force and local & global market) are impacting factors to boosting social entrepreneurship flourishing. This study concludes from the data that there is no well-organized entrepreneurial ecosystem in Ethiopia that promotes effectiveness of social entrepreneurship culture.

Conclusion and Recommendations

Social entrepreneurship is the backbone of social transformation, change and comprehensive development. Social Entrepreneurship promotes balanced social, economic and political development. It will accelerate the prosperity of citizens by solving problems that have not been accessed by the government. It plays an indispensable role in maintaining a fair economic split between citizens.

The following conclusions were drawn based on the results of this study. First and for most, since the concept of social entrepreneurship and practice is just commencement, the contribution to social transformation is very low. As a result, it did not give fruitful contribution during this Covid-19 epidemic. Secondly, the interconnected ecosystem of entrepreneurship in Ethiopia is so weak that it is a barrier to the development of social entrepreneurship. Mainly human capital, social capital and legal system are the perilous impacted factor. Thirdly, the complex business environment is complex and difficult, which has made the field of social entrepreneurship less effective.

Finally, based on the findings and conclusions, it is recommended that the government should establish a successful social enterprise legal system. The transition from exploiter commerce ecosystem to industrious entrepreneurial ecosystem must be done in a thorough and inclusive manner. The entrepreneurial ecosystem should be functioning in integrated manner through common strategic plan to maintainable change the social entrepreneurship culture. Especially the Ethiopian higher institutions should have promote the significance of the social entrepreneurship to the community in well-organized fashion. Therefore, it is advisable that future researchers work on further study using the Impact Survey on Ethiopian social entrepreneurship sector.

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The Effect of Organizational Politics on Employees' Job Satisfaction in Commercial Bank of Ethiopia Gondar City Branches

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Abstract

The main objective of this study is to examine the effect of organizational politics on employees' job satisfaction in Commercial Bank of Ethiopia Gondar City Branches. The study utilized a cross sectional survey design and explanatory type of research. The effect of organizational politics on employees' job satisfaction had been examined empirically with a sample of 218 employees in Commercial Bank of Ethiopia Gondar City Branches. The data have been collected from employees of five branches of CBE using survey method. SPSS has been used to analyze the data and test the hypothesis. The multiple regression result indicates that go along to get ahead and pay and promotion policies had a statistically negative significant effect on the job satisfaction level of employees. However, the general political behavior had no a significant negative effect on employees' job satisfaction. The findings of the study support the view that the higher the perception of organizational politics by the employees means the lower job satisfaction. The study therefore recommends that managers should actively focus on the political behavior of employees and design effective strategies to cope with the challenges of organizational politics, such as motivation, satisfaction and retention of their employees.

Key Words: Job Satisfaction, Organizational Politics

Introduction

Nowadays numerous corporations across the globe realized that organizational politics has become a common life experience and important factor for employees' job satisfaction (Medison et al., 1980; Gandz & Murray, 1980). According to Ferris and Hochwarter, 2011, organizational politics is a self-serving behavior that is focused on securing advantage over others and is considered as a burdening stressor clearly observed in uncertain working environments. The importance of organizational politics lies in its potential consequences and effect on work outcomes. It signifies unfair, irrational, unhealthy and unexpected behaviors by coworkers and result in negative effects, such as reducing employees' work morale, job performance and satisfaction (Breux et al. 2009). Many studies argued that organizational politics often interferes with day-to-day activities of the organization and affect the performance of the organization and the individuals. As a result of the effect it can yield, the concept of politics has become a fresh subject of debate in modern management studies.

Studied in this area have been done with focus on organizational politics in relations to certain outcomes. Apart from the effects of organizational politics in organizations, it is a promising field for further studies as it is believed to be one of the existing obstacles to individual and organizational performance (Vigoda, 2000; Kacmar & Baron, 1999).

Job satisfaction can be defined as an individual's feelings about their work and their attitudes towards various aspects of their work, as well as attitudes and perceptions that may influence the degree of fit between the individual and the organization (Ivancevich & Matteson, 2002). According to Sempene et al. 2002, many studies have showed that job satisfaction is reliant on organizational variables such as organizational structure, size, pay, working conditions and politics. A study by Faye & Ye (2014),

indicated that employees perceiving higher level of organizational politics were less satisfied with their job. A similar study by Kodisinghe, 2010 founds that perceived organizational politics affects job satisfaction negatively.

In spite of increasing interest in organizational politics and job satisfaction, most studies of organizational politics and job satisfaction were conducted in the developed countries situation. The effect of organizational politics on job satisfaction in the developing countries context has not yet been well studied and documented. Hence, this study examined the effect of organizational politics on employees' job satisfaction in CBE Gondar city branches for the following four concrete reasons. First, it has been revealed that very limited number of studies on the specified topic conducted in the banking sectors in Ethiopia, though many studies concerning the topic have previously been conducted in developed countries. Second, this sector is chosen due to the reason that banking job is frequently credited with a very tough, stressful and routine. And this may have its own implications on the organizational politics and job satisfaction variables. Third, empirical studies indicated that if managers control politics within the banking sectors, the performance and employees' job satisfaction will be improved. Finally, a study on the effect of organizational politics on employees' job satisfaction in CBE in Gondar city branches has not yet been studied and put to public consumption. For this reason, the researcher is interested to study on the effect of organizational politics on employees' job satisfaction in Commercial Bank of Ethiopia Gondar City Branches.

Literature Review

Organizational Politics:-

Organizational Politics is the pursuit of individual agendas and self interest in an organization without regard to their effect on the organization's efforts to achieve its goals. The perspective of organizational politics is related to the ways in which the organization's members can affect organizational decisions either by using power or by actions they take for exerting impact like agenda control, the use of outside consultants, negotiation or bargaining, tactics of timings, tactics related with manipulation and control of information, and coalition formation (Elbanna and Child, 2010). Despite of various definitions offered by scholars however according to Carlson and Kacmar (1997) the definitions of organizational politics share the following common points. Political activities are a means of exercising social influence, political behaviors are designed to promote or protect one's self interests and at least two parties with the potential to possess different interests must be involved. This study employed the definition of organizational politics as defined by Cropanzano *et al.*, (1995), which explained organizational politics as social influence to those who can provide rewards that will help to promote or protect the self-interests of the actor. Carlson and Kacmar (1997), Harris *et al.*, (2005) and Daft (2010) also shared Cropanzano *et al* (1995) definition of organizational politics.

Dimensions of Organizational Politics

According to Kacmar and Ferris (1991), there are three aspects of organization politics i.e. general political behavior which related to worker perceptions of their coworkers engaging in political activities. It is also the behavior of individuals that act in a self-interest manner to gain valued outcomes. Another aspect is pay and promotion representing organization behaving politically through the policies that enacts its. The last aspect is go along to get ahead which influenced to tactics such as placing oneself purposely by agreeing with those in power or a lack of action by individuals in order to locked valued outcomes. Dubrin (1978) argued that organizational politics is considered as an unofficial struggle for achieving power.

Job Satisfaction

Job satisfaction is an attitude that employee have about their workplace where they carry out their jobs. Job satisfaction is the strong predictors of worker's decision to stay or to leave a job and the predictors

of total well-being (Rad and Morcies, 2009). Robbins & Timothy, (2013) argued that job satisfaction is a set of positive feeling of an employee about the condition of job. Employee job satisfaction is how employees' feel about their jobs and diverse aspects of their jobs pay system, salary structure and one of the factor opportunities for promotion are used to ascertain the level of satisfaction an employee can achieve. General political behavior and promotion policies positively or irrelatively associate with job satisfaction. In the same vein, unearth that perception of organizational politics negatively related to employee job satisfaction. They revealed a negative association between promotion policies made based on politics and promotional opportunities (Muhammad, Rizwan and Mudassar, 2009).

According to Colquit, Lepine and Wesson (2013), job satisfaction is one of the critical and most complex areas facing managers' in organization when it comes to giving employees attractive and equitable reward. Job satisfaction is the pleasurable emotional state resulting from the appraisal of employees' job or experience. That is to say, it represents how employees feel, think, see and experience his /her present job. Workers with a minimum level of job satisfaction experience negative feelings when they think about their job.

Several studies conducted in UK organizations revealed that the factors influencing the job satisfaction from workers, age, position, femininity and extent were found to be the significant sources for their satisfaction from the job (Oshagbemi, 2003). Likewise various studies in Chinese restaurants determined that job itself; work atmosphere and rewards is the important determinants of job satisfaction (Lan, Bawm, & Pine, 2001).

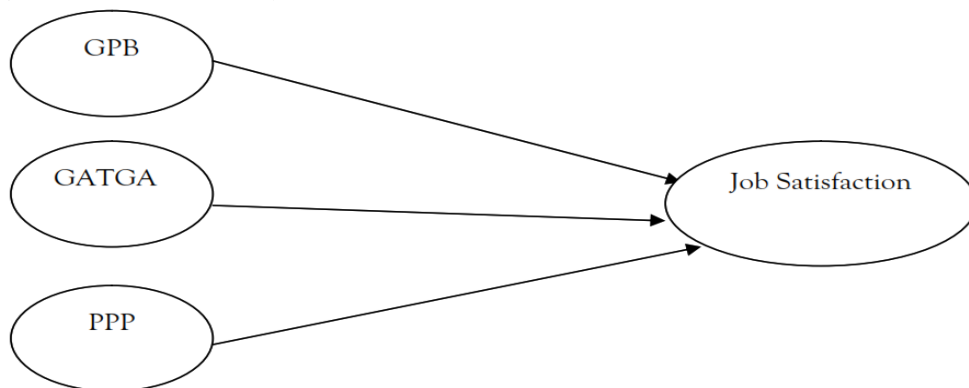
Relationship between Organizational Politics and Employees' Job Satisfaction

Several studies conducted in different sectors and organizations to examine the relationship between Organizational Politics and Employees Job Satisfaction. A study by Kodisinghe (2010), in the individuals working in the banking sector in Srilanka found that employees that perceived lower level of organizational politics, and attained higher degree of job satisfaction. A similar study by Luqman, Javaid, and Umair (2015), gives an empirical evidence which supports that employees' in the Telecom sector who perceive higher degree of general political behavior are more likely to have reduced his/her level of job satisfaction. Vigoda & Cohen (2002) also examined the relationship between perception of organizational politics, job attitudes, and several other work outcomes among 303 public sector employees in Israel. The result concluded that perception of organizational politics was found to have had a negative relationship with job satisfaction and organizational commitment and a positive relationship with intention to leave the organization (exit), and a stronger positive relationship with negligent behavior. Most of the studies conducted at the organization level identified three major dimensions of organizational politics. These dimensions are general political behavior, go along to get ahead, and pay and promotion policies. Many of the studies indicated that perceived organizational politics impact negatively on job satisfaction. A study in Pakistan examined the relationship between organizational politics and employee's job satisfaction. The result concluded the inverse relationship between the perception of organizational politics and job satisfaction. The higher perception of organizational politics leads to decrease the level of employees' job satisfaction and lower perception of organizational politics leads to increase the level of employees' job satisfaction. This study was employed the independent variable organizational politics with the dimensions of pay and promotion policies, general political behavior and go along to get ahead and the dependent variable employee's job satisfaction by (Gul and Zaidi, 2012).

Another study conducted in the health sector in Nigeria revealed that there is a significant relationship between organizational politics and employee's job satisfaction and concluded that organizational politics affects employee's job satisfaction (Ojiabo and Alagah, 2017). In simple words, the higher of organizational politics will consequently results in the lower of employee's job satisfaction in the organization.

Deriving from the above notions the measures of organizational politics in this study is based on Gul and Zaidi, (2012) and Carison and Kacmar,(1997) constructs. Employees' job satisfaction has been proven to be affected by multitude of factors. Among these factors is organizational politics, whereby empirical studies found that organizational politics has negatively affects job satisfaction (Kodisinghe, 2010); (Gul and Zaidi, 2012); (Ojiabo and Alagah, 2017)). This simply means that the higher the level of OP will result in lower level of job satisfaction and thus the lower the level of OP will mean the higher job satisfaction. Therefore, it is hypothesized that OP will be negatively related to job satisfaction. The proposed conceptual model of OP is depicted in Figure 2.1. As depicted in Figure 2.1 organizational politics (OP) constitutes three components namely GPB (General political behavior), GATGA (go along to get ahead) and PPP (pay and promotion policies).

Figure 1 Conceptual Framework of the study



Source: Gul and Zaidi, (2012) and Carison and Kacmar,(1997)

Objectives of the Study

The main objective this study is to examine the effect of organizational politics on employees' job satisfaction in commercial bank of Ethiopia Gondar city branches.

Specifically, this study tried to achieve the following specific objectives:

- To examine the relationship between organizational politics 'variables' and employees' job satisfaction.
- To examine the effect of organizational politics 'variables' on employees' job satisfaction.

Hypothesis of the Study

Based on the reviewed empirical studies, the study forwarded the following three hypotheses: -

- H_{1} : General Political behavior has a negative significant effect on employees' job satisfaction.
- H_{2} : Go along to get ahead has a negative significant effect on employees' job satisfaction.
- H_{3} : Pay and promotion policies have a negative significant effect on employees' job satisfaction.

Materials and Methods

Research Methodology

A quantitative research approach and cross sectional survey design was utilized to examine the effect of organizational politics on employees' job satisfaction in Commercial Bank of Ethiopia, Gondar City Branches. The population is all employees of Commercial Bank of Ethiopia, Gondar City Branches. There are 974 permanent employees working in the selected area. Among the 974 employees, 283 employees were selected as a sample by stratified sampling techniques. The sample size was determined by Yemane (1967) formula. Out of 283 questionnaires distributed, 218 useable responses received. Of this, 161 were men, majority of respondents were from the age slab of 25-35 years, and 64.2% have BA degree and 34.9% of Masters Degree holders.

Measurement and Variables

A self- report scale measure was used ranged from Likert scale "1" Strongly disagrees and "5" strongly agree for all the constructs of the study. All scales were adopted from previous studies.

Independent Variables: The independent variables of this study were organizational politics dimensions of general political behavior (GPB); go along to get ahead (GATGA) and pay and promotion policies (PPP). Organizational politics perceived by the respondents in this study were gauged using POPS (Organizational Politics Scale) which was adapted from an instrument developed by Kacmar and Carlson's (1997). The instrument which was used to measure OP contains 15 items. Items for each OP's component are as follows: GPB (two items); GATGA (seven items); and PPP (six items). The items of this scale were measured using five-point Likert scale (with 1 = strongly disagree to 5 = strongly agree).

Dependent Variable: The dependent variable of the study is employee's job satisfaction. Employee's job satisfaction is measured by job satisfaction survey through 9 item scales developed by (Spector, 1997). Respondents respond on 5 point likert scale ranging from strongly disagree "1" to strongly agree "5".

Data Analysis Techniques

Descriptive statistics utilized to analyze the demographic information collected from the respondents. Furthermore, correlation and multiple regression analysis tools were used to examine the relationship and effect between organizational politics and employees' job satisfaction. Responses were analyzed through the SPSS (Statistical Package for Social Sciences) version 23.

The model for multiple regression analysis is formulated as follows:

$$\text{Employee job satisfaction} = f(\text{GPB, PPP, GATGA}) \dots\dots\dots 1$$

$$\text{Employee job satisfaction} = B_0 + B_1 \text{GPB} + B_2 \text{PPP} + B_3 \text{GATGA} + U_i \dots\dots\dots 2$$

Where B_0 Constant

B_1, B_2, B_3coefficient of GPB, PPP, GATGA respectively measured by sums average scored.

U_i -----Disturbance term, affect job satisfaction other than GPB, PPP, &

GPB.....General political behavior

PPP.....Pay and promotion policies

GATGA..... Go along to get ahead

Results and Discussion

Respondents' Profile:

As tabulated in Table 6.1, majority (73.9%) of the respondents are male and nearly one-fourth (26.1%) of respondents are female. Married employees made up 67.9% of the sample while 40.4% are others. The age group that has the highest percentage is 26-35 years old with 87.6%, followed by between 36-46 years (6%). Nearly two-third of the respondents (64.2%) have Bachelor's Degree as their highest level of academic qualification and 34.9 % obtained a Masters' Degree.

Table 1 Demographics of Respondents

	n	%
Gender		
Male	161	73.9
Female	57	26.1
Age		
≤ 25	11	5
26-35	191	87.6
36-46	13	6
≥ 57	3	1.4
Marital Status		
Married	148	67.9
Others	70	32.1
Education level		
Diploma	2	0.9
1st Degree	140	64.2
2nd Degree	76	34.9

Source: Survey, 2020

The Level of Organizational Politics and Job Satisfaction

Table 6.2 below demonstrates the mean values and standard deviations of the independent and dependent variables of this study. All mean values of the independent variable dimensions of organizational politics namely: general political behavior, going along to get ahead and pay and promotion polices are above three. This indicates that there is a high level of organizational politics behavior in CBE Gondar city branches. This is further confirmed by Field, 2009 the mean score which ranges <2.5 have low, 2.5 to 2.99 moderate, >3.0 high. On the other hand, the dependent variables mean value of 2.48 indicates employee's job satisfaction is low.

Table 2 Descriptive Statistics Value of Variables

Variables	N	Minimum	Maximum	Mean	Standard Deviation
GPB	218	1.00	5	3.66	.97
GATGA	218	1.14	5	3.56	.86
PPP	218	1.67	5	3.70	.85
JOS	218	1.36	5	2.48	.64
N	218				

Relationship between Organizational Politics Variables & Job Satisfaction

For the purpose to find the independent variable's relationship with the dependent variable Pearson product moment correlation (r) was used. The correlation coefficient between the dependent and independent variables and independent variables each other are shown below in table 6.3.

Table 3 Pearson Correlation Coefficients

		GPB	GATGA	PPP	JOS
GPB	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	218			
GATGA	Pearson Correlation	.157**	1		
	Sig. (2-tailed)	.021			
	N	218	218		
PPP	Pearson Correlation	.133**	.303**	1	
	Sig. (2-tailed)	.050	.000		
	N	218	218	218	
JOS	Pearson Correlation	-.124**	-.292**	-.389**	1
	Sig. (2-tailed)	.067	.000	.000	
	N	218	218	218	218

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

As per the table above correlation result shows that all independent variables are negatively correlated with job satisfaction. Except general political behavior the remaining two organizational politics dimensions of go along to get ahead and pay and promotion policies were significantly correlated with employee's job satisfaction. General political behavior was not significantly correlated with job satisfaction, $r = -.124$. However, go along to get ahead, $r = -.292$; and pay and promotion policies $r = -.389$ (all $ps < .01$) were significantly negatively correlated with job satisfaction.

The result supports the study of Gull and Zaidi (2012) which revealed that there is an insignificant negative relationship between general political behavior and the job satisfaction, $r = 0.114$, significant relationship between go along to get ahead and job satisfaction, $r = 0.317$, and negative and significant relationship between pay and promotion policies with job satisfaction, $r = -0.261$ (all $ps < .01$).

Regression Analysis on the Effect of Organizational Politics Variables on Job Satisfaction

For the purpose to examine the effect of organizational politics on job satisfaction multiple regression analysis was employed. For a regression model to generalize the researcher must be sure that underlying assumptions have been met. Before conducting the regression analysis, the study checked the robustness of the model and all underlying assumptions of the model have been met.

Model Summary

Multiple regression analysis was carried out to see which predictor contributes substantially to the model ability to predict the outcome. For this end a linear regression analysis is done to get necessary outputs to generalize the finding of this study. From the outputs of multiple linear regression analysis, table 6.4 below shows the model summary of this study.

Table 4 Model Summary

Model	R	R square	Adjusted R square	Standard error of the estimate	Durbin- Watson
1	.433	.187	.176	.605	1.982

a. Predictors (Constant) GPB, GATGA, PPP

b. Dependent variable : JS

The above model summary table shows the relationship between the organizational politics dimensions and job satisfaction. As the table shows, $R = .433$, are the values of the multiple correlation

coefficients between the predictors and the outcome. The result indicates that there is a considerable relationship between organizational politics and employees' job satisfaction. The next column gives us a value of R^2 , which is a measure of how much of the variability in job satisfaction, is accounted for by the predictors of general political behavior, go along to get ahead and pay and promotion policies. For this model R^2 value is .187, which means that organizational politics dimensions of general political behavior, go along to get ahead and pay and promotion policies accounts for 18.7% of the variation in employees' job satisfaction. The adjusted R^2 gives us some idea of how well our model generalizes. For this model, the Adjusted R^2 is .176, which is very close to the value of $R^2 = .187$, indicating that the cross-validity of this model is very good.

The next part of the regression analysis output is the ANOVA which tests whether the model is significantly better at predicting the outcome than using the mean as a 'best guess' (Field, 2009). This output is depicted in table 6.5 below.

Table 5 ANOVA

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	18,069	3	6.023	16.425	.000a
Residual	78,474	214	.367		
Total	96,544	217			

a. Predictors (Constant) GPB, GATGA, PPP

b. Dependent variable : JS

The above table shows the ANOVA output which tells us whether the model is a significant fit of the data overall. The result indicates that the independent variables significantly predict the dependent variable, $F(3, 214) = 16.425, p < .0005$. This means that the model is a significant fit in explaining employees' job satisfaction by organizational politics dimensions of general political behavior, go along to get ahead and pay and promotion policies.

The last part of the regression output is concerned with the parameters of the model. This output is shown in the table 6.6 below.

Table 6 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.114	.249		16.533	.000
GPB	-.036	.043	-.052	-.828	.409
GATGA	-.143	.050	-.185	-2.838	.005
PPP	-.253	.050	-.326	-5.020	.000

a. Predictors (Constant) GPB, GATGA, PPP

b. Dependent variable : JS

The above model parameters table shows individual contribution of variables to the regression model. The first part of the table gives us estimates for these b -values and these values indicate the individual contribution of each predictor to the model. According to Field (2009), if the value is positive we can tell that there is a positive relationship between the predictor and the outcome, whereas a negative coefficient represents a negative relationship. For these data all three predictors have negative b -values indicating negative relationships. That means there is a negative relationship between organizational politics (GPB, GATGA, and PPP) and job satisfaction. So, as go along to get ahead increases, employees' job satisfaction decreases; as pay and promotion policies increase, employees' job satisfaction

decreases. The *b- values* indicates to what degree each organizational politics variable affects employees' job satisfaction, if the effects of all other predictors are held constant. As indicated in the table, while go along to get ahead ($\beta = -.143$, $p = .005$), and pay & promotion policies ($\beta = -.253$, $p = .000$), general political behavior didn't ($\beta = -.036$, $p = .409$).

The final predictive linear regression model is:

$$\text{Employee Job Satisfaction} = \beta_0 + \beta_1 \text{GPB} + \beta_2 \text{GATGA} + \beta_3 \text{PPP} \text{ ----- Eq. 1}$$

$$\text{Employee Job Satisfaction} = 4.114 - 0.036^{**} \text{GPB} - 0.143 \text{GATGA} - 0.253 \text{PPP} \text{ ----- Eq. 2}$$

Where,

GPB= General political behavior

GATGA= Go along to get ahead

PPP=Pay and promotion policy

Discussion and Hypothesis Testing Result

The objective of this study was to examine the effect of organizational politics on employees' job satisfaction in CBE Gondar city branches. The result and the hypothesis test are discussed below:

General Political Behavior and Job Satisfaction

According to Drory and Romm (1990), general political behavior focuses on how employees behave politically and the ways in which they derive individual benefits. Political behaviors tend to increase in an environment where rules and regulations are not followed, claimed that political behaviors can also be present in situations, such as a shortage of valuable resource.

H₁: General political behavior has a negative significant effect on employees' job satisfaction.

The coefficient of the linear regression (Table 6.5) indicates a negative but insignificant effect of general political behavior ($\beta = -.036$, $p = .409$) on employees job satisfaction. As a result, H_1 is rejected. This was supported by Samad & Amri (2011), who founds GPB ($\beta = -.054$) was not significant at 0.05 level.

Go along to get ahead and Job Satisfaction

It incorporates tactics such as placing oneself purposely by agreeing with those in power or a lack of action by individuals in order to locked valued outcomes (Kacmar and Ferris, 1991). The second hypothesis was:

H₂: Go along to get ahead has a negative significant effect on employees' job satisfaction.

As indicated in the coefficient table, go along to get ahead has a negative significant effect on employees job satisfaction with ($\beta = -.143$, $p = .005$). This value shows the 1% increase in go along to get ahead causes 14.3% decrease to job satisfaction of the employees. Therefore, H_2 is accepted. This result is supported by Gul and Zaidi (2012), who concluded that go along to get ahead had a significant negative effect on employees' job satisfaction.

Pay and Promotion Policies and Job Satisfaction

This dimension of organization politics explains why managers tend to prioritize those employees with whom they are closest and to whom they give higher averages during performance evaluation processes, so that these favored employees enjoy better prospects of a salary increase and/or promotion (Carison and Kacmar, 1997). The third hypothesis was:

H₃: Pay and promotion policies have a negative significant effect on employees' job satisfaction.

The coefficient of the linear regression (Table 6.5) indicates a significant negative effect of pay and promotion policies ($\beta = -.253$, $p = .000$) on employees' job satisfaction. As a result, H_3 is accepted. It means that when the level of pay and promotion policies is increased by 1 percent, the degree of job satisfaction (dependent variable) will decreased by 25.3 percent. The result indicates that the political actions of the managers of CBE in Gondar city branches on the basis of their policies is negatively affect the job satisfaction level of employees in the bank.

Conclusions and Recommendations

Conclusions

This study has the profound potential to support the management of banking sectors for understanding the effect of organizational politics on employees' job satisfaction. It also determined the relationship of general political behavior, go along to get ahead and pay and promotion policies on employees' job satisfaction. Consequently, it investigated which aspect of OP that emerge as the most significant effect on job satisfaction.

The study reveal that organizational politics dimensions of go along to get ahead and pay and promotion policies were significantly negatively correlated with job satisfaction. On the one hand, the study showed that these two variables have a significant negative effect on employees' job satisfaction. On the other hand, organizational politics variable of general political behavior had no a significant negative effect on employees' job satisfaction. The study implies the higher the organizational politics by the employees means the lower job satisfaction of the employees. The empirical studies revealed that there is indeed an inference of organizational politics have a negative effect on job satisfaction. It can also be deduced that the increasing organizational politics plummets job satisfaction of employees in CBE Gondar City branches.

The study results indicates that the pay and promotion policies component of organizational politics has the highest contribution in explaining the variations of job satisfaction and appeared as the most important factor to job satisfaction. This finding implies that more effort and attention should be given to the pay and promotion policies component if the managers of the banking sectors aims at promoting job satisfaction.

Recommendations

The study suggested that the banking sectors should actively focus on positive political behavior that will increase employees' job satisfaction and they should ensure proper pay and promotion policies that will lead to employees' job satisfaction. This study examined the effect of organizational politics on job satisfaction in the banking sector consequently; it can be applied to the other economic factors as well. The necessity of this study is to facilitate the policy makers and financial sector leaders to decrease organizational politics by taking into consideration the most important organizational performance contributor of employees' job satisfaction from the banking sector. Finally, the study suggest that future research should consider experimental or longitudinal approach and mediating variables to obtain a clearer understanding on the value of organizational politics to employees' job satisfaction.

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Effect of Employee Commitment on Organizational Learning: The Case of Commercial Bank of Ethiopia, Gondar City Branches

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Abstract

The main purpose of this study is to investigate the effect of employee commitment on organizational learning. A quantitative research approach with the aid of cross-sectional survey and explanatory research design is employed. From 14 branches of Commercial Bank of Ethiopia in the city, 472 workers considered as a target population of the study. The study took 217 respondents based on stratified simple random sampling technique. Standardized questionnaire as a primary data gathering tool is employed to gather relevant data. After checking multiple linear regression assumptions, inferential analysis result confirmed that all the three dimensions of employee commitment (affective, continuance, and normative) have a positive and significant effect on organizational learning, but the most influential is normative commitment. For successful organizational learning practice and adaptation, commitment behaviors of workers should be promoted and enhanced.

Keywords: Affective Commitment, Continuance Commitment, Normative Commitment, Organizational Learning.

Introduction and Background

No organization in today's competitive world can perform at peak levels unless each employee is committed to the organization's objectives and works as an effective team member (Coetzee, 2005). It is no longer good enough to have employees who come to work faithfully every day and do their jobs independently. Employees now have to think like entrepreneurs while working in teams, and have to prove their worth. However, they also want to be part of a successful organization which provides a good income and the opportunity for development and secure employment (Coetzee, 2005).

According to (Peace & Mohammed, 2014) organizations value commitment among their employees because it is typically assumed to reduce withdrawal behavior, such as lateness, absenteeism and turnover. Hence, there is no doubt that these values appear to have potentially serious consequences for overall organizational performance. The study of employee commitment is important because; as (Lo, 2009) noted that employees with sense of employee commitment are less likely to engage in withdrawal behavior and more willing to accept change.

Hence, there is no doubt that these values appear to have potentially serious consequences for a core of committed individuals who are the source of organizational life; Workers who become less committed to an organization, will route their commitment in other directions; thus, it is important to know how to develop the right type and level of employee commitment to ensure that the better employees are retained; employees who develop a high level of employee commitment tend to be highly satisfied and are fulfilled by their jobs; in the current global economic scenario, organizational change is a continuous process that requires support of all employees in the hierarchical structure (Lo, 2009).

Meyer & Allen (1991) represent three dimensions or subscales for commitment: Emotional commitment: The affective component refers to attachment to the organization such that the strongly committed individual identifies with, is involved in, and enjoys membership in the organization. Continuance Commitment: The continuance component refers to a “tendency to engage in consistent lines of activity” on the basis of the individual’s awareness of the costs associated with leaving the organization. Normative Commitment: the normative component refers to commitment based on a moral belief or obligation that ‘it is the right and moral thing’ to remain with the organization. Includes peoples feeling toward the necessity of staying in the organization.

According to (Najaf, Ali, and Shahnaz, 2012) there are different definitions for organizational commitment. They mostly define it as the attitude of a person towards his/her job. This attitude shows to what extent the person is attached to his/her job. In other words, organizational commitment is the relative ability of people identification with their specific organization and the amount of involvement that they have with their organization.

Organizational learning is a change in the organization’s knowledge that occurs as a function of experience (Fiol & Lyles, 1985). The knowledge organization develops can be explicit or it can be tacit and difficult-to-articulate (Kogut & Zander, 1992). The knowledge can manifest itself in a variety of ways, including changes in cognitions, routines and behaviors. Although individual members are the mechanisms through which organizational learning generally occurs, the knowledge that individuals acquire would have to be embedded in a supra individual repository for organizational learning to occur. That is, the individual’s knowledge would have to be embedded in the organization so that other members could access it, even if the individual left the organization. The knowledge can be embedded in a variety of repositories or knowledge reservoirs, including tools, routines, social networks and transitive memory systems (Walsh & Ungson, 1991; Argote & Ingram, 2000).

The learning organization is defined as an organization skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights (Hunger, L Wheelen, E Bamford, & N Hoffman, 2015). According to (Argote, 2011) organizational learning can be conceived as having three sub-processes: creating, retaining and transferring knowledge. When organizations learn from experience, new knowledge is created in the organization. The knowledge can be then retained so that it exhibits some persistence over time. Knowledge can also be transferred within and between units. Through knowledge transfer, one unit is affected by the experience of another (Argote and Ingram, 2000) or learns vicariously (Bandura, 1977), from the experience of other units (Easterby-Smith et al., 2008).

Problem Statement

Organizational commitment which means employees adopting aims, goals and values of the organization and having high belief in these, having a strong will to remain in the organization is a serious issue with respect to effective usage of human element which has become the basic value for organizations. They provide the intellectual capital that, for many organizations, has become their most critical asset (Hunjra, 2010). Furthermore, employees who share a commitment to the organization and their collective well-being are more suitable to generate the social capital that facilitates organizational learning.

Organizations in the information age understand that learning means competitive advantage; therefore they determine their primary purpose as becoming effective learning organizations. While organizations attempt to create employee commitment appropriate on one hand, on the other hand

their requirement to become learning organizations this makes these two matters attractive (Atak & Erturgut, 2010).

High level commitment incorporates psychological attachment to be able to work, incorporating commitment improves understanding of behaviors, this can improve organizational learning environment. Commitment can be a strength which binds an employee in order to a good course associated with action; this is regarded critical to help achieve the specific aim (Meyer & Herscovitch, 2001). Without commitment learning cannot be achieved in organizations and transformation towards learning organization cannot be resulted (Kofman & Senge, 1993).

Nowadays, due to the competition and rapid disburse of knowledge; organizations need to have educated employees who have specialty and high knowledge. This issue is very important for knowledge age organizations. Because of this importance, continuous share and creation of information is becoming important for organizations which use information technology. Therefore knowledge age organizations have to be a learning organization. But leaders have some problems to create a learning organization. They always care about which steps they need to follow. This resource is not about these steps. It's about organizational commitment's importance to create a learning organization. On the other hand, human is the single being that access knowledge, apply information to generate new knowledge, apply information to all organizational processes to become a learning organization. Employees as human beings carry out all organizational processes. Due to employees' importance in becoming a learning organization, employees' commitment to the organization is a requirement. It is difficult to transform organization learning without higher commitment. Learning starts with the individual and spread to the whole organization. Organizations afford continuous learning and compose organizational memory with their employees' commitment. In this way organizations become a learning (Jönsson & Jeppesen, 2013).

To employ creative people and to keep them is essential. But it's not enough to reach organizational success. At the same time commitment to the organization is necessary for these employees to show extra effort. Thus organizations can create an environment that provides work more than the job description (Schneider, Gunnarson and Niles, 1994). Employees with or without less commitment to the organization tend to come to work late, even not come to work or quit work (Meyer and Allen, 1997:11). Employees' commitment to the organization is very important to share their knowledge with the all organization. If employees have high commitment, they share all the knowledge they have. On the other hand, nowadays human based management's importance has increased. Because of organizational commitment's effect on learning organizations, organizations are working on developing human resources to engage and keep employees' commitment high (Ulrich, 1998).

Employee commitment and organizational learning constructs are interesting area of research variables that should be investigated in different organizational contexts. From the above empirical evidences one can understand that much has been done on both commitment and learning dimensions by taking various predictor variables. Some empirical evidences try to correlate these two variables and many others assume both variables as predictor and outcome variable. In order to unearth the relationship or interdependence among these two variables empirical evidences are highly important. Therefore, this research is aimed at investigating the effect of employee commitment on organizational learning in case of commercial bank of Ethiopia, Gondar city branches.

Objective

Generally the study is aimed to investigate the effect of employee commitment on organizational learning. Specifically the study has the following objectives:

- To investigate the effect of affective commitment on organizational learning;
- To identify the effect of continuance commitment on organizational learning; and
- To examine the effect of normative commitment on organizational learning.

Literature Review

Organizational Commitment:-

Organizational Commitment Defined: like other psychological construct it is quite hard to have a universally accepted definition. However, it has been defined and measured in different ways. Organizational commitment is “the relative strength of an individual’s identification with and involvement in a particular organization”. It can be characterized by at least three related dimensions: 1) a strong belief in and acceptance of the organization’s goals and values; 2) a willingness to exert considerable effort on behalf of the organization; and 3) a strong desire to maintain membership in the organization (Porter et al., 1974). It is “a sense of loyalty to and identification with the organization, the work and the group to which one belongs (Nijhof, de Jong, and Beukhof, 1998).

Organizational commitment is a force that binds an individual to a course of action that is of relevance to one or more targets (Meyer & Herscovitch, 2001). It can be considered as a feeling expressed in the motivation and inspiration to bring effort into one’s work, the impetus to take responsibility and a willingness to learn (Nijhof et al, 1998). Similarly (Sojoudi and Farahbod, 2012) defined commitment as a kind of emotional and fanatical attachment to the values and goals of organization and this attachment appears not only through the instrumental values but through individual’s role in relation to values and goals of an organization and, in general, the organization itself.

Employees in modern “learning” organizations are increasingly expected to display effort, motivation, devotion and initiative. The success of an organization depends not only on how the organization makes the most of human competences, but also how it stimulates commitment to an organization. Employee commitment, together with a competent workforce, seems to be of decisive importance for an organization to be able to survive and compete in quality and to go along with changes and even to respond for changes (Nijhof, et. al., 1998).

The commitment literature distinguishes between three different most important forms of commitment, such as affective, continuance, and normative (Allen & Meyer, 1990). These three forms of commitment are the fundamental and building blocks of the construct of organizational commitment.

Allen and Meyer (1990) conceptualized organizational commitment as a multidimensional construct and proposed a three-component measure of commitment, comprising: 1) Affective Commitment: employee’s emotional attachment to, identification with and involvement in the organization. 2) Normative Commitment: employee’s feelings of obligation to stay with the organization. 3) Continuance Commitment: the commitment based on the costs that the employee associates with leaving the organization.

Affective Commitment:

Affective commitment (AC), which entails an acceptance and internalization of the other party’s goals and values, a willingness to exert effort and contribute something on that party’s behalf, and a strong emotional attachment to that party (Allen & Meyer, 1990). O’Reilly & Chatman (1986) suggested that

employees may show distinct levels of affective commitment (i.e. attachment based on affiliation) towards various entities in the work place, e.g. organization top management, their immediate supervisors, colleagues and their workgroup.

Affective commitment encompasses affective attachment, identification and involvement with the organization, and designates that the employee wants to be part of the organization. It is conceptualized as a mindset of desire and willingness as affectively committed employees remain with the organization because they want to do so (Jönsson & Jeppesen, 2013).

Affective commitment describes an individual's desire to continue employment with the organization given her/his emotional affection, attachment to, and identification with, the organization (Meyer & Allen, 1990). In traditional, ongoing employment relationships, employees with a high level of affective commitment has been found to be related to low employee turnover, low absenteeism and enhanced job performance (Meyer et al., 2002). The importance of organizational commitment is not limited to profit making organizations only. Wang, Indridason & Saunders (2010) revealed that affective commitment of employees has been found to be of paramount importance in the public sector. Emotionally attached employees can excel the performance of public service giving organizations.

Employees' emotional bond to their organization (i.e., their affective commitment) has been considered an important determinant of dedication, devotion and loyalty. Affectively committed employees are seen as having a sense of belonging and identification that increases their involvement in the organization's activities, their willingness to pursue the organization's goals, and their desire to remain with the organization (Meyer & Allen, 1991). In harmony with this view, studies have found associations between affective commitment and absenteeism, performance, and turnover (Meyer & Allen, 1991; Mathieu & Zajac, 1990).

Organizational support theory may help in explaining employee's emotional commitment. According to (Eisenberger, Rhoades, & Armeli, 2001) in order to meet socio-emotional needs and to assess the organization's readiness to reward increased efforts, employees form general beliefs concerning how much the organization values their contributions and cares about their well-being. When the organization starts to value and care about the interest of employees with an exchange they become emotionally attached and show enhanced performance. Support from the organization is detrimental to get employees affiliation.

Accordingly, one of the most critical challenges for firms is to seek for effective approaches to cultivate employee affective commitment (AC) – an employee's attitude of emotional dedication and psychological attachment to and an employee's voluntary identification with – the organizations (Meyer et al., 2012). It is simple to understand that getting employees affective commitment is not an easy task for organizations especially at the time of economical or financial disaster. Affective commitment entails an acceptance and internalization of the other party's goals and values, a willingness to exert effort on that party's behalf and a strong emotional attachment to that party (Johnson et al., 2010). In the wake of organizational downsizing induced by the global recession, the concept of organizational commitment that reflects the special bonds between individuals and organizations, therefore, remains a compelling and significant topic for scholars in the field of HRM to consider (Chin, 2014). Affective commitment mainly involves feelings of intrinsic motivation (which is inherent with the work) and self-determination. According to (Grant et al., 2008) affective commitment, as a strong belief in acceptance and internalization of an organization's goals and values and strong emotional attachment

to that organization, is a critical organizational attitude that predicts employees' important behavioral outcomes, ranging from decreased absenteeism and turnover intention to increased pro social organizational behavior and job performance.

H1: *Affective commitment has a positive and significant effect on organizational learning.*

Continuance Commitment:-

The second form of commitment is continuance commitment (CC), which involves appraisals of personal investments tied to one's current employment and the availability of employment alternatives (Meyer & Allen, 1984). Employees with strong CC maintain their current employment because it provides them with desirable personal outcomes that they are unwilling to sacrifice or because they perceive a lack of employment opportunities elsewhere (Johnson et al, 2010).

Continuance commitment describes an individual's need to remain with the organization resulting from her/his recognition of the costs (tenure, pay, benefits, vesting of pensions and family commitment, etc.) associated with lack of employment opportunities elsewhere and leaving the organization (Meyer & Allen, 1984). Continuance Commitment reflects commitment based on the perceived costs, both economic and social, of leaving the organization. Employees become committed because they do not want to lose the benefits attached with their jobs. Continuance commitment is based on an assumption of an economic exchange between the employee and the organization and it is primarily associated with turnover cognitions and to a lesser extent with person and organizational variables (Meyer et al., 2002).

CC evolved from Becker's (1960) side-bet theory, which posits that employees maintain membership with their organization as a way to preserve accumulated side-bets (e.g., pension). This extrinsic form of commitment derives from instrumental principles that are based on compliance (O'Reilly & Chatman, 1986). Compliance entails behaviors that are initiated and maintained in order to satisfy external constraints, such as obtaining a reward or avoiding a loss. Because CC derives primarily from external constraints (i.e., rewards and punishments delivered by none self sources), this form of commitment is not self-determined (Gagne' & Deci, 2005).

Continuance commitment refers to an employee's intention to leave or wish to remain a part of the organization and depends on their recognition of the availability of alternatives and opportunities if they were to leave the organization (Meyer, Allen & Smith, 1993). Continuance commitment implies psychological costs for employees (Meyer et al., 2002), and when employees perceive a lack of alternatives they may feel 'trapped', with negative consequences such as deviant behavior, dissatisfaction with the job, high absenteeism and low performance. Because 'lack of alternative jobs' is a factor of continuance commitment, employees tend to continue to work for their current organization (Meyer et al., 1993). It is, however, important to note that while the perceived bond underlying employees' continuance commitment to the other party is not self-determined (i.e., it exists as a means to other ends), the ends themselves may be intrinsically desirable (e.g., opportunities for personal growth) and valued for reasons other than compliance-based motivations (e.g., using work bonuses to satisfy family obligations (Johnson et al, 2010)).

Continuance commitment is least likely to correlate positively with performance (Meyer & Allen, 1991) since the basis of commitment is purely based on the cost benefit or economic exchange approach. Continuance commitment is negatively related to the availability of job alternatives. If the opportunity for alternative jobs is high the employee becomes low in his/her continuance commitment

(Meyer & Allen 1991) and positively to organizational tenure, the more the employee stay with the organization, the less to see alternative job opportunities outside the organizations (Becker, 1960). As continuance commitment is a direct function of the costs associated with leaving the organization (Meyer & Allen 1991), better HR policies including performance-related pay like commissions, bonuses and benefits like pension funds, share options, etc. make it difficult for the front-line employees to go away (Malhotra & Mukherjee, 2003).

Anything that increases perceived switching costs for employees and makes leaving the organization costly for them would increase continuance commitment. In terms of rewards, extrinsic and tangible rewards like cash bonuses, fringe benefits, salary as a function of age or tenure, etc. are more likely to relate to continuance commitment.

H2: Continuance commitment has a positive and significant effect on organizational learning

Normative Commitment:-

The third form of commitment is normative commitment (NC), which entails perceived obligations (no emotional attachment) to maintain employment memberships and relationships and develops due to the internalization of normative pressures prior to entry or following entry into an organization (Allen & Meyer, 1990).

In exchange for employment, employees feel compelled and required to reciprocate with loyalty and commitment that derive from morality and value-driven principles based on reciprocity norms and socialization practices (Meyer & Herscovitch, 2001). Normative commitment represents a mindset of obligation or duty-bound towards remaining in an organization, and can stem from both an urge to reciprocate organizational investments into one, as well as be an effect of socialization into cultural norms in terms of loyalty to an organization (Meyer & Parfyonova, 2010).

Normative commitment is characterized by internal constraints (e.g., felt obligations and duties) rather than external ones (Mathieu & Zajac, 1990; Meyer et al., 2002). Strong organizational recruitment and socialization practices can create a significant and positive relationship with individual commitment attitudes (Caldwell, Chatman & O'Reilly, 1991). When firms have well-established recruitment and orientation procedures and well-defined organizational value systems, employees can manifest higher levels of normative commitment to the organization (Caldwell et al, 1991).

Normative commitment has some of the same antecedents as affective commitment, but other antecedents are identified as being unique to normative commitment. Socialization has been suggested to be such an antecedent, the stage of socialization can help for employees to be aware about the norms and values of the organization and the importance of socialization is reflected in findings which demonstrate that tenure and culture have interaction effects on normative commitment (Meyer et al., 2002).

The concept of normative commitment reflects the internalizing of pressure to act according to organizational interests. Such pressures can be an attachment to the goals and values of an organization and a belief about the moral obligation and duties of being loyal to the organization and characterizes behavior influenced by high-normative commitment as personal sacrifice, personal preoccupation with the organization and persistence beyond immediate reinforcement or punishment (Meyer & Parfyonova, 2010).

H3: Normative commitment has a positive and significant effect on organizational learning

Organizational Learning:-

All persons are both with the ability of learning and this learning makes them ready to adapt to changes and growth of environment (Vajiheh & Zeynab, 2011). Learning leads to new intuitions and concepts in human and it often happens that we are affected by actions and identify and correct mistakes (Argyris & chon, 1978). Organizational Learning as a key role of organizational success is a process through which science is created by the change in experience (Gholipoor, 2010) altogether it can be said that learning means making useful concepts either individually or multiplexed.

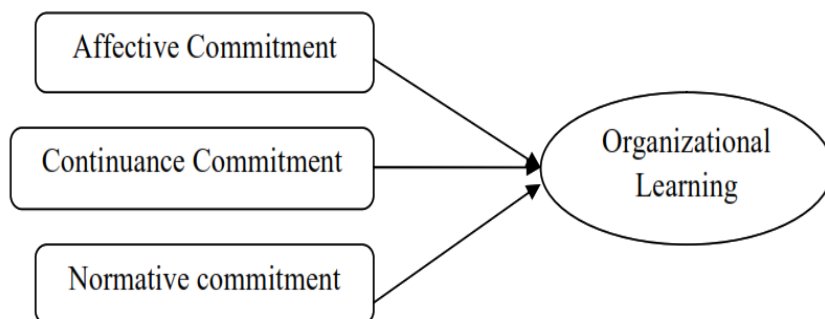
Kurt and March (1963) introduced organizational learning for the first time. They believed that organization's effort to answer the changes of their external environment in order to match organization's aims with the new conditions which leads to consult to find procedures, which help on organization to achieve more effectiveness.

According to (Bate and Khasawneh, 2005), organizational learning is a phenomenon that "support the acquisition of information, the distribution and sharing of learning, and that reinforce and support continuous learning and its application to organizational improvement". Furthermore, (Salarian, Baharmpour, and Habibi, 2015) described organizational learning as a set of organizational activities that include knowledge acquisition, sharing information, interpreting information, which have conscious or unconscious influences on positive organizational culture. Overall, organizational learning is defined in terms of process and behavior, and thus, a learning organization is perceived as a supportive entity.

Mehrabi, Jadidi, Haery, and Alemzadeh (2013) revealed that learning represents the most important competitive advantage for any organization. Organizational learning reinforces the ability of an organization to promote and apply the necessary knowledge to adapt with external environment conditions (Loon Hoe & McShane, 2010: 364).

The main characteristic of a learning organization can be seen in the ability of its employees to search for or make opportunities to learn from any beneficial resource, and then use such information to add value to the organization by exchanging it into organizational knowledge (Nonaka & Takeuchi, 1995). According to (Ahmad and Marinah, 2013), becoming a learning organization and enhancing training programs are some of the vital factors that are necessary to develop learning, enhance knowledge management, improve individual and organizational performance, and sustain a competitive advantage.

Conceptual Framework



Materials and Methods

The Study Design

The study pursued a quantitative research approach with and through descriptive, explanatory and survey design. A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population and According to Kotari (2004) Descriptive research includes surveys and fact-finding enquiries of different kinds. From sample results, the researcher generalizes or makes claims about the population (Creswell, 2003).

Sampling and Data Source

The target population for this study is all employees of commercial bank of Ethiopia that are found in the city. As per the information obtained from the human resource department of the main branch there are 472 employees currently working in 14 branches of the bank in the city. Primary data through questionnaire is collected from a total of 217 employees. This sample size is determined by using Toro Yamane's (1967) formula. Proportionate stratified simple random sampling is pursued to select participants from each branches of the bank. Stratified sampling techniques applied here according to Creswell (2003) which could be ensure that specific groups represented, even proportionally in the sample.

Measurement and Variables

To achieve the proposed objectives the study adopted measurements that are valid, reliable and used by prior researches. Measurement techniques and strategies are therefore an essential component of research methodology. According to (Marczyk, et al., 2005) measurement is a process through which researchers describe, explain, and predict the phenomena and constructs of our daily existence. Five point likert scales ranging from 1 strongly disagree to 5 strongly agree used to measure the research variables.

Organizational Commitment- the commitment variables affective, normative and continuance will be measured by Allen and Meyer's (1990) commitment questionnaire.

Affective Commitment- the researcher was used Allen and Meyer's (1990) eight-item scale among these the first item was revised by Stephen Jaros (2007). Sample affective commitment items (on a five point Likert scale; 1 strongly disagree to 5 strongly agree); "I am very happy being a member of this organization" and "I really feel as if this organization's problems are my own".

Normative Commitment- this commitment dimension was measured by using Allen and Meyer's (1990) revised six-item scale of normative commitment by Stephen Jaros (2007), sample items (on a five-point Likert scale 1 strongly disagree to 5 strongly agree) are; "My organization deserves my loyalty because of its treatment towards me" (indebted obligation dimension) and "I am loyal to this organization because my values are largely its values" (moral imperative dimension).

Continuance Commitment- this is also measured by using Allen and Meyer's (1990) revised six-item scale of continuance commitment by Stephen Jaros (2007), sample items (on a five-point Likert scale 1 strongly disagree to 5 strongly agree) are; "I worry about the loss of investments I have made in this organization" and "I am dedicated to this organization because I fear what I have to lose in it".

Organizational learning- A questionnaire comprises of items measuring Organizational learning and an instrument developed by Marsick & Watkins (2003) used to measure the organizational learning

practices of the bank. 23 items comprised of Continuance learning, collaboration and team learning, establishing system to capture and share learning and providing strategic leadership used to measure organizational learning.

Results and Discussion

From 217 distributed questionnaires 196 questionnaires, valid for analysis, were collected back yielding 90.3% response rate. Correlation and multiple linear regressions are conducted to see the relationship and predicted value of the three dimensions of employee commitment on organizational learning.

Table 1 Correlation

Correlations		AC	CC	NC	OL
AC	Pearson Correlation	1			
	Sig. (2-tailed)				
CC	Pearson Correlation	.394**	1		
	Sig. (2-tailed)	.000			
NC	Pearson Correlation	.467**	.476**	1	
	Sig. (2-tailed)	.000	.000		
Total OL	Pearson Correlation	.378**	.431**	.496**	1
	Sig. (2-tailed)	.000	.000	.000	

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

b. Listwise N=196

The Pearson's r correlation between the three predictor variables of employee commitment (affective commitment, continuance commitment, and normative commitment) with organizational learning was conducted. Table 1 above show that there is moderate and positive relationship between affective commitment and organizational learning, $r=.378$, $p < .01$, $n = 196$; continuance commitment has a moderate positive correlation with organizational learning, $r=.431$, $p < .01$, $n = 196$; and normative commitment has a positive moderate relationship with organizational learning $r=.496$, $p < .01$, $n = 196$.

A multiple linear regression is conducted as a method of data analysis to see the predictive value of independent variables (affective commitment, continuance commitment, and normative commitment) on organizational learning. The three tables below (model summary, ANOVA and coefficient) show how the independent variables predict the dependent variable and the regression model is fit or not. Using the enter method of multiple linear regression Table 2 (model summary table) under this table the statistical result indicates what the dependent variable (organizational learning) is and what the predictors were (affective commitment, continuance commitment, and normative commitment).

Table 1 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.557 ^a	.415	.402	.69032	1.861

a. Predictors: (Constant), AC, CC, NC

b. Dependent Variable: OL

It is found that affective commitment, continuance commitment and normative commitment explain a significant of the variance in the value of organizational learning, $p < .05$, $R^2 = .415$, $R^2_{adjusted} = .402$.

The R^2 tells us how much the variability in the outcome (organizational learning) is accounted by the three employee commitment dimensions. The model explains 40.2% of the variability on organizational learning is explained by the three commitment dimensions (affective, continuance, and normative). The last column of the model summary table, Durbin-Watson test statistics, helps to let know whether the assumption of independent errors is acceptable. As a conservative rule values less than 1 or greater than 3 should definitely raise alarm bells (field, 2009). The closer to the value of 2 is, the better, and for these data the value is 1.861, which is close to 2 that the assumption is almost met.

Table 3 ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	41.066	3	13.689	28.725	.000b
	Residual	91.496	192	.477		
	Total	132.562	195			

a. Dependent Variable: OL

b. Predictors: (Constant), AC, CC, NC

The fit of the regression model can be assessed using the model summary and ANOVA table. ANOVA tests whether the model is significantly better at predicting the outcome than using the mean as a 'best guess' (field, 2009). Table 3 above (ANOVA table) demonstrates this reality, there is a significant effect of affective, continuance and normative commitment on organizational learning $F(3,192) = 28.725$, $P = .000$. As it is shown above the F -ratio is significant to predict the model. Thus, the three dimensions of commitment (affective, continuance, and normative) have a significant effect on organizational learning (the outcome variable). Their independent effect is demonstrated under the coefficient table. The coefficient table blow (Table 4) illustrates the coefficient values with beta, t-values and significant values for each predictor on organizational learning. It is through the coefficient table that we came to know the predictive value of each commitment dimensions on organizational learning. Look at the beta value and this tells if the regression is positive or negative for these variables.

The statistical result shows affective commitment, continuance commitment and normative commitment did significantly predict organizational learning at the $p < .05$ level, Affective commitment with the following value ($b = .120$, $t(192) = 1.994$, $p = .048$), continuance commitment ($b = .210$, $t(192) = 3.165$, $p = .002$), and normative commitment at the $p < .01$ level ($b = .294$, $t(192) = 4.495$, $p = .000$).

Table 4 Coefficientsa

Model	B	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		Std. Error	Beta				VIF	
1	(Constant)	1.325	.222		5.964	.000		
	AC	.120	.060	.139	1.994	.048	.744	1.344
	CC	.210	.066	.221	3.165	.002	.736	1.359
	NC	.294	.065	.326	4.495	.000	.681	1.468

a. Dependent Variable: OL

The study adopted a multiple linear regression guided by the following model:

$$Y_i = b_0 + b_1X_{i1} + b_2X_{i2} + b_3X_{i3} + \varepsilon_i$$

$$\text{Organizational learning} = 1.325 + (.120) \text{ affective commitment} + (.210) \text{ continuance commitment} + (.294) \text{ normative commitment} + \varepsilon_i$$

The individual contribution of variables to the regression model can be found in the Coefficients table from the statistical output as can be seen in the above table. From the coefficient table affective commitment with ($b=.120$) indicates that as the value of affective commitment increases by one percent, organizational learning increases by 12 percent. This interpretation is true only if the effect of continuance and normative commitment is held constant. Similarly, continuance commitment with ($b=.210$) indicates that as the value of continuance commitment increases by one percent, organizational learning increases by 21 percent. This interpretation is true only if the effect of affective and normative commitment is held constant. Normative commitment with ($b=.294$) value shows that as the value of normative commitment increases by one percent, organizational learning increases by 29.4 percent. This interpretation is true only if the effect of affective and continuance commitment is held constant. From these beta values normative commitment has a better contribution for organizational learning.

T-tests help to conceptualize as measures of whether the predictor is making a significant contribution to the model. Therefore, if the t-test associated with a b-value is significant (if the value in the column labeled Sig. is less than .05) then the predictor is making a significant contribution to the model (field, 2009). The smaller the value of Sig. (and the larger the value of t), the greater the contribution of that predictor is. For this model, affective commitment ($t(192) = 1.994, P < .05$), continuance commitment ($t(192) = 3.165, P < .01$) and normative commitment ($t(192) = 4.495, P < .01$) are significant predictors of organizational learning.

The first hypothesis states that 'affective commitment has a positive and significant effect on organizational learning'. The statistical result revealed that affective commitment has a positive beta coefficient value ($b=.120, t(192)=1.994, p=.048$). Affective commitment significance value is below at the significance level of $p<.05$. Therefore, with this result the proposed hypothesis is failed to reject.

According to the above finding, affective commitment of employees meaning when they have a sense of belongingness for their organization and emotionally attached for organizational values, any organizational learning practice can be easily achieved. This finding is consistent with the work of (Grant et al., 2008). According to (Grant et al., 2008) affective commitment, as a strong belief in acceptance and internalization of an organization's goals and values and strong emotional attachment to that organization, is a critical organizational attitude that predicts employees' important behavioral outcomes, ranging from decreased absenteeism and turnover intention to increased pro social organizational behavior and job performance. The earlier works of (Nijhof et al., 1998) contend that employees in modern "learning" organizations are increasingly expected to display effort, motivation, devotion and initiative. The success of an organization depends not only on how the organization makes the most of human competences, but also how it stimulates commitment to an organization.

The second hypothesis states that continuance commitment has a positive and significant effect on organizational learning. Following the same procedure, the statistical result revealed that continuance commitment has a positive beta coefficient value ($b=.210, t(192)=3.165, p=.002$). This significance value is below the cut-off value $p<.05$. Based on this statistical result, the proposed hypothesis stating that 'continuance commitment has a positive and significant effect on organizational learning' is failed

to reject.

The above finding with regard to continuance commitment is in line with the extant work of Meyer and Allen (1991). They argue that anything that increases the cost associated with leaving an organization has the potential to create continuance commitment. They also argue that continued employment in an organization is a matter of necessity for the employee with high continuance commitment, and the nature of the link between continuance commitment and performance is likely to be dependent upon the implications of that behavior for employment. Malhotra and Mukherjee (2003) found that, if an employee believes that continued employment requires considerable performance, he/she would be willing to exert considerable effort on behalf of the organization as compared to situations where employment is more or less guaranteed.

The third hypothesis states that 'normative commitment has a positive and significant effect on organizational learning'. The statistical result shows that normative commitment dimension has a positive coefficient value ($b=.294$, $t(192)=4.495$, $p=000$). This dimension's significance values is below the significance level $p<.05$. The significant value indicates normative commitment really predict organizational learning. Thus, the proposed hypothesis stating normative commitment has a positive and significant effect on organizational learning is failed to reject.

The above finding is consistent with the work of (Meyer & Parfyonova, 2010; Jönsson & Jeppesen, 2013). According to (Meyer & Parfyonova, 2010) the concept of normative commitment reflects the internalizing of pressure to act according to organizational interests. Such pressures can be an attachment to the goals and values of an organization and a belief about the moral obligation and duties of being loyal to the organization and characterizes behavior influenced by high-normative commitment as personal sacrifice, personal preoccupation with the organization and persistence beyond immediate reinforcement or punishment (Meyer & Parfyonova, 2010). Normative commitment is consistently found to correlate with work behaviors such as organizational citizenship behavior, performance and absenteeism (Jönsson & Jeppesen, 2013).

The above multiple linear regression statistical results indicate that, each employee commitment dimensions associations and their predictive value on organizational learning. Normative commitment takes the largest share in predicting organizational learning followed by continuance commitment, and affective commitment.

Conclusions and Recommendations

Conclusion

The study was set out to explore the effect of three dimensions of employee commitment on organizational learning. The three employee commitment dimensions (affective, continuance, and normative) investigated their effect on organizational learning. Extant theoretical literatures and recent empirical findings on this subject and specifically in the banking sector context were so supportive. Investigating the effect of these predictors on organizational learning is the general objective of the study and the statistical result confirmed that normative commitment dimension is better than other dimensions and it is in line with the research hypothesis. Continuance commitment is the second important predictor of organizational learning in this study. And affective commitment is the third determinant factor for organizational learning.

Recommendation

As per the results and conclusion made above the following recommendations are forwarded that really strength and improve employees' commitment to maintain the practice of organizational learning. Employee commitment should be enhanced in the case organization since the different dimensions of commitment enhances organizational learning. Commitment behavior of workers should be promoted and enhanced. Normative, continuance and affective commitment dimensions are good predictors of organizational learning therefore they have to be enhanced. To do so bank leaders should recognize employees effort, contribution, the environment they are working, provide attractive and reasonable rewards, value their importance, and Increase employee's motivation and engagement in the work place.

In addition to the above commendation, the following suggestions are forwarded. Help employees in identifying the skills they need for future work tasks, reward employees generously for learning and for their achievements in team working, encourage employees to ask and give open feedback to each other, treat members in teams equally and dealing with their recommendations seriously, put appropriate measures for the results of the time and resources spent on training, make the lessons learned accessible to all employees, give employees more freedom in choosing their work assignments, share up to date information with employees about competitors and industry trends. Generally, leaders should support requests for learning opportunities and training also continually looks for opportunities to learn.

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Factors Affecting Women's Willingness To Participate In Leadership & Management: Evidence From Commercial Bank Of Ethiopia, Gondar District

By

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Abstract

The study aimed to examine factors affecting women's willingness to participate in leadership and management positions in Commercial Bank of Ethiopia, Gondar district. To achieve the objectives of the study, a sample of 171 respondents was selected by classifying the whole population into two strata, hence the first strata consists those women in managerial positions and the other strata includes those who are in non-managerial positions. The data used in this study were mainly primary and cross sectional survey method. Data were analyzed by using descriptive and inferential statistics. The study incorporates socio-cultural, organizational and personal factors as independent variables and women's willingness to participate in leadership and management positions as a dependent variable. The finding showed that socio-cultural and organizational factors have a negative and significant effect on women's willingness to participate in leadership and management positions. Therefore, these factors may be a cause for the gender gap in leadership positions and it leads to gender inequality.

Keywords: Leadership, Socio-Cultural Factors, Organizational Factor, Personal Factor

Introduction

Background of the Study

Gender inequality can be considered as a universal problem in the world. Women in developed and developing countries like Africa are voiceless because of economic and cultural factors. These economic and cultural factors dictate the gender based division of labor, rights, responsibilities, opportunities and access and control over resources. Educational opportunity, access to media, employment status, participation in decision making positions, involvement in political activities among other things, are some areas of gender inequality (Gelasheet al, 2015).

Women have accounted for the largest share of the total population in many countries, including Ethiopia and they provide major labor input to many economic activities, varying from informal employment to self-employment but the opportunities for women in the formal sector are very limited due to many reasons and factors. Thus, they are visibly absent or marginalized group in management positions in the government organizations and private companies. Women remain concentrated the so-called "female professions" and at the very best in the middle management positions, and hence they are missing the decision-making processes at higher levels. Thus, women are particularly under-represented wherever decisions are made, regardless of the level or the institutions they involved in (Birikti, 2014).

Several studies around the globe shows that increasing of women in managerial positions is unbalanced as compared to the total number of the workforce and their representation of the managerial positions in business and public administration (Gita Patel, 2013). According to the Organization for Economic Cooperation and Development (2008) report, women's representation in management positions in private as well as public sectors is markedly low resulting in failure to make full use of

available human capital. The study further stated that women managers can improve the economic performance of organizations as they can “bring a wider range of perspectives to bear on corporate decision making, contribute team building and communication skills, and help organizations to adapt to changing circumstances”.

Justifications

Many declarations and conferences have been made nationally and globally to address the issue of gender inequality or disparity, but very little changes have been attained to this end. It is evident that any business organization, including banks needs strong and competent leaders or managers of both sexes make their business more competent and profitable in a dynamic and fluctuating market. But men typically controlled the position of bank managers in Ethiopian commercial banks, particularly in Commercial Bank of Ethiopia.

Women constitute half of the Ethiopia population, but unrepresented in the political, economic and social activity may lead women not to be productive (WCYA, 2013). In the past two decades, Ethiopia has established some legal and societal laws concerning gender equality such as the 1993's National Policy on Women (Ethiopian Society of Population Studies, 2008), in order to make a conducive environment for equality between women and men and to assure the equality of gender issue in all aspects of life. In addition to this, Article 35 of the country's constitution specifies gender equality and it is formulated to improve equality in employment, involvement in policy and decision making, acquisition and management of property, and equal right of women's to attain their education and to increase their workforce participation in different public and private organizations (FDRE Constitution). Even though the commitment of the government regarding women's right increases the participation of women in education and workforce, still they continue behind men when we see the sex composition of managers in most organizations. There are 116 managers, including Branch managers and managers at the district office in Gondar district; female managers cover only 8%.

Several studies were conducted to identify factors influencing women's participation in leadership and management. For instance, Glaze et al (2015), found that lack of motivation and low academic qualification are the main factor for low participation of women in management positions. Gojjam and Manjit (2015) also conducted their study on factors affecting women's participation in leadership and management and the result shows that stereotyping, patriarchal culture, lack of support system at work, and lack of role model are the major barriers stifling women to assume leadership positions. Moreover, Almaz (1991) concludes that the socialization process and cultural activities of the society is the main factor that hinders women from participating in managerial positions.

In previous research, there are inconsistent results about the relationship between the factors and women's participation in leadership and management. For instance, Bullough (2008) and Hanges (2004) concluded that unfavorable organizational and social factors have negative effect on levels of women's participation in positions of leadership and management, but to the contrary to this Waweru (2015); Found a positive relation of socio cultural and organizational factors with women's participation in decision making positions. Beyond this Elsi (2013) stated that from the factors considered to influence women's career development the most were organizational factors, but this contradicts the finding of Waweru (2015) and he concludes that socio-cultural factors has the highest effect on women's participation in decision making positions and followed by institutional factors.

Most of prior studies identify factors which affect women's career progression by using descriptive

research and the causality or the relative effect of socio cultural, organizational and personal factors on women's willingness to participate in leadership and management are not well addressed so far by different scholars. In addition to this, prior studies did not manipulate all these three variables and women's willingness towards leadership and management positions. To the best knowledge of the researcher, there is no a single study which fulfills the above stated gaps and it needs further study. So the present study incorporates all the three variables and desires to identify women's willingness towards leadership and management positions to fill the gap of the previous studies.

Research Objectives

The study addresses the following research objectives:

- To investigate the extent of socio-cultural, organizational and personal factors of women in leadership and management positions;
- To identify the relationship between sociocultural factors and women participation in leadership and management positions;
- To investigate the relationship between organizational factors and women's willingness to participate in leadership and management positions;
- To examine the relationship between personal factors and women's willingness to participate in leadership and management positions in the study area; and
- To identify factors affecting women's willingness to participate in leadership and management positions.

Hypothesis

- H1: Socio cultural factors have negative but a significant relationship with women's willingness to participate in leadership and management positions.
- H2: Organizational factors have a negative relationship with women's intention to participate in leadership and management positions.
- H3: Personal factors have a significant negative relationship with women's willingness to participate in leadership and management positions.
- H4: Socio-cultural, organizational and personal factors have a negative and significant effect on women's willingness to participate in leadership and management positions.

Research Methodology

Research Design

The study employed a survey design (cross sectional survey) in order to answer basic research questions, because it involves the use of questionnaires to collect the necessary data from sample respondents. Cross sectional survey is a research method that encompasses the use of standardized questionnaires or interviews to collect data about people and their preferences, thoughts, and behaviors in a systematic manner (Anol, 2012).

Target Population

The population targeted for this study includes all female employees of Commercial Bank of Ethiopia under Gondar district. So the total number of female employees under this district was three hundred (300).

Sample Size determination

There are various methods to determine the sample size. These include using a census for small populations, imitating a sample size of similar studies using published tables, and applying formulas to

calculate a sample size. In this study a mathematical formula provided by Yamane (1967) was used to determine the required sample size at 95% confidence level.

$$n = N / (1 + (N(e)^2))$$

Where n is the sample size, N is the total population size (total female employees under Gondar district and e is the level of precision. Thus, $300 / (1 + (300(0.05)^2)) = 171$, accordingly the study encompasses a sample size of 171 respondents.

Sampling Technique

For this study, the researcher has used a stratified probability sampling. Women in managerial (one stratum) and non managerial positions (2nd stratum) were taken as a stratum and final respondents were taken through proportionate sampling technique. According to Kothari, stratified random sampling is an accurate, easily accessible, divisible into relevant strata and it enhances better comparison; hence representation across strata. Stratified sampling is used to assist in minimizing bias when dealing with the population, its ability to ensure inclusion of subgroups, which will otherwise be omitted entirely by other sampling methods because of their small number in the population (Kothari, 2004).

Sources of Data and Data Collection Method

In this study both primary and secondary data sources were used. Primary data were solely gained from the sample respondents or employees and are collected by using a questionnaire. Regarding secondary sources, any applicable sources like previous research articles, journals, reference books, internet and manuals both published and unpublished documents related to the study were used.

Data Processing

Raw data (unedited responses) will often contain errors both in the form of respondent errors and no respondent errors. Hence, the collected raw data should be edited and properly coded to assure its correctness and completeness for further analysis. So after gathering the raw data (unedited responses) from the respondents, the researcher observes that the collected data is free from errors and omissions, this is done to assure that the collected data is accurate, consistence, as well as complete and well organized to facilitate coding, classifying and tabulating of the raw data so that the edited data is used for analysis. Then, numbers or symbols are assigned to responses so as to put into a limited number of categories or classes which are appropriate for the entire research work.

Data Analysis Techniques

Data analysis is the further transformation of the processed data to look for patterns and relationships between and/or among data groups by using descriptive or inferential analysis. The required data's were collected through questionnaires, so the data collected were assigned by numeric values; hence the research was analyzed quantitatively by using descriptive and inferential analysis. Descriptive analysis was used to reduce the data into a summary format by tabulation, frequency, percentage, mean and standard deviation and inferential analysis were used.

Measurement of Variables

In this study the independent variables were socio-cultural, organizational and personal factors and women's intention to participate in leadership and management was a dependent variable. So, the operational definitions of these variables are presented as follows.

Socio-Cultural Factors; includes wide-ranging societal laws, traditional values, standards, beliefs, customs, stereotypes and perception of organizations and individuals towards women's in all spheres of life that puts limitations on their working career advancement and thus affects their participation in

leadership and management. To measure these variable 12 items based on a five point Likert scale was prepared.

Organizational Factors; are factors which include organizational culture, values, ideology, policies, and expectations which are commonly shared by the work community and which influences women's career advancement and their participation in leadership and management positions. To measure this variable, 13 items based on a five point Likert scale was used.

Personal (Individual) Factors; comprises individual obstacles attributed to the psychosocial characteristics, personal traits, experiences, and behavioral skills of women themselves that hinders them not to participate in leadership and management positions. In order to measure this variable, 12 items were used by using five point Likert scale.

Women's intention to participate in Leadership and Management position is a degree or tendency of women's desire to involve in higher positions (decision making process) of the bank. To measure their intention 5 items were developed. To measure all these variables, ordinal measurement scale was used and questionnaires are developed based upon five point Likert scale (1= Strongly Disagree, 2= Disagree, 3= Neutral, 4 = Agree and 5= Strongly Agree). The questionnaires were adapted and modified from other sources. Each factor instruments stated above are taken from the work of Onsongo (2004) and try to modify through considering our context.

Reliability Analysis

To measure the reliability of the questionnaires, the researcher applied a rule of thumb, which is a reliability coefficient exceeding 0.5 for any test or scale is acceptable reliability coefficient. Vijaya and Sumeet (2015) proposed the following rule of thumb for Cronbach's alpha value: when an alpha value > 0.9 is considered as excellent, from 0.7 to 0.9 good, from 0.6 to 0.7 acceptable, from 0.5 to 0.6 poor and < 0.5 unacceptable. This suggests that, even though the alpha value between 0.5 - 0.6 is poor, but it is an acceptable value. As indicated in the table below, Cronbach's alpha value for socio-cultural factors is 0.790 which is good, the Cronbach's alpha for organizational and personal factors is 0.683 and 0.613 respectively, which is acceptable and the Cronbach's alpha value for women's intention to participate in leadership and management was 0.630 which is again acceptable. Ramayah (2011) also suggests that Cronbach's alpha coefficient values of more than 0.7 are considered good, but values of more than 0.5 are acceptable. Therefore, based on the above author's suggestions, the questionnaire administered in this study seems reliable and acceptable (see Table 2.1).

Table 2.1 Reliability Statistics of Variables.

Reliability Statistics		
Variables	Number of Item	Cronbach's Alpha
Women's intention to participate in LP and Mgmt.	5	0.630
Socio-cultural Factors	12	0.790
Organizational factors	13	0.683
Personal factors 1	12	0.613

Source: Researcher computations using SPSS from survey, 2020.

RESULTS AND DISCUSSION

It can now be seen that organizational factors with the grand mean of 3.27 have the biggest potential to affect women's intention to participate in leadership and management, because the mean value is greater than the median 3 (Table 3.1). This also shows the prevalence of the organizational factors in the study area, because the mean value above the midpoint indicates an agreement of the respondents towards the items specified under this variable. Next to this socio-cultural factor with grand mean 3.19 is the second influencing factor. This also shows the existence of the Socio-cultural factors in the study area. But the grand mean of personal factor 2.94 is slightly below average midpoint. That means most of the respondents are disagreeing with the statements explained under personal factors. Moreover the mean value of women's intention to participate in leadership and management is 3.68 which show that, most of respondents have an intention to be a leader or manager.

Table 1 Mean and Standard Deviation of Variables

Descriptive Statistics			
	N	Mean	Standard Deviation
Socio-cultural Factors	159	3.19	0.65
Organizational Factors	159	3.27	0.46
Personal Factors	159	2.949	0.44

Women's willingness to participate in LP and mgmt. | 159 | 3.68 | 0.39
 Source: Researcher computations using SPSS from survey, 2020

Therefore, the effect of organizational factors is higher than that of socio-cultural and personal factors in affecting women's intention to participate in leadership and management based on their mean value. But personal factors may not necessarily affect women's intention to participate in leadership and management, because its mean value is less than the median.

Pearson Correlation Coefficient

In this study Pearson's correlation coefficient was used to determine whether there is a significant relationship between a dependent variable (women's willingness to participate in leadership and management) and independent variables (socio-cultural, organizational and personal factors). The following table presents the results of Pearson's Correlation on the relationship between independent variables and a dependent variable.

Table 2 Pearson Correlation Coefficient

Correlations					
		1	2	3	4
1. Women's LP and Mgmt Position	Pearson Corr Sig. (2-tail)	1			
2. Socio-cultural Factors	Pearson Corr Sig. (2-tail)	-.502** .000	1		
3. Organizational Factors	Pearson Corr Sig. (2-tail)	-.557** .000	.307** .000	1	
4. Personal Factors	Pearson Corr Sig. (2-tail)	-.147 .064	.018 .819	.028 .761	1
** Correlation is significant at the 0.01 level (2-tailed).					

Source: Researcher computations using SPSS from survey, 2020

As it is clearly shown in table 3.2, there is a negative and statistically significant correlation between socio-cultural factors and women's willingness to participate in leadership and management ($r = -.502$, $p < 1\%$). There is also a negative and statistically significant relationship between organizational factors and women's willing to participate in leadership and management ($r = -.557$, $p < 1\%$).

Regression Analysis

Multi Co-linearity Test

Multi Co linearity in regression analysis refers to when the predictor variables are highly correlated with each other or how strongly the independent variables interrelated are in a model. When multi Co linearity is too high the individual parameters estimates become too difficult to interpret and it can be checked in two ways. The first one is by observing the correlation coefficient between the predicting or independent variables in the correlation table and the coefficients with the magnitude of .80 or higher shows the presence of a multi Co linearity problem. The other method is VIF which is a predictor in a model indicates how much larger the error variance of the unique effect of a predictor (Baguley, 2012). Using the VIF method, a tolerance of less than 0.20 and a VIF of more than 5 indicates a presence of multi-co linearity problem. The variance inflation factors (VIF) of this study is 1.104, 1.113 and 1.009 for socio-cultural, organizational and personal factors respectively. As it is indicated in the table 4.7 below the VIF values are below 2 and tolerance level is below 1. Therefore, there is no multi Co linearity problem with this model (see Table 3.3).

Table 3 Multi Co linearity test of the model

Variables	Co linearity Statistics	
	Tolerance	VIF
Socio-cultural Factors	0.905	1.104
Organizational Factors	0.898	1.113
Personal Factors	0.992	1.009

Source: Own survey, 2020

Autocorrelation Test

Autocorrelation is adjacent residuals of any two observations not being independent of each other or correlated. For any two observations the residual terms should be uncorrelated (independent). This eventually is sometimes described as a lack of autocorrelation. This assumption can be tested with the Durbin-Watson test, which tests for social correlation between errors. Specifically, it tests whether adjacent residuals are interrelated. In this model the Durbin-Watson $d = 2.043$, which is between the two critical values of $1.5 < d < 2.5$. Therefore, we can assume that there is no auto correlation in our multiple linear regression data. So it can be safely assumed that there is no problem of autocorrelation in the multiple linear regressions as shown in the table 4 below.

Table 4 Autocorrelation Test

Model Summary ^a					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.664 ^a	.441	.431	.29907	2.043

a. Predictors: (Constant), Personal Factors, Socio-cultural Factors, Organizational Factors
b. Dependent Variable: Women's Intention to participate in LP and Mgmt.

Source: Own survey, 2020

Multiple Regression Analysis

As indicated above multiple linear regression assumption are acceptable and the next step is regressing the influence of independent variables (socio-cultural, organizational and personal factors) in predicting the dependent variables (women's intention to participate in leadership and management) or determining the extent to which the explanatory variables explain the variance in the explained variable.

Model Summary

The following table provides the summary of the model about R, R square, adjusted R square and the standard error of the estimate, which can be used to determine how much percent of the dependent variable is explained by predicting variables under the study.

Table 5 Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.664a	.441	.431	.29907
a. Predictors: (Constant), Personal Factors, Socio-cultural Factors, Organizational Factors b. Dependent Variable: Women's Intention to participate in LP and Mgmt.				

Source: Own survey, 2020

As it is shown in Table 5, R square value is .441 this means that 44.1% of variation observed in women's willingness to participate in leadership and management can be explained by the three independent variables under this study. In other words, of the potential determinants of women's willingness to participate in leadership and management, 44.1% can be attributed by socio-cultural, organizational and personal factors. The model explains only 44.1% of variation observed in women's willingness to participate in leadership and management and the remaining 55.9% of the variance is explained by other variables not included in this study.

Model Fitness

An analysis of variance (ANOVA) shows whether the regression model is significantly better at explaining the dependent variable than using the mean as the best predictor. The table below shows the statistical significance of the independent variables in predicting the dependent variable.

Table 6 Analysis of variance (ANOVA)

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
IS	Regression	10.953	3	3.651	40.819	.000b
	Residual	13.864	155	.089		
	Total	24.817	138			
a. Dependent Variable: Women's Intention to participate in LP and Mgmt. b. Predictors: (Constant), Personal Factors, Socio-cultural Factors, Organizational Factors						

Source: Own survey, 2020

The ANOVA gives a highly significant result ($F = 40.819$, p value = .000), thereby indicating the independent variables (socio-cultural, organizational and personal factors) under the study can significantly influence women's willingness to participate in leadership and management. Therefore, from this one could see that the model is more appropriate and fitted (Table 6).

Regression Coefficient

The regression coefficient is the constant 'b' in the regression equation that tells about the change in the value of dependent variable corresponding to the unit change in the independent variables. The following table displays the estimated coefficients of the multiple regression of women's willingness to participate in leadership and management against the independent variables in the sample of 159 employees.

Table 7 Regression coefficient

Coefficients ^a						
Model	B	Not standardized Coefficients		Standardized Coefficient	t	Sig.
		Std. Error	Beta	T	Sig.	
1	(Constant)	5.874	.232		25.316	.000
	Socio-cultural Factors -	-.222	.038	-.366	-5.809	.000
	Organizational Factors	-.373	.054	-.435	-6.871	.000
	Personal Factors	-.090	.054	-.101	-1.673	.096

a. Dependent Variable: Women's Intention to participate in LP and Mgmt.

Source: Own survey, 2020

The unstandardized coefficients B column, gives us the coefficients of the independent variables in the regression equation, including all the predictor variables as indicated below. Women's willingness to Participate in LP and Mgmt. = $5.874 - (0.222 \times \text{Socio-cultural}) - (0.373 \times \text{Organizational}) - (0.090 \times \text{Personal}) + e$. The coefficient of socio-cultural and organizational factors shows the negative value which implies the presence of negative and significant effect upon the dependent variable (women's intention to participate in leadership and management). Personal factors have also negative beta coefficient, but it fails to show the significance because p value = 0.096 is greater than 0.05 (see table 3.7). Beta weight is the average amount that the dependent variable increases or decreases when the independent variables decrease or increases by one unit respectively (all other independent variables are held constant). Therefore, the non standardized beta coefficients are interpreted as follows:

On average women's intention to participate in leadership and management will increase or decrease by 22.2%, if there is a 1% decrement or increment in socio-cultural factors respectively (all other independent variables are held constant).

On average women's intention to participate in leadership and management will increase or decrease by 37.3%, if there is a 1% decrement or increment in organizational factors respectively (all other independent variables are held constant).

The dependence between the personal factors and women's intention to participate in leadership and management is not statistically significant i.e. women's intention to participate in leadership and management is not statistically dependant on personal factors or it is known to depend but the model of the study used to generate the data does not have sufficient power to detect their dependence.

Generally, coefficients demonstrated that of the three independent variables under the study, socio-cultural ($B = -.366$, p value < 1%) and organizational ($B = -.435$ p value < 1%) were found to have a statistically significant and negative influence on women's intention to participate in leadership and

management. But personal factors were found to have non-significant effect on women's intention to participate in leadership and management. The beta coefficient of the study further shows that, among the three explaining variables, the largest influence on women's intention to participate in leadership and management comes from organizational factors ($B = -.435$). Hence, unfavorable socio-cultural and organizational factors are the main influencing factors of women's willingness to participate in leadership and management in Commercial Bank of Ethiopia, Gondar district.

Discussions of Findings

This section summarizes and presents the finding of the study or the result of inferential statistics in line with the finding of previous studies.

Under this study, all of the three factors influencing women's intention to participate in leadership and management have negative correlation. As it is shown in the Pearson correlation coefficient table, organizational factors have a negative and significant effect on women's intention to participate in leadership and management ($r = -.557$, $p < 1\%$). This result supports the finding of Bullough (2008) and concluded that organizational factors have a negative and significant effect on levels of women's participation in positions of leadership and management. Further, this study complies with the finding of Baker (2003) which states that, organizational factors can create a huge roadblock preventing women from advancement to top management positions.

Socio-cultural factors have also negative and significant effect on women's intention to participate in leadership and management ($r = -.502$, $p < 1\%$) and this result also confirms with the finding of Bullough (2008) and Hanges (2004). They concluded that in several cases, unfavorable society's cultural values and practices are negatively related to women's participation in leadership positions. The study is also agreed with the work of Almaz (1991) and Gelasheet al (2015), which concludes that the socialization process and cultural activities of the society is the main factor that hinders women from participating in managerial positions.

Concerning to personal factors negative correlation was shown, but it has failed to show the significance ($r = -.147$ and $p = .064$, which is greater than 0.05). Even though this study was in line with the finding of Elsi (2013), which concludes that personal factors have negative effect on women's career success, it contradicts the finding of Waweru (2015), proved that personal factors influences women's participation in decision making to a great extent and he found positive correlation between the two variables.

Standardized beta coefficients of this study show that, socio-cultural, organizational and personal factors have $-.366$, $-.435$ and $-.101$ values, respectively. Furthermore, the beta coefficient of the study further shows that, among the three explaining variables, the largest influence on women's intention to participate in leadership and management was explained by organizational factors ($= -.435$) followed by socio-cultural factors ($-.366$). The study result was in agreement with the work of Elsi(2013), confirmed that of the factors considered to influence women's career development was organizational factors followed by societal factors. However, this result was contradict with the finding of Waweru (2015).

Hypothesis Testing

By reviewing different literatures with regard to factors affecting women's intention to participate in leadership and management positions, the researcher has formulated the hypothesis or assumptions

about the relationship between each of the independent variables and dependant variable. The Pearson correlation analysis was applied in order to test the hypotheses. Table 4.6 shows the correlations and the level of significance between independent variables (socio-cultural, organizational and personal factors) and dependent variable (women's intention to participate in leadership and management). The hypotheses formulated are;

H1. Socio cultural factors have negative but a significant relationship with women's willingness to participate in leadership and management positions. Pearson correlation analysis indicated that there is a significant and negative correlation between socio cultural factors and women's intention to participate in leadership and management positions at ($r = -.502, P < .05$). Therefore, the first hypothesis is supported or accepted.

H2. Organizational factors have a negative relationship with women's intention to participate in leadership and management positions. The Pearson correlation analysis result confirmed that there is a significant and negative correlation between organizational factors and women's intention to participate in leadership and management positions at ($r = -.557, p < .05$). For this reason, second hypothesis has also supported or accepted.

H3. Personal factors have a significant negative relationship with women's willingness to participate in leadership and management positions.. As indicated from Pearson correlation test, there is a negative correlation with women's intention to participate in leadership and management ($r = -.147, P > .05$). Hence, the third alternative hypothesis is rejected.

Generally, we can conclude that, unfavorable socio-cultural and organizational factors have negative and significant correlation with the women's intention to participate in leadership and management positions in Commercial Bank of Ethiopia, Gondar district.

CONCLUSION AND RECOMMENDATION

Conclusion

The less participation of women in higher management and leadership position is indicative of the presence of male dominancy culture in leadership positions. Although the government has been trying to conduct campaigns for gender equality through formulating different gender policies, women are still underrepresented in leadership and management position in any organizations in the country in general, and in the study area in particular. Due to the existence of social-cultural (negative feeling and attitude of societies towards women leaders), organizational and personal factors mentioned above, women are facing problems that hinder them to move up to the managerial and top decision making positions. Without proper identification, continuous follow up and improvement of these and other factors that affect women's participation in leadership and management, it is very difficult to realize women leaders.

Recommendations

Based on the findings reached the following possible solutions are recommended so as to increase women's participation in leadership and management. These recommendations are proposed to indicate the areas that need prime focus by all stakeholders who care about women's empowerment.

At the Societal Level:

Society was found to be the major contributor in influencing women's willingness toward leadership

and management positions, therefore societal thinking, believe and culture towards women leaders and managers need to be changed through providing different trainings and workshops in relation to the equality of men and women managers in their career.

At Organizational Level:

The bank should have to implement affirmative action to women in its recruitment and selection processes and a clear route of progression to leadership positions in order to adjust the gender imbalance and to facilitate their participation in leadership and management positions. And the bank should have to implement policies that enhance women's participation in higher positions and also it should have to follow transparent selection and promotion practices to improve their participation in management positions.

At Personal Level:

Women employees should have to convince their organization, families and societies support them and to share equal responsibility for home related issues. And they should be aware and be ready to overcome the difficulties and challenges of the socio-cultural believe of the society by improving their psychological strength.

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Determinants of Private Commercial Banks' Profitability in Ethiopia

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Abstract

Profitability of private commercial banks are vital for sustained growth of national economies; profitability allow commercial banks stimulate and feed investments; have strong financial position and sustainable business. One aspect of studying profitability of commercial banks is identifying internal and external determinant factors. the study was investigated the determinant variables that affect the Ethiopia private commercial banks profitability by using panel data of eight private commercial banks which had been selected purposively from year 2007 to 2016. The study used explanatory research following a quantitative approach and secondary financial data were analyzed by using multiple linear regression model of the bank's profitability measurement; Return on Asset (ROA). Fixed effect regression model was applied to investigate the effect of capital adequacy, managerial efficiency, liquidity, bank size, real GDP growth and inflation on major bank profitability measurement (ROA). The empirical results showed that bank specific factors; bank asset Size and managerial efficiency and macro-economic factors; real GDP, and inflation have positive significant influence on the profitability of private commercial banks in Ethiopia, Whereas, bank specific factors; capital adequacy and liquidity have negative insignificant influence on the profitability of private commercial banks in Ethiopia as it measured by ROA during the study period of 2007 to 2016. So, private commercial banks should strengthen bank asset size and managerial efficiency by reducing capital adequacy and liquidity to enhance their profitability.

Keywords: *Private Commercial Banks, Profitability, ROA.*

Introduction

Background of the study

Peoples earn money to meet their day to day expenses. They also need money to meet future expenses. These expenses can be meeting if some money is saved out of the present income. With this practice, savings were available for use whenever needed, but it also involved the risk of loss by theft, robbery and other accidents (Gebeyaw, 2008). Thus, people were in need of a place where money could be saved safely and would be available when required. Such places where people can deposit their savings with the assurance that they will be able to withdraw money from the deposit whenever they required is called Banks. Banks are lawful organizations which accept deposits that can be withdrawn on demand. It also lends money to individuals and business houses (Zerayehu, 2013).

A healthy and vibrant economy requires a financial system that helps in effective and efficient allocation and utilization of scarce resources (Falkena et al., 2004). Banks are the critical part of financial system, play a pivotal role in contributing to a country's growth and economic development. Athanasoglou et al., (2006) stated that the importance of banks is more pronounced in developing countries because financial markets are usually underdeveloped, and banks are typically the only major source of finance for the majority of firms and are usually the main depository of economic savings. However, if the banking industry does not perform well, the negative effect to the economy could be huge and broad.

In Ethiopia, the private commercial banks involvement started after Monetary and Banking proclamation of No.83 (1994). The access capital banking sector review for the (2010) fiscal year shows

that; Ethiopian private commercial banking industry enjoyed high growth, high profits, and high dividends. Private Commercial banks are the most dominant financial institutions in Ethiopia. This fact gives a clue to the Ethiopian private commercial banks growth in profits is due to underdeveloped nature of the sector (Zewdu, 2010). Therefore, this growth may not continue when the finance sector becomes highly developed and the competition become tough (Hussain & Bhatti, 2010). So, investigation of the key determinant factors that influence the profitability of banks is vital (Cooper, 2009). Having the idea that bank profitability is very crucial to the entire economy of the country, a lot of research has been done in the area of “determinants of banks’ profitability” like, Rajan & Zingales (1998), Eichengreen & Gibson (2001), Bourke (2004), Davydenko (2010), Hoffmann (2011), Dawood (2014). But the determinants of profitability have been debated for many years and still there is no universally accepted finding to the area of the study and no reason to expect similar finding. According to Flamini et al., (2009) the main reason for divergent findings is the determinants of profit are dynamic through time to time and differ with the nature of operating of the firm from place to place.

As to the best of the researcher’s knowledge, there are previous few research works have been made in Ethiopia in “the determinants of bank’s profitability: in case of private commercial banks” by considering both internal and external factors with varying types and numbers of variables (Rao & Tekeste (2012), Fentaw (2012), Samueal (2015), Gemechu (2016). But still the findings are inconsistent. For example, Habtamu (2012) concluded that managerial efficiency and level of GDP have a strong influence on the profitability of private commercial banks in Ethiopia, while others like Samueal (2015) and Gemechu (2016), concluded that managerial efficiency have statistically insignificant and Fentaw (2012), Rao & Tekeste (2012) concluded that GDP have statistically insignificant influence on the profitability.

Therefore, having the idea that banks are the main depository institution for developing country like Ethiopia, the importance of bank profitability is very crucial to the entire economy of the country. So this paper seeks to understand the basic determinants of bank profitability by considering both bank specific factors (internal) and macroeconomic factors (external) determinants of profitability of private commercial banks in Ethiopia. Thus, identifying the major profit determinant factors is vital to improve the profitability of the banking industry thereby it smooth economy growth of the country. Therefore, the study was tried to consider the dynamic operation of the bank from place to place, time to time and argue with the nature to fill the gap by incorporating both internal factors (Capital Adequacy, Managerial Efficiency, Liquidity and Bank Size) and external factors (level of GDP and inflation).

Objectives of the Study

The main objective of the study was to investigate determinants of private commercial banks profitability in Ethiopia. Specifically, the study addressed the following objectives:

- To determine the effect of capital adequacy on the profitability of private commercial banks.
- To explore the effect of managerial efficiency on private commercial banks profitability
- To investigate how liquidity, influence the profitability of private commercial banks.
- To analyze the effect of bank size, of private commercial banks on the private commercial bank profitability
- To explore the effect of GDP on the profitability of the private commercial banks.
- To explore the effect of inflation on the profitability of the private commercial banks.

Literature Review

Banks are operating at profit. Particularly, the efficiency of the private banks is by far better than the government owned banks, Commercial Bank of Ethiopia. Besides their operating, banking sector was started competition when private banks enter in to the market. The private banks become more competitive as evidenced by a larger share they gain in the deposits (Habtamu 2004). According to Belayneh (2011), Ethiopian private commercial banks can increase their equity that have lower cost of capital and variables of asset size, loan, and non-interest income of credit risk are significantly increases bank's profit. However, fixed deposit and non-interest expenses were adversely affected bank's profitability. In macro-economic variables real GDP growth was significantly positive effect on bank's profit. Abebaw and Depaack (2011) was also investigate the impact of bank-specific characteristics, macroeconomic conditions and financial market structure on Ethiopian commercial banks' profit, measured by return on assets (ROA). A balanced panel data set of 62 observations, covering the period 2001-2008, provided the basis for the econometric analysis. The results under this study show that capital strength, represented by the equity to assets ratio, bank intermediation ratio represented by banks loans to total assets and bank size represented by assets, were significant and main determinants of Ethiopian banks' profitability.

Determinants of Banks Profitability

Different empirical evidences suggested that profitability of banks is affected by internal and external factors (Gabrielle, 2009). The internal determinants include bank-specific variables. The external variables reflect environmental variables that are expect to affect the profitability of banks.

Internal Determinants of Bank Profitability

Capital Adequacy: - According to Indranarain (2009), Imad et al. (2011) and Berger (1995) stated that banks with high capital ratio tend to earn more profit through translating the safety advantage into profit. It provides financial flexibility for the bank. Similarly, Abebaw and Depaack (2011) provoked capital strength have a positive and dominant influence on profitability of commercial banks in Ethiopia. A bank should have adequate capital to support its risk assets in accordance with the risk-weighted capital ratio framework. This is exemplified by central banks' efforts internationally to unify the capital requirements of commercial banks and to generate worldwide classification formulae (Brickwork, 2008).

Management Efficiency: - The performance of a bank is largely dependent on the vision, competence, and integrity and risk appetite of the management (Financial Management and Analysis of Projects 2006). Bourke (1989) and Molyneux and Thornton (1992), Indranarain (2009), stated that Higher the efficiency level of a bank, higher its profit level. Hence a positive relationship was expected between efficiency and profitability of banks.

Liquidity: - A bank must always be liquid to meet depositors' and creditors' demand to maintain public confidence. The absence of liquidity can lead to failure of a bank (Abdus Samadet al. 2001 and Pak and Huh, 1995). It also considers the proportion of liquid assets to total assets along with their deposit renewal rate (brickwork rating, 2010). Loan to deposit ratio is used to calculate the level of liquidity in their study (Habtamu, 2004). According to Molyneux and Thornton (1992), and Guru et al. (1999), there is a negative and significant relationship between the level of liquidity and profitability. In contrast, Bourke (1989) reports an opposite result, while the effect of credit risk on profitability of banks appears clearly negative. Thus, management of liquidity level for the bank is required because it affects the banks' profitability (Tobias and Themba, 2011). The new NBE directive were issued in 2012 related to the liquidity states that private commercial banks are obligated to allocate 27 percent of their gross

loan disbursement to finance government bonds. Thus, this new directive will increase liquidity and loanable funds in the banking sector (Addis fortune 15 January 2012).

Bank Size: - According to Andreas and Gabrielle (2009) larger banks are likely to have a higher degree of product and loan diversification than smaller banks. The total assets of the banks are used as a proxy for bank size. However, since total assets deflated the dependent variable in the model (Return on Asset) it would be appropriate to take natural logarithm before including it in the model to be consistent with other ratios and a positive relationship is expected between size and profit (Indranarain, 2009).

External determinants of banks profitability

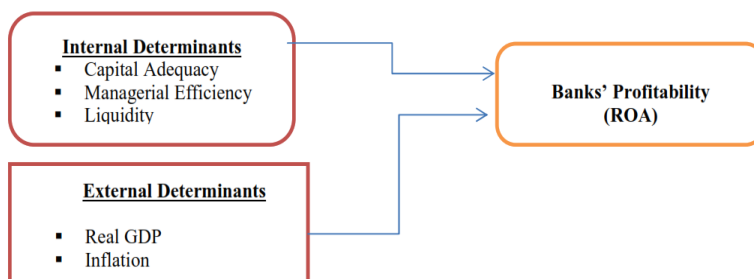
The external determinants are variables that are not related to bank management but reflect the economic and legal environment that affects the operation and performance of financial institutions. According to Abebaw and Depaack (2011), the external factors, they have a relatively small impact on the profitability of Ethiopian banks. Turning to the external determinants, several factors have been suggested as impacting on profitability and these factors can further distinguish between control variables that describe the macroeconomic environment, such as interest rate, real GDP growth and inflation (Yuqi, 2006).

Gross Domestic Product (GDP):- Economic growth is measured by the real GDP sector profitability. Belayneh (2011), Andreas and Gabrielle (2009) and Athanasoglou et al. (2008) Stated that a positive relationship between bank profitability and GDP development as the demand for lending is increasing (decreasing) in cyclical upswings and downswings. According to Belayneh (2011), from microeconomic indicators, the only significant factor of bank profitability is real GDP growth.

Inflation: - Countries with high inflation rates have inefficiently small banking sectors and equity markets (Amdemikael, 2012). If a bank's income rises more rapidly than its costs, inflation is expected to exert a positive effect on profitability (John and Bruce, 2006). They also show the impact of inflation on bank profitability. Inflation has a negative impact on private commercial bank's profitability in Ethiopia.

Conceptual Framework

Different empirical evidences suggested that profitability of banks were affected by internal and external factors. This study used both internal and external determinants of bank profitability includes capital adequacy, asset quality, managerial efficiency, earning ability, liquidity, bank size, technology, human capital, loan performance, saving habit of the society, level of GDP, inflation and government regulation. The study has seen how these variables are determined the profitability of private commercial banks in Ethiopia.



Hypotheses of the Study

Hypotheses are prediction about the outcome of the results. To emphasize on the determinants of bank profitability of the private commercial Banks in Ethiopia, based on the previous empirical research works the researcher proposed the following hypotheses:

- Hypotheses-1: There is positive and significant effect between capital adequacy and banks profitability.
- Hypotheses-2: There is positive and significant effect between managerial efficiency and banks profitability.
- Hypotheses-3: There is negative and significant influence between Liquidity and banks profitability.
- Hypotheses-4: There is positive and significant effect bank size and banks profitability.
- Hypotheses-5: There is negative and significant effect between inflation and banks profitability.
- Hypotheses-6: There is positive and significant effect between GDP and banks profitability.

Methodology

Research Design

The major objective of the study was to investigate the determinants of private commercial banks profitability in Ethiopia and this study adopted an explanatory research following a quantitative research approach by using balanced panel research design to realize a stated objective. The advantage of using panel data is that it controls for individual heterogeneity, less co-linearity variables and tracks trends in the data something which simple time-series and cross-sectional data cannot provide (Baltagi, 2005).

Population and Sampling

The population of this study included all private commercial banks in Ethiopia. As results, out of the 16 private commercial banks, eight commercial banks namely; Abyssinia Bank, Awash Bank, Dashen Bank, Nib International Bank, United Bank, lion international bank, Cooperative Bank of Oromia and Wegagen Bank were selected for the study. And the sampling technique employed was purposive sampling technique. Because the study was applied the panel data set and the length of time in this study was 10 years from (2007-2016). According to Park (2011), Panel data gives more informative data, more variability, less co linearity among the variables, more degrees of freedom and efficient outcomes.

Data Source and Collection Methods

The study entirely employed secondary data, and was collected from annual reports and audited financial statements of the selected sample banks. Regarding macroeconomic data mainly gathered from the records held by NBE through structured document review. The website of each of the banks also visited to collect necessary data for the study.

Data Analysis

After the reliable data were collected it has been analyzed by using descriptive statistics, and Econometrics Model. Correlation coefficient has been employed to test the correlations of variables especially the discrete variables. Indeed, under the descriptive statistics the data were analyzed via mean, standard deviation, frequency, percent. While in case of the econometric model the result had been estimated by applying correlations, and multiple linear regression analysis.

Description and Measurements of Variables

According to Creswell (2009), the variables need to be specified in quantitative researches in this paper both internal and external variables are used to investigate the determinants of private commercial banks profitability.

Dependent Variable: - Specifically, to this study bank's profitability was measured by the ratio of the Return on total Assets (ROA).

Return on Asset (ROA):- As Golin (2001) point out the ROA has emerged as key ratio for the evaluation of bank profitability and has become the most common measure of bank profitability. The following researchers also used ROA as a measure of bank profitability (Berger, 1995), (Yuqi, 2006), (Ramlall, 2009), (Abebaw and Depaack, 2011), (IndranarainImadet, 2011), (Tobias and Themba, 2011), (Belayneh, 2011), and (Athanasoglou et al., 2008). The ROA reflects the ability of a bank's management to generate profits from the bank's assets. In order to capture any differences that occurred in assets during the fiscal year. ROA can be calculated as: $ROA = \text{Net Income} / \text{Total Asset}$.

Independent Variables: - This paper used the major dimensions of a bank's operation: Capital adequacy, Management efficiency, Liquidity, bank size, real GDP and Inflation.

Capital Adequacy (CA) - The ratio of gross capital over total assets;

Managerial Efficiency (ME) - The ratio of operating expense to operating income had been used.

Liquidity (LQD) - The ratio of total loans to total deposits had been used.

Bank Asset Size (SZ) - Ln. of total asset of the bank.

Real GDP- The yearly real Gross Domestic Product (GDP) growth rate had been used.

Inflation (INF) - The yearly inflation rate had been taken for each bank.

Multiple Linear Regression Analysis

A multiple linear regression model was used to determine the relative importance of each independent variable to determine banks profitability. The p-value of explanatory variables was used to test the hypotheses at a 1%, 5% and 10% significance level. The multiple linear regressions model for ROA is shown on equation below. These models were run by using STATA software. The adopted regression models are presented as follows;

The general model is: $Y_{it} = \alpha + \beta_1 CA + \beta_2 ME + \beta_3 LQD_{it} + \beta_4 SZ_{it} + \beta_5 GDP_{it} + \beta_6 INF_{it} + \varepsilon_{it}$

Where;

ROA_{it} = return on asset of bank i at time t

CA_{it} = Capital adequacy of bank i at time t

ME_{it} = Managerial efficiency of bank i at time t

LQD_{it} = Liquidity of bank i at time t

SZ_{it} = size of the bank i at time t

RGDP_t = Real GDP growth rate at time t

INF = Inflation rate at time t

And Where t = 2007-2016 GC i = constant for each bank (fixed effects),

α = bank specific factors coefficients,

β = bank specific and macroeconomic factor coefficients.

Results and Discussion

Descriptive Statistics of Variables

In this section descriptive statistics for the dependent; Return on Asset (ROA) and explanatory variables involved in the regression model are presented. These figures are gives overall description about data used in the regression models.

Table 1 Descriptive Statistics of Variables

Variables	Obs	Mean	Std. Dev.	Minimum	Maximum
ROA	80	0.0260426	0.0105097	-0.018797	0.0466814
CA	80	0.1423934	0.0340577	0.0198	0.199418
ME	80	1.140968	4.504864	-28.3848	21.74751
LQD	80	0.6505457	0.1132633	0.4049138	0.9670037
SZ	80	8.74978	0.9647476	5.583496	10.29585
GDP	80	10.228	1.120631	8	11.8
INF	80	17.15	10.89868	2.8	36.4

Source: Private commercial banks & Author's own computation, 2017

For the study, the Private commercial banks profitability was measured by return on Asset (ROA) which was calculated as net income after tax divided by total asset. The mean of return on asset (ROA) was 2.6% and standard deviation of 1.1% on both sides. This means private commercial banks in Ethiopia, under the period of study (2007 - 2016), earned on average 2.6% of return on asset from their investment in total assets.

The highest ROA for a bank in a particular year was 4.6%. Particularly, these were observed from the 2014 and 2016 annual report of ROA of cooperative bank of Oromia. On the other hand, the minimum ratio of ROA of particular private commercial banks in a particular year was -1.8%. These were observed from the 2007 annual report of Lion international bank. The possible reason may be starting up of its operation during 2007. Regarding the standard deviation, it means that the value of return on asset can vary from its mean to both sides by 1.1%.

As it observed the table above, capital adequacy represents mean ratio of nearly 14% of the asset of private commercial banks in Ethiopia. This means on average the sampled private commercial banks equity financing amount was represented 14%. This also means that 86% of the sampled private commercial banks asset was financed by debt and the remaining 14% were financed by equity.

Furthermore, the Liquidity ratio was used as explained variable for private commercial banks liquidity. The mean of Liquidity ratio of the sample banks in the study period was 65%. It reveals that loan represents on average nearly 65% of deposit of private commercial banks in Ethiopia. Besides, the mean of the asset size which was calculated by LN of total assets was 8.75 with a standard deviation of 0.96. This means on average the sampled private commercial banks have 8.75 ratio of private commercial bank's asset size. Total assets for the sample banks in the study period were ranged from 5.6 to 10.3. And this highest asset size was observed in the balance sheet of Awash international bank (AIB) in the year 2016 asset amount in millions of birr 29,609.60. Similarly, the minimum asset size was observed in the balance sheet of Lion international bank (LIB) in the year 2007 asset amount in millions of birr 266. The reason could be the starting up of its banking business operation during 2007.

Managerial efficiency has the moderate mean value of 0.51, and the maximum value of 2 which shows

the lowest variability with a standard deviation value of 0.35. Indeed, the mean value reveals that private commercial banks are efficient due to the low operating expense per unit of operating return, which means for 0.51 birr operating expense there was one birr operating income.

Regarding the macroeconomic variables also shows that the mean real GDP growth in Ethiopia for the last ten years was 10.228%, with a maximum of 11.8% and a minimum of 8% with standard deviation of 1.12% both said; this implies that economic growth in Ethiopia during the period of 2007 to 2016 remains reasonably stable and the result of this stable economic growth led positive effect to the commercial banks profitability. The other macroeconomic variable employed in this study was Inflation, had a higher standard deviation of (10.89%) compared to GDP; this implies that inflation rate in Ethiopia during the study period remains somewhat unstable changing frequently.

Pearson Correlation Matrix

The primary significance of calculating each variables correlation is to describe about the reliability of relationship to each other. Therefore, the table below presents the correlations among the variables, which data taken from balance sheet and income statement of private commercial banks in Ethiopia during the period of study 10 years (2007-2016).

The measurement of profitability (ROA) was negatively correlated with capital adequacy ratio, liquidity, for the coefficient estimates of correlation -0.1867 and - 0.0616, respectively. While banks asset size, management efficiency, GDP and inflation have positive correlation with profitability measurement, return on asset (ROA) private commercial banks in Ethiopia for the coefficient 0.0545, 0.1202 0.0545 and 0.0641, respectively.

As we can see below in table 2, with respect to their coefficients, when the value of capital adequacy and liquidity, were increases in the bank, the ROA profitability measurement variables also decreases while increases in bank's asset size management efficiency, GDP and inflation was leads to increments of profitability of the sampled Ethiopian Private commercial banks or increasing the level of this variables has consequential increments on banks profitability as it measured by ROA. The highest correlation is indicated between Size and return on asset as 0.50 approximately according to table 4.2.

Table 2 Pearson Correlation Matrix

	ROA	CA	ME	LQD	SZ	GDP	INF
ROA	1.0000						
CA	-0.1867	1.0000					
ME	0.1202	0.0729	1.0000				
LQD	-0.0616	-0.1843	0.2448	1.0000			
SZ	0.5024	-0.4448	0.1054	-0.1396	1.0000		
GDP	0.0545	0.0236	-0.1825	0.1694	0.0883	1.0000	
INF	0.0641	0.0574	-0.0134	0.0625	0.0161	-0.1066	1

Source: STATA Software and self-computation

Normality Test

The main statistical tests for normality which are available in most of the statistical programs are Shapiro-Wilk test (Hair, 2006). According to Pallant, (2005) Results that showed P-value more than 0.05 indicates that the data distribution is normal. Whereas, results that showed P value of less than

0.05 indicates that the distribution violates the assumption of normality. In this paper the normality test data result shows the P-value of 0.12999 or (12.99%) of the model ROA is depicting normal data distributions.

Table: 3 Shapiro-Wilk W test for normal data model of ROA Shapiro-Wilk W test for 3 parameter lognormal data

Variables	e	Obs	W	V	z	Prob>z
Residua	80	0.98084	1.315	1.126	0.12999	

Source: STATA Software and self-computation

Heteroskedasticity Test

According to Gujarati, (2004), the study was analyzed Breusch-pagan test to check whether there is any problem of heteroskedasticity or not. The Breusch-pagan tests of the null hypothesis that the error variances are all equal versus the alternative that the error variance are a multiplicative function of one or more variables had been detected through STATA software version 12. As it observed from table 4.5 the Breusch-pagan test results of the model ROA was found P-value of 0.1954. These are more than 10% of level of significance. Therefore, this model does not face any heteroskedasticity problem, because the correlation coefficients between independent variable are fairly small and the p- value (19%) was above the significance level

Table: 4 Heteroscedasticity Test

Chi2 (1)	=	1.75
Prob> chi2	=	0.1954

Source: STATA Software and self-computation

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of ROA

Testing for Multicollinearity

Variance inflation factor VIF is widely used method to test for multicollinearity; it measures the increasing in the variance of a coefficient as result of collinearity. More than 10 for VIF values or TOL less than 10 indicates high degrees of collinearity or multicollinearity among the independent variables (Anderson and Talham, 2006). As a result, VIF and tolerance results are acceptable and prove that the data is free of multicollinearity problem.

Table 5 Multicollinearity assumption test

Variables	VIF	1/VIF
SZ	2.09	0.479057
GDP	1.57	0.636702
CA	1.45	0.691378
INF	1.22	0.820738
LQD	1.20	0.830559
ME	1.13	0.884836
Mean VIF	1.44	

Source: STATA Software and self-computation

Autocorrelation Test

This is an assumption that the errors are linearly independent of one another (uncorrelated with one another). If the errors are correlated with one another, it would be stated that they are auto correlated. According to Brooks (2008), the null hypothesis is rejected and the existence of positive autocorrelation presumed if DW is less than the lower critical value; the null hypothesis is rejected and the existence of negative autocorrelation presumed if DW is greater than 4 minus the lower critical value; the null hypothesis is not rejected and no significant residual autocorrelation is presumed if DW is between the upper and 4 minus the upper limits; the null hypothesis is neither rejected nor not rejected if DW is between the lower and the upper limits, and between 4 minus the upper and 4 minus the lower limits. The DW test statistic value of the regression result of this study was 2.188048. There are 80 observations in the regression and 6 regresses excluding the intercept. As per the DW statistics significance table, at 5% significance level the relevant critical values for the test were $dL = 1.535$ and $DU = 1.802$, and the related calculated figures of $4 - DU = 2.198$ and $4 - dL = 2.465$. The test statistic (2.188048) fall between the upper ($DU = 1.802$) and 4 minus the upper limits ($4 - DU = 2.198$). Therefore, the null hypothesis is not rejected and no significant residual autocorrelation is presumed.

Hausman Test

Random Effect versus Fixed Effect Models ROA: - An important test for model specifications is to decide whether the FEM or REM is more appropriate Maddala, (2001). The Hausman (1978) specification test can be used to determine the appropriate method i.e. fixed or random effects models. Under the null hypothesis, random effects would be consistent and efficient (H_0 is true), but under the alternative hypothesis, random effects would be inconsistent. The FEM is consistent whether the null hypothesis is true or not, this means if the Hausman test is significant then we accept the alternative hypothesis (Baltagi, 2005).

Table: 7. Hausman Test

(b)	(B)	(b-B)	SQRT(DIAG(V_B-V_B))	
Variables	Fixed	Random	Difference	S.E.
CA	-0.0152891	-0.001924	-0.0133651	.0389149
ME	0.0003511	0.0003677	0.0000166	.0000833
LQD	-0.0039148	0.0055849	-0.0016701	.002747
SZ	0.0095306	0.0076963	0.0018343	.0016273
INF	0.0002177	0.0001593	0.0000585	.0000507
GDP 0.0031793 0.0023144			0.0008649	.0006069
b = consistent under H_0 and H_a ; obtained from xtreg B = inconsistent under H_a , efficient under H_0 ; obtained from xtreg Test: H_0 : difference in coefficients not systematic $\chi^2(6) = (b-B)'[(V_b-V_B)^{-1}](b-B) = 31.65$ Prob> $\chi^2 = 0.0000$				

Source: STATA Software and self-computation

The Hausman test tests the null hypothesis that the coefficients which are estimated by the efficient random effects estimator are the same as the ones estimated by the consistent fixed effects estimator. Therefore, this includes insignificant P-value, (Prob> χ^2) larger than 0.05, then it is more suitable to use random effects. There is a significant P-value, which is 0.000, then, the model is fixed effect model.

Regression Results and Discussions

Table 8: Regression Result: Fixed Effect Regression Model

ROA	Coefficients	Std. Err.	Z	P> z	[95% Conf. Interval]
SZ	.0092712	0 .0018707	4.96	0.000	.0056048 .0129376
INF	.0001981	0.0001039	1.91	0.057	-5.5406 .0004018
GDP	.0029538	0.0011816	2.50	0.012	.0006378 .0052697
CA	-.0410477	0 .0385583	1.06	0.287	-.0345251 .1166205
ME	.0003497	0.0002346	1.49	0.036	-.0008096 .0001102
LQD	-.007848	0 .010191	0.77	0.441	-.012126 .0278219
_cons	-.1002159	0.0302877	-3.31	0.001	-.1595786 -.0408531
R ²	0.6517				
Prob> chi2	0.0003				
Number of obs	80				
Obs pergroup:	10				

Source: STATA Software and self-computation

Note: Model: $ROA = \alpha + \beta_1 SZ_{it} + \beta_2 INF_{it} + \beta_3 GDP_{it} + \beta_4 CA_{it} + \beta_5 ME_{it} + \beta_6 LQD_{it} + \varepsilon_{it}$ Model: $ROA = -0.1002159 + 0.0092712SZ_{it} + 0.0001981INF_{it} + 0.0029538GDP_{it} - 0.0410477CA_{it} - 0.0003497ME_{it} - 0.007848LQD_{it} + \varepsilon_{it}$ Model: $ROA = (0.0018707) (0.0001039) (0.0011816) (0.0385583) (0.0002346) (0.010191)$

Capital Adequacy Ratio: The Capital adequacy ratio is a common measure used to assess a bank's capital strength, or in other words the extent to which banks relies on its equity as a source of accumulating asset. The ratio showed up a negative coefficient (-0.0410477) and it is statistically insignificant variable (P-value of 0.28). This implies that for the study period (2007-2016) there was insignificant correlation between capital adequacy ratio and profitability measurement of ROA private commercial banks in Ethiopia. Therefore, based on the regression result the study had failed to accept alternative hypothesis which was named as significant relationship between capital adequacy and profitability as it measures in terms of return on asset (ROA).

Liquidity: The result of fixed effect model table 4.7 indicated that the bank liquidity as measured by loan to deposit had negative relationship with profitability measurement variable (return on asset) and statistically insignificant (p-value = 0.441) at level of 10%. While, the alternative hypothesis namely there is significant relationship between bank specific control variable, liquidity and profitability as it measures in terms of return on asset (ROA) was rejected. This implies that every 1 unit (birr) change (increase or decrease) in bank's liquidity ratio keeping the other things constant has a consequential change of decrease and increase by 0.08% respectively (Coefficient = -0.007848) on the profitability measurement variable (Return on asset) in the inverse direction. Statistically, there is no significant impact between liquidity and profitability (ROA). Consistent study confirms that liquidity can't affect performance (ROA, ROE) of the bank, although the result was not statistically significance (Pastory, 2013). The negative relationships of the firm's profitability and liquidity with profitability were observed by (Linh, 2014).

Bank's Asset Size: Asset Size is the measure of the total asset extents, which exists at private commercial banks in Ethiopia. It was measured as the total asset of private commercial banks is used as a proxy of size of sampled private commercial banks. The finding of the study had consistent to the theory that is positive coefficient of (0.0092712) and statistically significant at 1% (p-value 0.000) the positive sign implies that size of private commercial banks can determine private commercial banks profitability in Ethiopia during the study period. It indicates that larger private commercial banks in the bank

ing sector have significantly benefited from economies of scale. In actuality, the positive coefficients bring to attention the possibility that an economy of scale was existed, which really affected their profitability. Therefore, the study failed to reject the alternative hypothesis and failed to accept null hypothesis.

Management Efficiency: The effect of management efficiency on profitability is positive and significant. And also, the coefficient of management efficiency was positive as expected, it was also statistically significant at 5% significance level (p-value= 0.036). Moreover, the significant parameter indicates that the structure affect Ethiopian banks profitability. Thus the hypothesis that states there is significant relationship between management efficiency and profitability failed to reject. The probable reason is that, the high efficiency of managers in managing skill and estimation of the efficient means helps the private commercial Banks to increase their return on asset. The results of these findings are consistent with the finding of Tobias and Themba (2011), Indranarain(2009), and Andreas and Gabrielle (2009), Belayneh (2011), and Athanasoglouet al., (2008), had found a significant positive relationship between management efficiency and bank's profitability.

Real GDP: Turning to the macroeconomic variables, the researcher observe that real GDP has highly statistically significant and positive impact on ROA at 5% significance level (P-value=0.012). These results about GDP support the argument of the positive association between economic growth and the financial sector performance. This show as the stimulated Ethiopian economy over the study period creates a new and potential demand for financial services. The results for positive coefficients are similar to the parameters that are observed and revealed by the numbers of researchers. E.g. Demirguc-Kuntet al., (1998), Bikkeret al., (2002) and Athanasoglouet al., (2008)) concluded that positive and strong correlation existed between economic growth (GDP) and bank profitability. This is because the default risk is lower in upturn than in downturn economy and another important point is higher economic growth may lead to a greater demand for both interest bearing and non-interest bearing financial services. Like with the empirical evidence, the result obtained from primary data also justified a positive and significant impact of Ethiopia real GDP growth and banks profitability in terms of ROA. This is because; the current Ethiopian economy growth could create a new and potential demand for financial services and it might reduce the probability of default loan.

Inflation: The coefficient of inflation was positive as anticipated, and it was statistically significant, thus, the effect of inflation on Ethiopian banks profitability is significant. The findings also suggested that as inflation is determinant of bank's profitability in Ethiopia as far as the parameter for this variable is significant as illustrated by the smaller p-values of 0.057. In terms of inflation effect on ROA, previous studies of Demirguc-Kunt & Huizinga (1999) showed a positive result and this implies that during the period of the study, inflations was anticipated which gave banks the opportunity to adjust the interest rates accordingly, resulting in revenues that increased faster than costs,

Table 4.9 Regression Results Summery

Explanatory Variables	Expected effect on Profitability (ROA)	Actual effect on Profitability (ROA)
SZ	Positive/negative & Significant	Positive & significant
INF	Negative & Significant	Positive & significant
GDP	positive & Significant	positive & significant
CA	Positive / Negative & Significant	Negative & insignificant
ME	Positive & Significant	Positive & significant
LQD	Negative & Significant	Negative& insignificant

Conclusion and Recommendations

Conclusion

The main objective of this study was to examine determinant variables of private commercial banks profitability in Ethiopia. As part of this study ten-year data were used from National Bank of Ethiopia. Therefore, balanced panel data of 80 observations from 2007 to 2016 of eight private commercial banks was analyzed using multiple linear regressions model.

The results of regression analysis depicted that the effect of capital adequacy, management efficiency, liquidity, size, GDP and inflation as independent variables on the profitability of the private commercial banks as it measured by return on asset (ROA) was dependent variable.

Capital adequacy and Liquidity were shown statistically negative and insignificant relationship on banks profitability measurement (ROA). The researcher rejected the alternative hypothesis due to the insignificant and inverse relationship between Liquidity and capital adequacy with profitability measurement (ROA). However, from the internal variables of the bank: Management efficiency and asset size were statistically shown positive significant effect on ROA. So, the private commercial banks, Management efficiency and asset size had significant and positive effect on bank's profitability. On the other hand, the external variable of the bank: Real GDP growth and Inflation were statistically shown positive significant effect on private commercial banks, as it measured (ROA).

Recommendations

Based on the findings of the study the following possible recommendations were forwarded: Banks asset size and management efficiency are significant key internal drivers of profitability of commercial banks in Ethiopia. Private commercial banks should be increasing their amount of asset and their managerial efficiency. Indeed focusing and reengineering the institutions alongside these indicators could enhance the profitability as well as the performance of the private commercial banks in Ethiopia. Specially, concerned bodies of private commercial banks should strive to strengthen the bank specific factors like asset size and managerial efficiency.

Private commercial banks should focus on reducing their capital adequacy amount and liquidity level to enhance their profitability.

National bank regulations towards the banking sector were one of the major determinant factors for the profitability of private commercial banks. As a result, government bodies should give sustainable GDP and Inflation rate to keep in cool the bank's profitability persistently.

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