ADDIS ABEBA UNIVERSITY

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DETERMINANTS OF SPICE EXPORT PERFORMANCE IN ETHIOPIA

BY

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JUNE, 2020

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Declaration

I, the cosignatories, declare that this study entitled ***"THE DETERMINANTS OF SPICE EXPORT PERFORMANCE IN ETHIOPIA"*** is my own work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis have been duly acknowledged.

Declared by

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Board of Examiners

This is to certify that the thesis prepared by **AKLILU SHUMETE** entitled: ***"THE DETERMINANTS OF SPICE EXPORT PERFORMANCE IN ETHIOPIA"*** and submitted in partial fulfillment of the requirements for the Degree of Master of Marketing Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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List of Acronyms

AGOA – Africa Growth and Opportunity Act

ANOVA – Analysis of Variance

EPOSPEA- Ethiopian Pulses, Oil Seeds, Spices Producers and Exporters Association

EU - European Union

GDP – Growth Domestic Product

GTP – Growth and Transformation Period

MoT – Ministry of Trade

NBE – National Bank of Ethiopia

SPSS – Statistical Package for Social Science

USA – United States of America

Abstract

Ethiopia is home to many spices, and due to its ecological richness, the country is suitable for growing 60–100 species and the sector has been the important source of foreign currency to the country. However, the sector failed to achieve its contribution to the overall export performance of the country in the first GTP period. This study aims to shed light on the determinants of export marketing performance with special emphasis on Ethiopian firms engaged in exporting Turmeric, Dry Ginger, Black cumin and Coriander spices and members of the association. For this purpose, a descriptive study was undertaken with a sample size of 140 respondents as a sample by using convenience sampling technique. Besides multiple regression analysis is conducted to understand the relationship of dependent and independent variables. The research design type is explanatory and studied variables include; both internal and external marketing factors. Consequently, internal factors were found to have significant effect on the dependent variable, Export performance. Hence, it is revealed by the study that Nature of the Product and Marketing strategy of the firm has substantial degree of positive correlation with spice export firms' performance, Managerial Quality has strong positive correlation with spice export firms' performance. However, Nature of the market has a weak correlation with export performance and government policy and regulation have a negative correlation with firms' export performance. Hypothesis test result: Since the concern of this study is on testing the multiple determinants of Spice export firms' performance, except the Government Policy and regulation and Nature of the market related factors, the other determinants shall be supported. Hence, it is recommended that Government shall support and the exporters shall have strong union so as to work together and other monetary and fiscal policy measures be taken to encourage exporters to make them more competitive.

Key Words: **Determinants, Export Performance, Internal Factors, External factors, EPOSPEA**

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Ethiopia has engaged on an international trade on both importing and exporting of goods and services. The major exports include coffee, gold, leather products, beeswax, canned vegetables, tea, sugar, cotton, and oil seeds. Ethiopia's major trading partner in Africa is Djibouti, a neighboring country through which Ethiopia must conduct all of its importing and exporting since Ethiopia is land locked and thus lacks a port of its own. Ethiopia's major imports include food and live animals, petroleum and petroleum products, chemicals, machinery, civil and military aircraft, transport and industrial capital goods, agricultural machinery and equipment, and motor vehicles. (Eyasu, 2017)

In fact, the country 's exports have also been growing strongly, averaging about 25.1 percent per annum since 2003/04 (Peter Mwa-nakatwe and Lamin Barrow, 2010). However, Ethiopia's export sector is dominated by export of few primary commodities which include agricultural products mainly coffee, oilseeds, gold, chat, flower, pulses, live animals, and hide skins which is becoming remarkable in the recent few years that reached a never-before-seen level of $2 billion in the year of 2010. Export of goods in Ethiopia is only about 11 percent of GDP, compared to an average of near 30 percent of GDP in Sub-Saharan Africa. Growth rates are also very modest if one makes a comparison with Asian countries over a decades-long time frame (ERCA annual report, 2010 and IMF International Financial Statistics Report; (2010)). Ethiopian export sector primarily focuses on agricultural goods such as coffee, chat, pulses and oilseeds but the country is slowly growing in producing and exporting of spice. So far, Ethiopia is not yet recognized as a major exporter of spices, and the contribution of spices to the national economy is low. Agricultural exports primarily consist of coffee, khat, pulses, and oilseeds. These crops accounted for 55% of the total export value of US$ 1.7 billion in 2013, whereas spices represented 0.8% of the total export value (Herms, November 2015)

Spices are essential oils that give foods and beverages flavor, aroma and sometimes color. The term spice refers to any dried plant product used primarily for seasoning, be it the seed, leaves,

bark or flowers. They can be marketed whole, ground to a powder or in the form of essential oils and oleoresins.

Many spices are also used for other purposes. Plants such as turmeric (Curcuma longa) are increasingly in demand for natural therapies, while others such as peppers (Capsicum spp.) serve as substitutes for chemical dyes or pesticides (NABC).

A spice is a dried seed, fruit, root, bark or vegetative substance used in nutritionally insignificant quantities as a food additive for the purpose of flavoring, and sometimes as a preservative by killing or preventing the growth of harmful bacteria. Many of these substances are also used for other purposes, such as medicine, religious rituals, cosmetics, perfumery or eating as vegetables. For example, turmeric is also used as a preservative; licorice as a medicine; garlic as a vegetable and nutmeg as a recreational drug (Spice Sector Strategy Coordinating Committee, 2010).

According to Netherland Embassy Studies (Herms, November 2015), spice trade developed throughout Asia and the Middle East in around 2000 BC. Its contribution to world civilization is well recognized, as it established and destroyed empires, led to the discovery of new continents, and in many ways helped lay the foundation for the modern world. Out of the almost 400 products of the herbs and spices category, about 40 to 50 are of global economic and culinary importance.

Global consumption of spices is expanding steadily with growth rates of between 2% and 5% per annum (Herms, November 2015). Globalization, access to information, growing population, shifting consumer trends towards health and authenticity in developed economies, sustained economic growth in developing economies and increased consumption of meat in developing countries have resulted in a growing spices market. Asian-Pacific and European consumers are the largest consumers of spice, and the global market for spices is projected to exceed US$16 billion by 2019.

The market for spices in developed economies such as Europe and North America will continue to grow, but more slowly than in other regions due to maturity of the industrial sector. The Asia-Pacific region is projected to be the fastest-growing market for spices, at an annual growth rate of 8% from 2014 to 2019. The food processing industry in Asia will be an important driver behind this growth.

Africa has a substantial role to play, and the continent is responsible for 12% of global spice production. This is likely to increase in the coming decade, as high prices and an increased sense of scarcity moves the sector towards investing in development of new production areas. African producers mainly focus on domestic and regional markets. Although Africa accounts for 12% of global production, the continent is only responsible for 6% of the volume imported into the Europe.

Ethiopia is situated on the ancient spice trail from Asia, and the country was an important hub in the early spice trade. Ethiopia is home to many spices, and due to its ecological richness, the country is suitable for growing 60–100 species. Arabian and Persian spice traders along the ancient spice trail left their mark on Ethiopian cuisine. Recently, Ethiopia is one of the largest consumers of spices in Africa. Ethiopia grows many spices, used not only to flavor bread, butter, meat, soups and vegetables, but also to produce medicines and perfumes. Most of the spices produced (+90%) are consumed domestically (Herms, November 2015).

The same study shows, in Ethiopia spice production increased from 238,000 MT to 418,000 MT and area under spice cultivation varied between 330,000 ha and 500,000 ha in the period from 2005 to 2013, respectively. Chillies, ginger, black cumin, black cardamom, and turmeric were responsible for 97% of the national annual average spice production volume in the same period. Spice exports in 2013 and 2014 amounted to 15,000 MT per annum, representing a value of USD 26 million. Ginger was the most exported spice, responsible for nearly 50% of the total export value. Chillies came in second, followed by turmeric, and black cumin.

Though, Ethiopia has the potential to influence the world spice market, The Ethiopian spice sector faces different challenges including non-competent quality to meet international standards, low productivity and negligible value addition on products, lack of market regulation and minimum access to market information. In line to this, there is value chain challenges such as weak infrastructure, limited access to finance and lack of commercial orientations towards high value international markets.

Hence, identifying and examining the determinant factors that significantly affect Ethiopia's Spice export performance will facilitate the design of policies to improve the performance and ultimately overall economic growth. The objectives of this study is first to investigate the

performance of spice production and export in the country and then examine the determinants of Ethiopian spice export to the International market.

1.2 Statement of the problem

It is well known that Ethiopia has experienced strong economic growth in recent years. With real GDP growth at or near double digit levels since 2003/04, the country has consistently outperformed most other countries in Africa and expanded much faster than the continent-wide average. Though Ethiopia's total exports have been growing at an average rate of 15.23 percent during the year 1970171-2010111, Ethiopia's export sector is still small; evidenced by the lower export/GDP ratio and the declining share of exports in import financing (NBE, 2011).

Over the past two decades, developing countries have gradually increased their share of spice export in global trade. Asia and particularly China account for most of the change, which has been facilitated by diversification of exports. While developing Asia‘s share in total world exports increased from 11.7% in 1985 to 21.5% in 2005, Africa‘s share decreased from 4.3% to 2.9% over the same period (Bacchetta, 2007).

Ethiopia is a source of different spices with 18 major agro-ecological zones and various agro ecological subzones. Ethiopia has a suitable climate for growing more than 146 types of crops and has been producing a number of spices for some time. The country produces as many as 50, out of which 23 are trading as export items.

In the country, there is lack of awareness on spice production, processing, storage and marketing among producers. Farmers used their traditional farming practices and usually harvest very low yield. Production and marketing of spices are affected by various factors (Dagnaygebaw Goshme & Tariku Ayele, 2019).

Though, Ethiopia has the potential to influence the world spice market, The Ethiopian spice sector faces different challenges including non-competent quality to meet international standards, low productivity and negligible value addition on products, lack of market regulation and minimum access to market information.

Moreover, Ethiopia has excessive challenges in cross border trade. The high cost of doing business across borders in Ethiopia has become a major constraint. The cost of accessing information, discrepancy and unpredictability in government policy decisions, general issues of custom which in particular includes customs valuation, and anticompetitive practices in transport, especially road and sea transport are directly related to the costs of trading in addition to the delay in time taken from the port to the inland destination, or the vice versa. The longer the time taken for import/export procedures or journey, the more expensive imports, exports and production becomes rendering Ethiopian exports less competitive (Eyasu, 2017).

Though spices have various utilizations, the emphasis given by research and extension activities are very unsatisfactory. Hence, there is lack of awareness on spice production, processing, storage and marketing among producers. Farmers used their traditional farming practices and usually harvest very low yield. Similarly, the marketing system is not managed through organized efforts. Price of spices is not determined by the demand, supply and price information rather by individual decision. Individual decision-making process of the marketing of spice leads to inefficient and ineffective service of the market. Therefore, farmers are not getting expected benefits from this sector. Hence, a radical change should be undertaken in the system to exploit the benefit from these marginalized crops (Dagnaygebaw Goshme ; Tariku Ayele, 2019). Despite the unsuccessful export performance of Ethiopia on the spices sector, there has been no research on the spice export performance though there are some researches on same oilseed. Thus, this study will assess the determinants of export on spice export firm's performance in Ethiopia.

1.3 Basic Research Questions

Thus, as per the problem specified above the study tried to answered the following basic research questions

1) What are the determinants of export performance on the spice Industry of Ethiopia Spice exporter firms?

2) What are the firm Internal Factors of export that affect the firms export performance in Ethiopia Spice Export Firm?

3) What are the firm External Factors of export that affect spice exporter firm's performance in Ethiopian Spice exporter firms Performance?

1.4 Objective of the study

1.4.1 General Objective

The general objective of the study is emanated from the research gap identified and stated on the statement of the problem. Accordingly, the General objective of the study is to assess the determinant of export performance in Ethiopia Spice Exporter Firms.

1.4.2 Specific Objective

The specific objectives of the study are emanated from the research question and the general objectives of the study. Therefore, the specific objectives of the study are: -

1) To identify the determinants of export performance in Ethiopia export.
2) To examine the Internal Factors that affect the performance of Spice export in Ethiopia spice Industry.
3) To explore the effect of External factors that affect the performance of Spice exports on Ethiopia Spice export Firms.

1.5 Significance of the study

The research focuses on the determinants and spice export performance and assessed the factors that affect spice export. Hence, this research will make a positive contribution in the direction of overall spice export performance and gives insight of marketing strategy in the spice export business. Similarly, this research and similar studies will encourage other researchers to engage in more studies on the export sector.

Moreover, findings of this research output can be used to inform policy debates at national and regional level that seek to extend the productivity of the spice sector. Furthermore, stakeholders, such as Government officials, the private sector, industrial organizations, and Importers of our export items can use the findings within the spice sector.

1.6 Scope of the study

The study was limited in Spice exports in Ethiopia to address and solve problems related with export determinants and firm's performance. Furthermore, the study was focused on The Internal and External factors of export performance specific to, Nature of the Product, Marketing Strategy of the Firm, Managerial Quality of the Firm, Nature of the Market and Government policy and regulation on export performance as conceptual analysis. The study was also delimited on data that are collected in the year 2020.

Scholars recommended longitudinal research design to make universal cause-effect relationship between these variables. However, due to time and financial constraints this research depended on cross-sectional data that is collected only from Addis Ababa during 2020. Although a number of other relevant factors could be possible moderators between determinants of export and firms' performance, this study was focus only on those firms who engaged on spice export in the city.

1.7 Limitation of the study

The area, spice export performance and determinants in Ethiopia is important and crucial for the economic development of our country like any other export item. many determinant measures could be used for determining export performance. However, the shortage of time one of the limitations in conducting this research paper. Lack of organized data regarding general export performance determinants in Ethiopia was another limitation of the study that imposed lots of work on the researcher in organizing different sorts of data to get consistent information.

Moreover, the current Global pandemic condition, Covid 2019, was another obstacle for this research.

Definition of Key Terms

Export: Shipping the goods and services out of the port country.

Exporter: The seller of such goods and services based in the country of export.

Importer: the overseas based buyer.

Agricultural exporting firm: exporting firm located in Ethiopia which exports agricultural products.

Export performance is defined as the outcome of exporting products and services into foreign markets. It can be measured in terms of objective and subjective measures

Service: defined as the intangible activities and performance designed by interactive process in order to satisfy customer needs and expectations by offering intangible products.

Price: defined as the amount of money or value of items with utility needed to acquire a product or services.

Place/distribution: the enterprise exports items along with valuable services to the customers through different distribution mechanisms.

Promotion: this includes all of the tools available to the marketer to transform their message about the products to the target market. this consists of communication/promotional mix (e.g. advertising, sales promotion, personal selling, e marketing, and public relationship).

Customer Satisfaction: is an attitude of an individual or a certain company as a whole towards a total experience of an item. Satisfaction comprises both cognitive and emotional facets and relates to previous experiences, expectations and social networks

1.9 Organizations of the Study

The study has five chapters with key contents as discussed in detail below: The first chapter describes the introduction part including the background, research problem, objectives, scope and delimitations of the study. the second chapter provides relevant literatures related to previous researches in the sector and ties to give definition of most important concepts, such as Spice exports, discuss the theory of export, briefly explain theoretical lenses in the export performance determinants, critically review both theoretical and empirical literatures in export area. The third chapter describes the research design that applies in this study. Specifically: target population, sample size, sampling technique, data collection instruments, data collection process, measurement of variables, method of data analysis and the issue of reliability and validity. The fourth chapter reports on the results of the empirical data analyses. These include various analyses of the descriptive variables; several test results to establish reliability and validity, results of inferential analyses to show the relationship among variables. This chapter also presents detail discussions on the results of the data analyses with supports from existing literature where relevant. Finally, the last chapter summarizes the major findings, give conclusions with recommendations and finally insight gaps for future researches.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter focuses on reviewing the related literature in the area of Determinants of Export and firms Performance. The issues discussed include both the theoretical and empirical studies of the existing literature. The theoretical review helps in understanding of the current body of knowledge on the research topic. An empirical review of studies of different scholars has been done to guide the research gaps for this study. Altogether, the reviews were used to develop conceptual frame work which used to show the link between the dependent and independent variables.

2.2 Theoretical Literature

2.2.1 International Trade Theories

International trade is the back bone of global economy having a numerous advantage to the trade partnering countries that are becoming rich and wealthy. Especially, the countries that have sound export performance gradually improve their economic performances. Export plays a vital role in an economy influencing on the performance of balance of payment, level of employment and economic growth through enhancing aggregate demand. However, the export performances of the countries are influenced by a number of factors with different level of magnitude. Literature of empirical studies has already produced a wide range of analytical techniques and findings that varies depending on the characteristics of the economies (Bhavan, 2016).

International trade can play a vital role for economic growth of certain nations, that leads to the full consumption of otherwise underemployed national resources.

According to the orthodox classical economist as well to the modern liberal view, trade is equivalent to an engine of economic growth. Exports promotion strategy is often in accordance with the principle of comparative advantage, when a country specializes in a product, which it can produce competitively. The goods become available to the community of the world at cheaper prices. The markets are extended. The internal and external economies are attained. Income and employment levels expand. Consequently, process of economic development is

facilitated. In a nutshell, putting more emphasis on the promotion of exports would permit the optimal allocation of world resources and, therefore, returns from trade sector depend upon accelerating growth of exports. (Muhammad Tariq Majeed and Eatzaz Ahmad, 2006)

2.2.1.1 The Theory of Absolute Advantages (Adam Smith)

The classical economist Adam Smith in his theory of absolute advantage provided the earliest evidence of the gain arising from foreign trade. Hill (1998, p.127), according to absolute advantage , one country is more efficient at producing a product than any other country. Jeannet and Hennessey (2001, p. 42) tried to explain the theory of absolute advantage as 'While there are many variables that may be listed as the primary determinants of international trade, productivity differences rank high on the list". Hence, Smith's theory of absolute advantage states that a country tends to specialize in the production of commodities in which it has absolute advantage in cost of production. However, according to Jeannet and Hennessey (2001) it is not possible to conclude that absolute differences in production capabilities are necessary for trade to occur. That leads to the emergence of the theory of comparative advantage.

2.2.1.2 Theory of Comparative Advantage (David Ricardo's)

Ricardo took Smith's theory one-step further by exploring what if one country has an absolute advantage or an absolute disadvantage. However, according to Jeannet and Hennessey (2002,p 43), the theory of comparative advantage measures a products' cost of production, not in monetary terms, but in terms of the foregone opportunity to produce something else. It focuses on trade-offs. David Ricardo's theory of comparative advantage is explained by Hill (1998, p. 131), as a situation in which a country specializes in the production of those goods that it produces most efficiently and to buy from other countries those goods that it produces less efficiently, even if this means buying goods from other countries that it could produce more efficiently itself. In addition, (Dwivedi, 2002) describes Ricardo's theory of comparative advantage, as "it is possible to have a gainful trade between two countries even if one country has absolute advantage in the production of both the commodities and the other getting absolute disadvantage in the production of both the commodities."

David Ricardo's theory of comparative advantage has been criticized based on such grounds as the assumption of labor homogeneity all over the world, labor being the only factor of

production, the demand side being ignored, and so on. According to Michael Porter, as stated by Jeannet and Hennessey (2001, p. 45), "…while the theory of comparative advantage has appeal, it is limited just to the factors of production on land, labor, natural resources, and capital."

According to Jeannet and Hennessey (2001), the theory of comparative advantage suggests that it is the relative rather than the absolute differences in productivity that can form a determining basis for international trade. However, these two authors claim that this theory gives little insight into the source of the relative productivity. The notion of comparative advantage requires that nations make intensive use of those factors they possess in abundance. They should export those goods in which they have a comparative advantage and import those goods in which they have comparative disadvantage. From this, it can be inferred that Ricardo's theory stresses that comparative advantage arising from differences in productivity or differences in the cost of production is the basis for international trade.

2.2.1.3 The Factor Endowment Theory (Heckscher-Ohlin)

This theory is also referred to as "the factor endowment theory of trade or the modern theory of trade." The theory tries to address why some nations enjoy comparative advantage in the production of some goods and how this comparative advantage forms the basis for international trade. More specifically, (Hill, 1998) states that the Heckscher-Ohlin theory tries to answer the following questions, which were not addressed by the Ricardian theory of comparative advantage:

- Why does a nation have comparative advantage in the production of a commodity and a comparative disadvantage in the production of another commodity?
- Why the production possibility curves of any two nations differ?

According to Hill (1998, p.151), the Heckscher-Ohlin theory argues that the pattern of international trade is determined by differences in factor endowments. It predicts that countries will export those goods that make intensive use of locally abundant factors, and will import goods that make intensive use of factors that are locally scarce.

2.2.2 Production and Consumption of Spices in Ethiopia

Spices have major stake in the production system and in the foreign earnings of the country. Spices have great role in transforming farmers as producers for market instead of producing merely for subsistence. Spices are important additives to Ethiopian dishes. The production and use of spices in Ethiopia go back to time immemorial. Ethiopia has become one of the largest consumers of spices in Africa. People use spices to flavor bread, butter, meat, soups, and vegetables. They also use spices to make medicines and perfumes (International Trade Centre, 2010). Ethiopia is a homeland for many spices, such as korarima (Aframonum korarima), long red pepper, black cumin, white cumin /bishops weed, coriander, fenugreek, turmeric, sage, cinnamon, and ginger (Tiru Tesfa1, Wondimu Bayu2, Arega Gashaw3, Hassen Beshir4, March 2017).

According to (Masresha Yimer, November 2010) paper in March 2010, the information from MoARD /Ministry of Agriculture and Rural Development/ indicates, for the last four years the average land coverage by spices has been 122,700 ha and the production has been reached 244,000 ton/ annum. The seed spices potentials area is Amhara and Oromiya regions while for the low land spices dominantly produced and potential in SNNP and Gambella regions. In general, the total potential for low land spices is estimated to be 200,000ha.

Statistics on the production of spices is very difficult to find in Ethiopia as the commodities are not part of the national agricultural crop survey, except for pepper and chilies. Earlier study by the Ethiopian Export Promotion Agency of the ministry of trade and industry (2003) indicated total production of spices in the three major producing regions of SNNP, Oromia and Amhara Regions was 89,300 tons; with SNNP /Southern Nations and Nationalities and Peoples/, Amhara and Oromia regions accounting for 64%, 25% and 11% of total production of spices in the country]

Similarly, the House Hold Income, Consumption And Expenditure Survey -HHICES (2005) of CSA, shows that, at the national level on average, spices has a 1.79% share of total house hold expenditure with major spice expenditure going to pepper whole and flour, followed by ginger, fenugreek, and then cinnamon, chilies, long pepper and mixed spices. The share of household expenditure for rural Ethiopia was higher at 1.87%, while the share for Urban Ethiopia was

1.46%. The survey result (CSA) shows, spices have 1.08% and 1.11% share of total net and gross calorie per capita per day. The net calorie per capita per day for rural and urban is 9.69% and 1.63% respectively, while the gross calorie per capita per day is 0.99% for rural and 1.94% for urban Ethiopia.

2.2.3. Performance of Spice Exports in Ethiopia

The diverse agro ecology in Ethiopia supports growing a wide variety of crops in general and spice crops in particular. Thus, the country hosts several indigenous common and exotic spice crops, which are cultivated widely. Spice crops are produced in various regions of the country and predominantly by smallholder farmers as a cash crop traded primarily in domestic markets, but with increasing success also entering foreign markets. The spice sub-sector has an immense potential for economic development and poverty reduction through creation and expansion of employment opportunities and distribution of income and foreign exchange earnings (Tiru Tesfa1*, Wondimu Bayu2, Arega Gashaw3, Hassen Beshir4, March 2017).

2.1.3. Spice Market and Value Chain

Spices are produced by smallholder producers mainly for home consumption and as cash source. The value chain actors for spice crops are smallholder farmers, wholesalers, retailers and consumers (Figure 2). The demand for spice crops is increasing at a medium rate (4%) per annum for local market (Unpublished, 2005). The price of major spice crops is characterized by variability in major markets. The minimum price for spice crops is observed in Mekane-Selam where infrastructure and market services are poor. On the other hand, maximum price for spice crops is observed in Kombolcha where infrastructure and market services are relatively well organized and developed. Price for spice crops is determined by traders using the demand, supply and price information as compared to producers in remote areas. Moreover, the result indicated that there is less integration of markets for spice crops (Tiru Tesfa1*, Wondimu Bayu2, Arega Gashaw3, Hassen Beshir4, March 2017).

2.2.4. Factors Determining Spice Exports in Ethiopia

The determining factors of the export structure/strategy in Ethiopia is mainly the level of development of the economy, resource endowments, policies and development strategies pursued.

However, the revival in the private sector participation has not been accompanied either by a significant increase in the volume nor in the diversification of export. A number of policy reforms embodied in the economic liberalization program have contributed to the better involvement of the private sector.

Among others, the government has launched different structural adjustment measures such reforms including devaluation of the national currency to reflect its market value, and liberalization of the foreign exchange transactions; abolishing of all export taxes (except on coffee) and subsidies; liberalization of foreign trade; introduction of export incentive scheme such as duty drawback, foreign exchange retention; privatization of public enterprises and the removal of state monopoly in the financial business; deregulation of domestic prices; and promulgation of a liberalized investment law with different incentives (SECO, 2001).

According to international trade Centre study (SECO, 2001), the Ethiopian export performance is constrained by the following major problems: Low level of industrial development; the volume and quality of industrial export commodities are inadequate; lack of diversification; limited by type and volume ; limited capability of the private sector to bring about effective production process and technological progress in order to be competitive in the international trade; Lack of competitiveness ; Inability to produce the required quality of export products that meet ISO standards ; Information gaps on technology, market, raw material, foreign trade opportunities; Incapability of transforming the raw export items into processed or finished products; Lack of export marketing skills and market promotion schemes; inadequate trained manpower in international marketing intelligence; Limited managerial and technical capabilities of the business sector; Insufficient promotional supports; Inefficient bureaucracy ;Higher prices due to long inland transportation to the ports, high freight rates, high port charges, inefficient operations; Lack of standardized quality packaging that meet the importers requirements; Lack of cold storage for perishable items such as fruits, vegetables, meat, flowers, etc.

2.2.5. Major constraints in the spices production and marketing in Ethiopia

Though spices have various utilizations, the emphasis given by research and extension activities are very unsatisfactory. Hence, there is lack of awareness on spice production, processing, storage and marketing among producers. Farmers used their traditional farming practices and usually harvest very low yield. Similarly, the marketing system is not managed through

organized efforts. Price of spices is not determined by the demand, supply and price information but by individual decision. Individual decision-making process of the marketing of spice leads to inefficient and ineffective service of the market. Therefore, farmers are not getting expected benefits from this sector. Hence, a radical change should be undertaken in the system to exploit the benefit from these marginalized crops (Tiru Tesfa1*, Wondimu Bayu2, Arega Gashaw3, Hassen Beshir4, March 2017).

According to different studies, the major constraints facing the spices sub sector of Ethiopia cover pre-production, production, processing and marketing stages.

a) Production Stage:

- Low yield varieties in use, and lack of improved spice agricultural research in existing, new and locally adaptable varieties that offer opportunities for increased yield, and meet home and export market demands.
- Poor quality of final output marketed.
- Weak role of private commercial investors in spices production.
- irregular supply and variable quality of spices produced from forest and agricultural landscape,
- Lack of proper post-harvest handling practices, and problems of the marketing system in use resulting in significant post harvest wastage/spillage and product quality deterioration,
- Weak business linkage among stakeholders in the chain including farmers, traders, processors, and meso level support institutions and macro level regulatory and enforcement institutions,
- Lack of appropriate modern technologies in farm management, drying, storage, etc …
- Lack of appropriate spices development strategic interventions.

b) Marketing Stage:

- Keeping spices in store for long in expectation of higher prices,
- Adulteration of inferior varieties with better ones for marketing,
- Poor quality of spices traded due to highly traditional pre and post harvest handling practices,

- Adding water to increase weight and to modify colour /appearance,
- Increasing role of unlicensed brokers in the trading of spices in the market,
- weak marketing system not incentivizing production and marketing based on enforceable quality standards,
- Lack of value addition in terms of major agro processing activities in spices,
- Weak organizational capacity of cooperatives/unions,
- Price volatility due to changes in demand and supply in local and overseas markets,
- Lack of organized market information service to the different actors in the spices farm to market chain,
- Weak market research and promotion in potential overseas markets for natural and processed spices products.

2.2 Empirical Review

There are numerous factors that were recognized and examined in literature as determinants of export performance (Dominquez, L. V. And Sequeira, C. B., 1993). A number of empirical studies had shown the degree of marketing program adaptation to be influenced by internal and external factors. These are categorized in to four factors: the first one is firm characteristics which includes (firm size, managerial commitment, managerial perceptions), the second one firm competences (technology, market knowledge, market planning, export policy, control systems, quality control, communication skills), the third factor is the firm export strategy (market selection, use of intermediates, product mix, product development, promotion, pricing), the fourth factors refers the external environment which includes industry characteristics, external and domestic market characteristics) determinants of export performance. (Zou, S., & Stan, S., 1998). Thus, the above four factors can be the internal factors affecting the degree of marketing program include the firm characteristic and competence (Zou, S., & Stan, S., 1998); managerial characteristics (De Luz 1993). The external factors influencing product adaptation depend on the company; foreign market characteristics; and domestic market characteristics.

According to the literature review done by (Zou, S., & Stan, S., 1998) and (Aaby, N-E., & Slater, S., 1989) , they revealed that the use of subjective measures was more common than the objective measures. Of the objective measures, the most widely used is the export intensity i.e., export-to-total sales ratio (Chetty, S., & Hamilton, R, 1993). Other objective measures such as

export sales growth may overstate performance as a result of price escalation and market growth (Kirpalani and Balcome 1987). Woodcock, Beamish and Makiro (1994) justified the use of subjective measures in situations where managers may be unwilling or unable to supply objective financial data because of the difficulty in reconciling cross national or cross industrial differences in accounting practices.

Empirical studies of export performance measures have explained two categories: these are subjective measures (Zou, Taylor and Osland, 1998) and objective measures (Majocchi et al, 2005). Objective measures are economic value for example export sales volume, export sales growth and export profitability, market diversification and export intensity (Zou, Taylor and Osland, 1998; Mojacchi et al, 2005). They gave a comparable measurement of firm's export performance. These objective measures are more accurate measurement than subjective measures since this information can be obtained with minimal influence of firm's Chief Executive officers (CEOs). On the other hand, subjective measures refer based on CEO's or owner's perception about export activities, normally these measures have been used in comparative studies (Woodcock, Beamish and Makino, 1994).

Subjective measures focus on the perception of respondents on how well their company is performing towards achieving their export objectives (Flor and Oltra, 2005). The two principal indicators of export performance are management's perception and management's satisfaction with export performance often compared to that of its major competitors or relative to a company's expectations (Diamantopoulos & Kakkos, 2007). From this sense, measurement of export success is based on management's interpretation and judgment of performance and not the objective performances. In contrast to objective measures, subjective measures are anchored on a scale rather than seek plain absolute figures (Shoham, 1998).

According to Thida Oo, Jerome Kueh, Daw Tin Hla (2016), International trade is one of the major aspects that grow tremendously in Southeast Asia and export is regarded as main accelerators of growth in either developed or developing countries. The study tries to see the determinants of export performance for ASEAN countries. In this study, panel Autoregressive Distributed Lag (ARDL) method is adopted for time period between 2000 to 2015. Empirical findings indicate that there is a long-run relationship between determinants of export such as interest rate, economic growth and foreign direct investment with export performance of ASEAN

countries. Based on the results, inflation (INF), exchange rate (EXRATE), (GDP) and (FDI) have are positive relationship with export performance and statistically significant while only INEST has negative connection with export performance, but statistically insignificant. The whole variable also has a direction in accordance with the correlation theories and hypothesis. Among all variables, GDP growth has the greatest influence. And among all the independent variables used; only the rate of exchange rate depreciation has insignificant effect on export performance in ASEAN countries. Therefore, policy makers need to strategize their policies to move towards closer cooperation among the ASEAN countries, especially promoting sustainable exportation in the region.

R. S. Geetha1 and S. K. Srivastava1 (2018) studied the export of Maize from India: Performance and Determinants which examined the growth, instability, trade direction, potential and determinants of maize exports from India from the period 1981 to 2016. Compound Annual Growth Rate, Cudda Della Valle method, Markov Chain analysis, Comparative Advantage Index and Regression analysis were used in the study. The growth of export quantity and export value in pre WTO has found to be not significant, while unit value had negative growth. In post WTO period, the export quantity, value and unit value grew significantly at the rate of 38.74, 42.12 and 2.43 per cent per annum, respectively. The instability indices for export quantity and its value found to be relatively lesser in post WTO period. The reasons for high instability may be inconsistent domestic production, consumption and international demand. Thus, the export policies should be in line with consistent growth of maize exports with low instability.

The Markov analysis revealed that Nepal followed by Bangladesh exhibited a strong preference for maize from India. India is not that efficient in maize exports as RCA index is not of higher value and it is less than 1 in the years 2001 to 2003, 2005 to 2006 and 2015 to 2016. The variables export price and lagged production are found to be significantly affecting the maize exports from India. As expected, export price had negative association and lagged production had positive association with maize exports. The significant increase in domestic production of the maize crop is the major option for improvement of maize export trade.

Alemayehu (2009) investigated the nature of the potential for intra-Africa trade and hence the prospects for advancing regional economic integration. His study used the gravity model on panel data of African countries and their major trade partners around the world (2000 to 2006).

The estimated coefficients of the model were used to simulate the potential for intra-Africa trade. According to his finding the existence of a potential for intra-Africa trade (about 63% weighted average for Central and Western Africa region, and some 60% for Eastern and Southern Africa region).

Sisay Menji (2010) the study on the export performance and determinants in Ethiopia, Ethiopian export performance was highly volatile during the period, on average merchandise exports have been growing at 7% per annum, while manufacturing exports were growing at 4% per annum. The trend also reveals that Ethiopia's export sector is mainly dominated by few primary commodities, where manufacturing exports account for less than 15% of merchandise exports on average.

The two models estimated depict that merchandise export volumes are significantly influenced by gross capital formation (proxy for production capacity) and share of trade in GDP (proxy for trade liberalization) while other variables; terms of trade, real effective exchange rate, foreign income, and foreign direct investment were found to be insignificant. Manufacturing exports equation reveals an interesting result, manufacturing exports supply was found to be negatively & significantly affected by foreign income. Similar to merchandise export results, manufacturing exports were also found to be positively affected by gross capital formation. Terms of trade, real effective exchange rate, share of trade in GDP, and foreign direct investment were found to be insignificant. The study concludes with recommendations to increase share of manufactured exports and diversify export base of the country

According to Eyelachew Muluye (2018), the determinants of export performance of the textile and garment industry in Ethiopia, management competence, export market knowledge, technology, policy and regulation and product quality have positive and significant effect on export performance. Even though infrastructure also has positive relation on export performance, export performance was mainly influenced by management competence followed by export market knowledge, technology, policy and regulation, and product quality. According to his study infrastructure did not show a statistically significant effect on export performance. Therefore, the study concluded that textile and garment export companies could benefit from considering management competence as main targets for their better export performance, they could also benefit from scaling up the knowledge of employees with regard to export market, and

equipped with state-of-the-art technologies, relaxed policy and regulation and product quality to have competitive advantages and manage needs of their customers in the international market.

Addis Alemayehu (2019) studied the determinants of export marketing performance with special emphasis on Ethiopian firms engaged in exporting oil seeds, pulses and spices and members of Ethiopian Pulses, Oil Seeds, Spices Producers and Exporters Association (EPSOPEA). The factors under studied were using mixed research approach and studied variables include, Characteristics of export market, Characteristics of the export product, Presence and use of export marketing strategy, Firm/ Managerial characteristics and Institutional support-related factors. Thus, the study confirmed that Institutional support-related factors were found to have significant effect on the dependent variable, Export marketing performance.

2.3. Conceptual Framework and Hypothesis of the Study

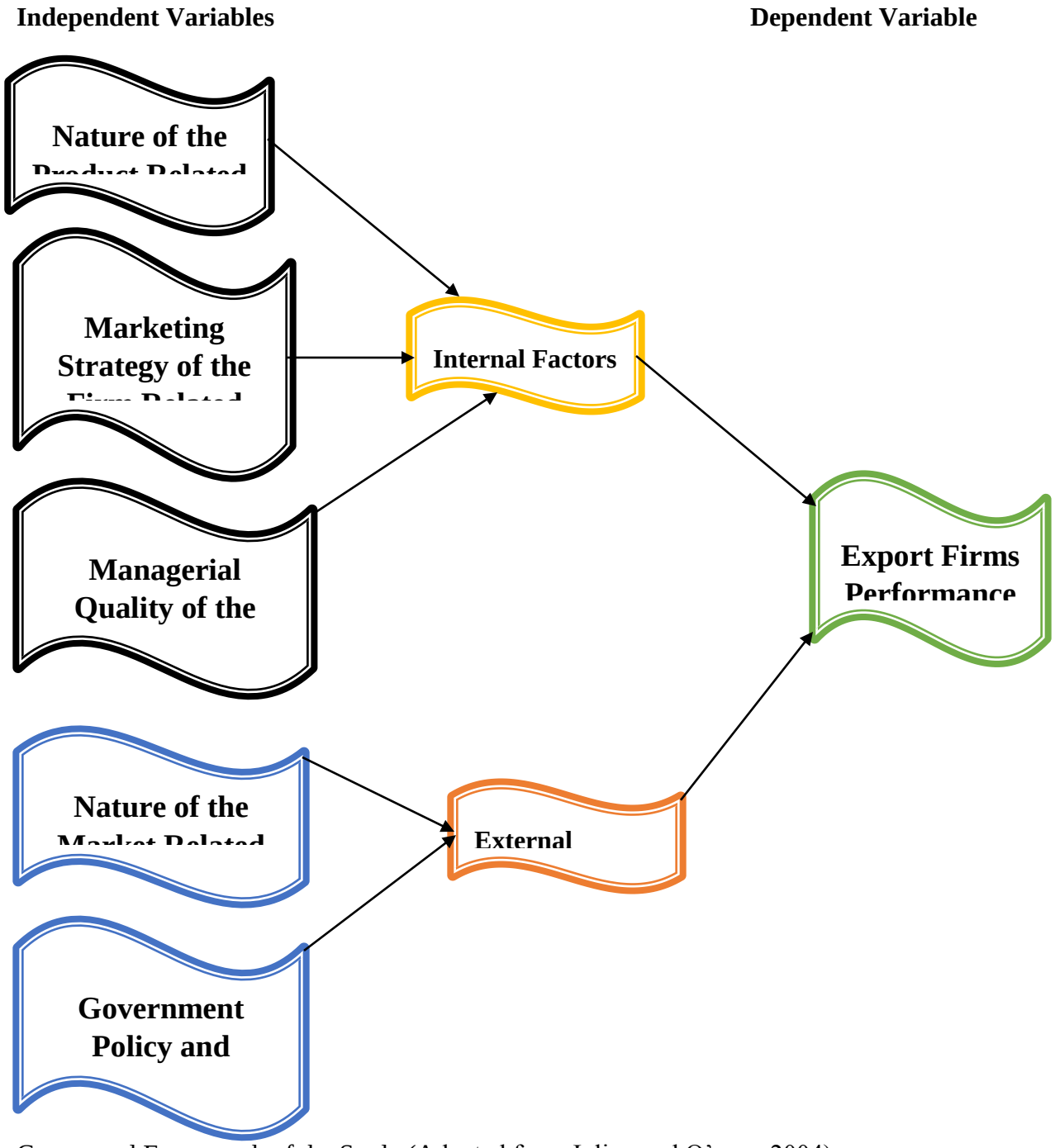
2.3.1 Conceptual Framework

A conceptual framework represents the researcher's synthesis of literature on how to explain a phenomenon. It maps out the actions required in the course of the study given his previous knowledge of other researchers' point of view and his observations on the subject of research.

A conceptual framework is a structure which the researcher believes can best explain the natural progression of the phenomenon to be studied (Camp, 2001). It is linked with the concepts, empirical research and important theories used in promoting and systemizing the knowledge espoused by the researcher (Peshkin, 1993)

The study will show how the dependent variable, Spice export performance will be affected by the following independent variables including, Market Specific Characteristics, Product Related Characteristics, Presence and use of marketing Strategy, Firm or Managerial Characteristics and Institutional Support.

Figure 2.1 1 Conceptual Frame work of the Study



Conceptual Framework of the Study (Adapted from Julian and O'cass, 2004)

The above conceptual framework is used to make the multiple regression analysis, which is then used to test the hypothesis.

2.3.2 Hypothesis of the Study

Having the theoretical and empirical arguments that is explained in chapter two of the thesis, the following hypotheses are proposed: The relationship between the independent variable (determinants of export) and the dependent variable (firms export performance) is assessed; -

H1: *The* ***Nature of the Product*** *will positively relate to spice export firm performance in that firms with higher quality of product will have higher export performance.*

H2*: The existence of Strong* ***Marketing Strategy*** *in the firm will positively relate to spice export firm performance in that firms with strong marketing strategy will have higher export performance.*

H3: *The managerial quality of the firm will positively relate to Spice export firm performance in that firms with higher quality of management will have higher export performance.*

H4: *The Nature of the market "Existence of Competitive Firms" will positively relate to spice exporter firm performance in that firms with the existence of competitive firms in the industry will have higher performance.*

H5: *The Government policy and Regulations support will positively relate to spice exporter firm performance in that firms with the support of government policy and regulation firms in the industry will have higher performance.*

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

In order to analyze the potential determinants of Spice export performance in Ethiopia, this study applied a research methodology. This section provides an overview of the study's research approach which lays within the mixed methods strategies. The chapter discusses procedures and activities under taken, focusing on namely the study's research design, questionnaire design, data collection, sampling strategy, data processing and analysis and instrument development. Besides, the section deals with a discussion on the validity, reliability and the ethical issues and the research model used in the study.

3.2 Research design

This research will be made to deeply analyses the various indicators and its effect on export performance of Ethiopian spices industry. The research design type is explanatory and mainly revolves in examining export marketing challenges of Ethiopian Exporters engaged in exporting spices to the world market. Here, both internal and external marketing factors will be examined in detail.

3.3. Sampling design

3.3.1. Population

The target population were identified on the basis of the survey of existing international trade literature and while a list of exporters were drawn from Ministry of Trade. There is an association of spices exporters whose main objective is furthering the interests of its members in local and foreign arena, while making finding member exporters through their association a time saving mechanism. Having major commodity exporters under one institution management enable the researcher to look significant determinants in one go. Further, institutional support, government policy initiatives and debacles could be grasped from the institution representing such exporters. Currently, there are 217 active members of the spice exporters in Ethiopian Pulses, Oilseeds and Spices Processors-Exporters Association (EPOSPEA).

3.3.2. Sample

As spices exporters in Ethiopia were the primary target of this study and most of them are organized under Ethiopian Pulses, Oilseeds and Spices Processors-Exporters Association (EPOSPEA), the Sampling frame were from the list of EPOSPEA members whose list make up the most active players of the industry and representative of the population.

$$n = \frac{\mathrm{N}}{1 + \mathrm{N}\ (\mathrm{e})\text{^}2}$$

$$140 = \frac{217}{1 + 217\ (0.05)\text{^}2}$$

Where N= Total Population

n = sample size

e= error term

Thus, at 95% confidence Interval, and 5% of Margin of error

Thus, from the target population of 217 spice exporters in the country the study selected 140 respondents as a sample by using convenience sampling technique. The sample size for this study is therefore 140 (95 %) which is considered as representative and also large enough to allow for precision, confidence and generalizability of the research findings.

3.4. Data Sources and Types

In order to find the necessary data, the study considered the quantitative and qualitative types of data. Concerning sources of data, both primary and secondary sources were used for generating valuable and relevant data.

Primary source of data were collected through questionnaire whereas secondary data are those collected from publications from books, journals, reports, and bulletins collected from different stakeholders including exporters, Banks, Ministry of Trade, Ethiopian Chamber and Sectoral Association, Ethiopian Oil Seeds, Pulses and Spices Association, and articles contributed on national and international journals.

3.5. Methods of data collection

Both primary and secondary data sources were used for the research data collection. Questionnaires were prepared and disseminated to all key members.

The questionnaire was filled by the exporters of member exporters' marketing or export department heads or by a person who is in charge of export issues in the companies. The questionnaires involved both open ended and close ended items.

3.6. Validity and Reliability

Validity is defined as the extent to which a concept is accurately measured in a quantitative study. Construct validity refers to whether you can draw inferences about test scores related to the concept being studied (Roberta Heale & Alison Twycross, 2015). Therefore, the researcher was trying to search different literatures and select sustainability variables and their measurement. Validity and reliability are interconnected concepts. This can be demonstrated by the fact that a measurement cannot be valid unless it is reliable. Internal consistency is assessed using item-to-total correlation, split-half reliability, Kuder-Richardson coefficient and Cronbach 's α (Roberta Heale & Alison Twycross, 2015). In this test, Reliability was assessing using Cronbach 's α; it is the most commonly used to test to determine the internal consistency of an instrument. Based on Roberta and Alison the Cronbach 's α result is a number between 0 and 1. An acceptable reliability score is one that is 0.7 and higher. The instrument will come across the test of validity and reliability as per the required standards.

Questionnaires were distributed to all EPOSPEA members that can represent the whole groups at an acceptable level. Therefore, the questionnaire was well organized, clearly prepared, easy to complete and then it was returned to the researcher.

Table 3. 1 Summary of Scales and Cronbach's alpha Values

No.	Variable of the study	No. Items	Cronbach's alpha values
1	Nature of the product	4	.789
2	Marketing Strategy	4	.781
3	Managerial Quality	4	.847
4	Nature of the Market	4	.743
5	Government Policy and Regulations	4	.654
6	Export Performance	6	.795
	Total		.768

3.7. Data analysis

After the collection of data from both primary and secondary sources, Statistical Package for the Social Sciences (SPSS) version 23 was used for the purpose of processing and analysis of the results. Data were classified into different groups and finally they were presented in tabular forms. Descriptive statistics based on tables were used to analyze information on all data including respondent personal information. The analyses of data were made with the help of relevant statistical tools such as simple average, percentage and other statistical parameters. In addition, different guidelines were referred from literatures to sort-out and design so as to see the performance of Spice Export and its determinants.

3.8 Ethical Considerations

Conducting research, its design, data collection strategy, etc. requires acceptable ethical considerations (Saunders, Lewis, & Thornhill, 2009, p. 160). The researcher, therefore, was required to be abide by the ethical research principles. From that point of view, respondents from the targeted area were transparently informed about the objective of the research. The researcher tried to make sure that the covering letter contains information about the investigation, the objectives of the data collection, the voluntary participation of the respondents, assurance regarding confidentiality and anonymity, the intention to reveal the findings up on completion of the study and the contact details of the researcher.

3.9 Research Model Specification

To assess the determinants of export on Spice exporter firms' performance and contingency variables on the same relationship, multiple regression was used with the following model.

$$Yi = \beta 0 + \beta 1X1i + \beta 2X2i + \ldots\ldots\ldots + \beta nXni + \varepsilon i$$

Where: Yi is dependent variable for ith observation

Xi is independent variable for ith observation

β0 is the intercept;

βs are regression coefficients

εi is the error term for ith observation

Where Yi=Organization Performance

β0= Constant

X1i= Nature of the Market

X2i= Marketing Strategy of the Firm

X3i= Managerial Quality of the Firm

X4i= Nature of the Market

X5i= Government Policy and Regulation

Where the ßS are coefficients of independent variables, Xs are column vectors for the independent variables in this case; Nature of the Product, Marketing Strategy of the Firm, Managerial Quality of the Firm, Nature of the Market and Government Policy and Regulation; while **εi** is a vector of errors of prediction.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

In this chapter the researcher presented the main findings from which the analysis was made. The researcher analyzed the results with respect to research objectives and research hypothesis from chapter one. For this purpose, statistical instruments called descriptive statistics such as: mean, mode, median, frequency, standard deviation to perform data analysis were used. Besides the descriptive analysis, inferential statistics is applied to find out the relationship between Performance of the firm with determinant factors hypothesized in the research model. In order to make the data analysis, data was collected using questionnaire designed and prepared.

The chapter presents the study findings, starting with descriptive statistics. Data analysis for descriptive statistics was made possible with the help of Statistical Package for Social Science (SPSS-23) software.

Data Cleaning

According to Table 4.1.2 a total of 140 exporters were targeted to represent the whole spice firm exporters in Ethiopia. Unfortunately, out of that ,133 respondents had given back the completely filled questionnaires and 7 exporters did not return questionnaires complete.

Distribution of Questionnaires and Response Rate;

Table 4. 1 Response Rate

DETAILS	**NUMBERS**	**PERCENTAGE**
Total Questionnaires given	140	100%
Returned Questionnaires	133	95.%
Non-Returned Questionnaires'	7	5.%
Analyzed Questionnaires'	**133**	**95%**

Source: Researcher, 2020

As indicated earlier, this study attempts to examine the determinants of export performance on Spice export firm's in Ethiopia which considers the five factors under considerations as per the

conceptual framework on the firms' performance. A total of 140 questionnaires were distributed among these 133 usable were obtained and used for analysis. Thus, a total of 140 questionnaires were distributed to respondents who are Spice exporters in Ethiopia, however 133 (95%) of them were returned with full information successfully and 7(5%) of them were not returned. Hence, the questionnaire, which is coded and analyzed, had represented 95% response rate. This high response rate increases confidence for the generalization of the study findings.

4.2 Demographic Data of the Respondents

The samples of this study have been classified according to five demographic background information collected during survey. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the number of respondents‟ proportion of males and females" in the sample, range of age, academic qualification of respondents, the responsibility of the respondent, and year of service in the area. The demographic composition of the respondents is summarized. The following tables summarized the demographic compositions of the respondents.

Table 4. 2 Demographic Data of the Respondents

Key: Questionnaires for table 4.2 (1-5) have been annexed at the end of this paper (

Personal Data	Category	Frequency	Percent	Cumulative Percent
Gender	Male	112	84%	84%
	Female	19	14%	98%
	Missing	2	2%	100%
	Total	133	100%	
Age Category of Respondents	18 -29	16	12%	12%
	30 -39	24	18%	30%
	40 – 49	67	50%	80%
	50 – 59	22	17%	97%
	Above 59	4	3%	100%
	Missing	3	2%	
	Total	133	100%	
Education Level	Illiterate	0	0%	0%
	Primary Education	0	0%	0%

	Secondary Education	4	3%	3%
	TVET/Diploma	34	26%	29%
	First Degree	84	63%	92%
	Master's Degree	11	8%	100%
	PHD	0	0%	100%
	Missing	3	2%	
	Total	133	100%	
Work experience of Respondents	< 2 year	12	9%	9%
	2 – 6 year	27	20%	29%
	7 - 10 year	59	44%	74%
	11 - 15 year	23	17%	91%
	16 – 21 year	9	7%	98%
	Above 21 year	1	1%	98%
	Missing	2	2%	**100%**
	Total	133	100%	
Job position	General Manager	41	31%	31%
	Marketing Manager	30	23%	54%
	Expert	59	44%	98%
	Missing	3	2%	**100%**
	Total	133	100%	

Source: researcher's own compilation of Survey data 2020

Accordingly, the respondents were asked to indicate their sex, age, educational level, their position and service years. Thus, the sex distribution shows that 112 of the respondents were male which is 84.2 % and 21 of the respondents were female that is 15.8 %. This implies that majority of the respondents which is 84.2% of the spice export firms operated by male. However,

21(15.8%) of the respondents were female which implies the Spice export firms are also operated by females too.

According to the survey result the age of respondents, 39 of them (29.3%) fall under the age interval between 36-45 followed by 36 respondents those are 27.1% fall under 46-55 age group, 33 respondents which is 24.8 % are >56 the remaining 13, 7, and 5 respondents those who are 9.8%, 5.3% and 3.7% of the respondents fall under the age group of 26-35, 18-25, and missed value respectively. This implies that the majority of the Spice exporters are those who are under the age between 36 to 56 and above which is 81.2 % that indicates the Spice export is held by adult peoples. This also indicates the working age group of the country involved in export.

Moreover, the educational level of the respondents was asked. majority of the respondents 84 (63. %) has first degree, followed by vocational training 34 (26 %), master's holder 11 (8%) and 4 (4%) are Secondary School completed. This indicates that all of the respondents (133) are above the level of secondary school,

The respondents were asked to indicate their responsibility and the service year they have on each spice export firm. Accordingly, the response of the survey is summarized as per the above table majority of the respondents 44% were between 7-10 years of experience in spice export firms followed by 27 which is 20% between 2-6 years of experience, 23 which is 17 % between 11-15 years of experience. The remaining lesss than two years with 9%, 16-20 with 7% and greater than 21 years with 2 % work experience in the area of spice exports. This indicates that majority of the respondents 120 (90.2 %) were above two years of experience in the sector.

Regarding the work positions of the respondents, about 54% of the respondents were managers of the firms and the remaining 44 % were experts in spice export firms. Accordingly, 31% (41) respondents were general managers, 30 (23%) of them were marketing managers and the remaining 59 (44%) were experts/employees.

4.3 Descriptive Statistics

Concerning the perceptions of the respondents on the determinants of export on the Spice Export firms performance in Ethiopia, there were twenty six statements categorized in determinants of export (Nature of the Product, Marketing Strategy of the Firm, Managerial Quality, Nature of the Market, Government Policy and Regulation) on the Spice export firms

performance in Ethiopia and the results are a summary of a five-point Likert scale containing mean, standard deviation (SD) and Skewness.

Table 4. 3 Descriptive Statistics

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error
Determinants of export performance	126	3.4306	.67350	.160	.216
Export Performance of the Firm	124	3.3938	.78183	-1.331	.217
Valid N (listwise)	124				

Source: researcher's own compilation of Survey data 2020

The results, presented in table 4.5, indicate that Determinants of Export are with a mean value of (m=3.43). Furthermore, Spice export firm's performance within the premises of determinants of export is significant. consequently respondents have in general a positive perception towards determinants of export on Spice export firm's performance.

4.4 Data Analysis

4.4.1 Correlation Analysis

The correlation coefficient depicts the basic relationship across two variables: "Do two variables tend to increase together (Co-together) or to change in opposite directions and, if so, by how much? The two most commonly used statistical techniques to analyze relationships between continuous variables are the Pearson correlation and linear regression.

The Pearson correlation coefficient is used to quantify the strength and direction of the relationship between continuous variables. The primary objective of correlation analysis is to measure the strength or degree of linear association between two variables. The correlation coefficient examines the strength and direction of the linear relationship between two variables. Since the correlation analysis shows the degree of association between variables and that indicates the direction in which the variables associate - positively or negatively. The strength of association can be categorized from very low with correlation coefficient (r) less than 0.2 to very high with coefficient greater than 0.9. The sign of the relationship indicates the direction of relationship. A correlation of 0 indicates there is no straight- line relationship at all (SPSS v.23 manual). Correspondingly, the effect size for a correlation measures the strength of the

relationship. For correlation, r serves as the numeric measure of the effect size whose strength can be interpreted as follows; -

Correlation coefficient	**Interpretation**	
(-1.00 to -0.8]	Strong	
(-0.8 to -0.6]	Substantial	
(-0.6 to -0.4]	Medium	Negative
(-0.4 to -0.2]	Low	
(-0.2 to 0.2)	Very Low	
[0.2 to 0.4)	Low	
[0.4 to 0.6)	Medium	Positive
[0.6 to 0.8)	Substantial	
[0.8 to 1.00)	Strong	

Effect sizes smaller than 0.10 would be considered trivial. These terms (small, medium, and large) associated with the size of the correlation are intended to provide users with a specific word that can be used to describe the strength of the correlation in a write-up (SPSS v.23 manual).

The illustration below specifies the correlation coefficients for the relations between the control variables, independent and dependent variables. In this correlation analysis it is relevant to focus mainly on the relationship that exists between the dependent variable and the other categories.

Whereas Determinants of Export and the Spice export firms performance, are with very high correlation coefficient which indicates the large effect of one variable over the other and their association is statistically significant.

However, the most significant element in this correlation analysis is the relationship between the dependent variable and other explanatory variables. Both the level and direction of their association allows for other higher-level analyses in the research. Thus, as a rule strong correlation between dependent and independent variables is recommended. In general correlation coefficients greater than 0.7 are considered as high correlation.

Table 4.4 below shows, Spice export firms' performance and determinants of export performance construct to be strong and positively correlated (r=0.711, P<0.01). Specifically, each determinants of export performance such as Nature of the Product (r=0.655, P<0.01), Marketing Strategy of the Firm (r=0.678, P<0.01), Managerial Quality of the Firm (r=0.769, P<0.01), Nature of the Market (r=0.319, P<0.01) and Government Policy and Regulation (r=-.109, P<0.01) of the correlation coefficient's respectively. These indicates the Nature of the Product and Marketing Strategy of the Firm has substantial degree of positive correlation whereas Nature of the market has a positive correlation. The managerial quality of the firm has strong and positively correlation with export performance. Consequently, the correlation coefficient implies that there is a positive correlation among the dependent and the independent variables. Once strong associations between dependent and independent variables are confirmed from the correlation analysis, further regression analysis can be conducted to make inferences out of their relationship. Whereas Government policy and regulation is negatively related with firm performance in which there is no negligible relationship found among them at (r= -.109).

Table 4. 4 Pearson Correlations

Correlations

		Export Performance of the Firm	Government Policy and Regulation	Nature of the competitive Market of the Firm	Managerial quality of the Firm	Marketing Strategy of the Firm	Nature of the Firm Product
Export Performance of the Firm	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	124					
Government Policy and Regulation	Pearson Correlation	-.109	1				
	Sig. (2-tailed)	.226					
	N	124	127				
Nature of the competative Market of the Firm	Pearson Correlation	.319**	.397**	1			
	Sig. (2-tailed)	.000	.000				
	N	124	127	129			
Managerial quality of the Firm	Pearson Correlation	.769**	-.104	.466**	1		
	Sig. (2-tailed)	.000	.245	.000			
	N	124	127	128	128		
Marketing Strategy of the Firm	Pearson Correlation	.678**	-.024	.496**	.592**	1	
	Sig. (2-tailed)	.000	.786	.000	.000		
	N	124	126	128	127	128	
Nature of the Firm Product	Pearson Correlation	.652**	-.065	.218*	.552**	.175*	1
	Sig. (2-tailed)	.000	.470	.014	.000	.050	
	N	124	127	127	127	126	127
Determinants of Export Performance	Pearson Correlation	.666	.464	.814	.734	.687	.509

**. Correlation is significant at the 0.01 level (2-tailed).
Correlation is significant at the 0.05 level (2-tailed).

4.4.2 Diagnostics of Assumptions in Regression

Regression analysis is about predicting the future (the unknown) based on data collected from the past (the known). A regression analysis determines the mathematical equation to be used to figure out what will happen, within a certain range of probability. It analyzes one variable, the dependent variable, taking into consideration the effect on it by one or more factors, the independent variables. The analysis determines that some independent variables have more effect than others, so their weights must be considered when they are the basis of a prediction. Regression analysis, therefore, is the process of looking for predictors and determining how well they predict.

The regression with only one independent variable considered, is a simple regression. But this study uses more than one independent variable, it uses multiple regressions analysis that shows the influence of two or more variables on a designated dependent variable. The result of this sequence is to produce a regression analysis that identifies which of the Determinants of Export as predictors (Nature of the Product, Marketing strategy, Managerial Quality, Nature of the Market, and Government Policy and Regulations) have the greatest influence on the dependent variable (Spice Export Performance) in Ethiopia.

Formerly conducting a regression analysis, the basic assumptions concerning the novel data must be made. This is a required prerequisite in explaining the relationships between dependent and explanatory variables. Five major assumptions have to be checked and proved to be met reasonably well. In this study these important least square assumptions were checked and explained as follows.

4.3.2.1 Linearity

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables (Darlington, 1968). To determine whether the relationship between the dependent variable Spice Export Firms Performance and the predictor variable Determinants of Export, is linear; plots of the regression residuals through SPSS V23 software had been used. To test the linearity of associations, scatter plot diagram with line of fit can be used to see if the distribution can be represented by linear relationship.

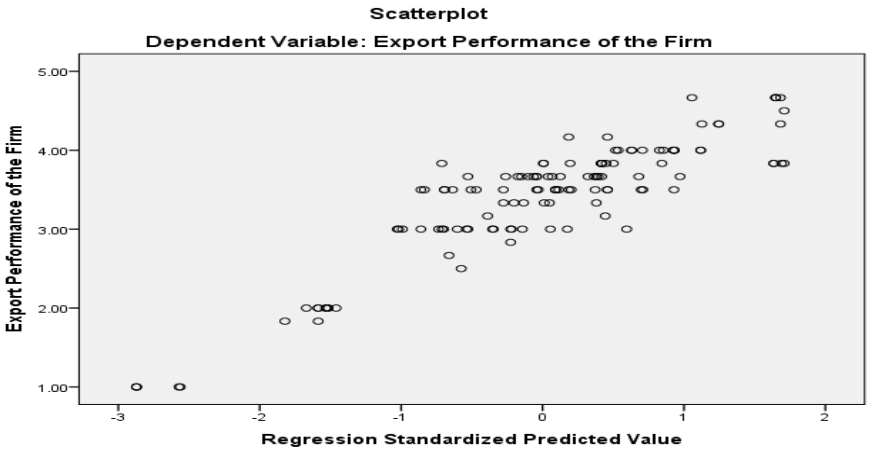


Figure 4. 1 Scatter Plot with Fit Line

Source: Own Survey, SPSSv23, 2020

From the above graph the scatter plot of residuals shows no large difference in the spread of the residuals as you look from left to right on the diagonal on figure above. This result suggests the relationship we are trying to predict is linear. as shown in Figure, all the two relationships between dependent and independent variables (Performance with determinants of export) fit reasonably with linear pattern and it holds that linearity assumption is met.

4.3.2.2. Normality

Secondly, the linear regression analysis requires all variables to be multivariate normal (Darlington, 1968). This assumption can best be checked with a histogram and a fitted normal curve or a P-P Plot. As per the Classical Linear Regression Models assumptions, the error term should be normally distributed or expected value of the error's terms should be zero (E(ut)= 0). Thus, the closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.

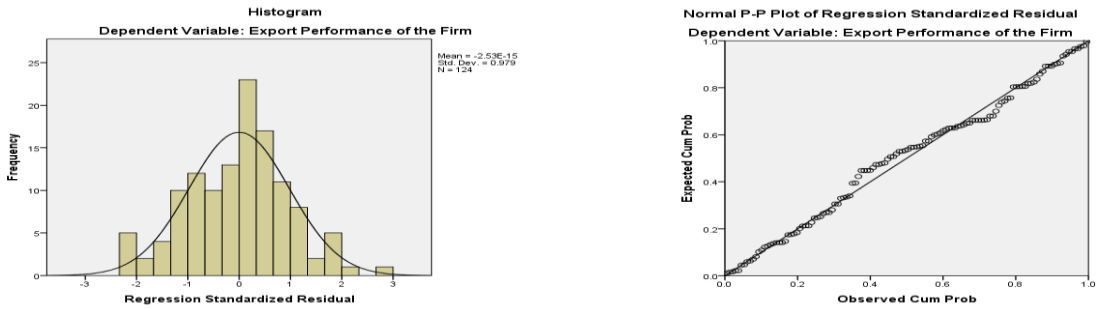


Figure 4. 2 Histogram and P-Plot of Standardized Residuals

Source: Own Survey, SPSSv23, 2020

The histogram in Figure looks normal and, in the P-P plots also the dots are reasonably closer to the normal line. The combination of both inspections support that the residuals are normally distributed. As you can see, although there are some residuals (e.g. those occurring around 0) that are not that much far away from the curve, many of the residuals are fairly close to 0. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

4.3.2.3. Multicollinearity Test between Study Variables

Thirdly, linear regression assumes that there is little or no multi-co linearity in the data. Multicollinearity is a Statistical phenomenon in which predictor variable in a logistic regression model are highly correlated. Multicollinearity occurs when the independent variables are not independent from each other. A second important independence assumption is that the error of the mean has to be independent from the independent variables. Thus, the finding shows that: -

Correlation matrix: - when computing the matrix of Pearson's Bivariate Correlation among all independent variables the correlation coefficients need to be smaller than 1. Thus, from this research finding correlation table indicates that the independent variable has correlation coefficient less than one.

Tolerance: - the tolerance measures the influence of one independent variable on all other independent variables; the tolerance is calculated with an initial linear regression analysis. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multi Collinearity

Tolerance is defined as $T = 1 – R^2$ for these first step regression analysis. Thus, from the finding in coefficient table the tolerance value except Control variable tolerance value were equal to one.

Variance Inflation Factor (VIF): -the variance inflation factor of the linear regression is defined as VIF = 1/T. Similarly, with VIF > 10 there is an indication for multicollinearity to be present; with VIF > 100 there is certainly multicollinearity in the sample. Thus, from the coefficient table all VIF values are less than 10. Simply the value is not more than 1.0, this confirms there is no violations of little or no Multicollinearity between independent variables.

Simply, from the below correlation table 4.6 there is no strong pair-wise correlation between the explanatory variables (Predictors) As a rule of thumb, intercorrelation among the independent variables above 0.80 signals a possible multi-co linearity problem. In this study the three tolerances are above 0.4 and, therefore, the amount of variation in that construct is not explained by other predictors. All of them indicated that there is no multicollinearity problem.

Table 4. 4 Collinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.368	.177		2.084	.039
	Nature of the Firm Product	.409	.048	.427	8.476	.000
	Marketing Strategy of the Firm	.361	.039	.509	9.281	.000
	Managerial quality of the Firm	.241	.048	.326	5.030	.000
	Nature of the competitive Market of the Firm	-.157	.045	-.198	-3.501	.001
	Government Policy and Regulation	.026	.027	.045	.938	.350

a. Dependent Variable: Export Performance of the Firm

Source: Own Survey, SPSSv23, 2020

4.3.2.4. Homoscedasticity

Homoscedasticity test, which refers to whether residuals are equally distributed, or presence of equality of variance/homogeneity of variance (Osborn & Waters, 2002). Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value. If the error terms are distributed randomly with no certain pattern, then the problem is not detrimental for analyses. Figure below shows that the standardized residuals in this research are distributed evenly indicating heteroscedasticity is not a serious problem for this data.

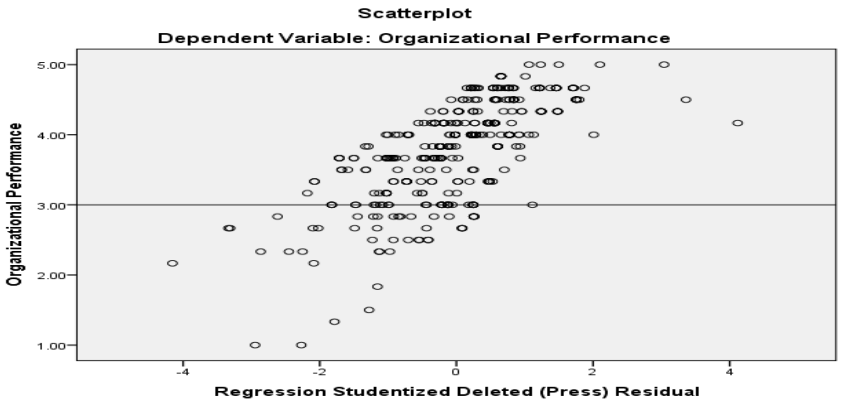


Figure 4. 3 Scatterplot of Standardized Residuals

Source: Own Survey, SPSSv23, 2020

4.3.2.5 Autocorrelation

Autocorrelation refers to the degree of correlation between the values of the same variable across different observations in the data. Thus, autocorrelation or the independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently (Stevens, 2009). Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern that implies greater positive or negative autocorrelation.

The table above implies that the DW value is close to 1, and autocorrelation is not a concern with Durbin-Watson value of 1.869. Therefore, it is possible to say the auto-correlation test has been met.

Table 4. 5 Durbin Waston Statistics

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.898[a]	.806	.798	.35153	.869

a. Predictors: (Constant), Government Policy and Regulation, Marketing Strategy of the Firm, Nature of the Firm Product, Nature of the competitive Market of the Firm, Managerial quality of the Firm

b. Dependent Variable: Export Performance of the Firm

Source: Own Survey, SPSSv23, 2020

4.5. Regression Analyses and Hypotheses Testing

Regression analysis is about predicting the future (the unknown) based on data collected from the past (the known). A regression analysis determines the mathematical equation to be used to figure out what will happen, within a certain range of probability. It analyzes one variable, the dependent variable, taking into consideration the effect on it by one or more factors, the independent variables. The analysis determines that some independent variables have more effect than others, so their weights must be considered when they are the basis of a prediction.

Regression analysis, therefore, is the process of looking for predictors and determining how well they predict. When only one independent variable is considered, it's called a simple regression. But this study uses more than one independent variable, it uses multiple regressions analysis that shows the influence of two or more variables on a designated dependent variable.

Multiple regression is an extension of simple linear regression. It is used when we want to predict the value of a variable based on the value of two or more other variables. The variable we want to predict is called the dependent variable (or sometimes, the outcome, target or criterion variable). The variables we are using to predict the value of the dependent variable are called the independent variables (or sometimes, the predictor, explanatory or regressor variables).

The result of this sequence is to produce a regression analysis that identifies as a predictor which are determinants of export performance (Nature of the Product, Marketing strategy, Managerial Quality, Nature of the Market, and Government Policy and Regulations) have the greatest influence on the dependent variable (Spice Export Performance).

Multiple regression also allows to determine the overall fit (variance explained) of the model and the relative contribution of each of the predictors to the total variance explained. Multiple regression has been used to test the research hypotheses.

The results of multiple regression analysis where enter entry method used a dependent variable and any number of predictor (independent) variables designated are presented in the table.

Table 4. 6 Dirrect effect Statistics

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.898[a]	.806	.798	.35153	.869

a. Predictors: (Constant), Government Policy and Regulation, Marketing Strategy of the Firm, Nature of the Firm Product, Nature of the competitive Market of the Firm, Managerial quality of the Firm

b. Dependent Variable: Export Performance of the Firm

Source: Own Survey, SPSSv23, 2020

The first statistic to look for in SPSS output when performing regression analyses if Sig.-F is significant or not by seeing ("ANOVA") table. The table shows the goodness of fit of the model. The lower this number, the better the fit. Typically, if "Sig." is greater than 0.05, we conclude that our model could not fit the data (See annex E) If Sig. < .01, then the model is significant at 99%, if Sig. < .05, then the model is significant at 95%, and if Sig. <.1, the model is significant at 90%. Significance implies that we can accept the model. If Sig>., 1 then the model was not significant (a relationship could not be found) or "R-square is not significantly different from zero."

The table above illustrates the correlation coefficient, denoted by R, become 0.898 at 5% significance level. To be precise, R (the multiple correlation coefficient) shows the relationship between the study variables. Thus, the finding indicates that there was a strong relationship between the variables under consideration. The R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable and the findings in the above table revealed that the value of R squared was 0.806. It shows 80.6% variation on performance of the organization emanates from the determinants of export (Nature of the Product, Marketing Strategy of the Firm, Managerial Quality of the Firm, Nature of the Market, Government Policy and Regulation). In fact, it is a strong explanatory power of regression and the remaining unexplored variables may explain the variation in performance of agents.

The regression model summary presents how much of the variance on organization performance is explained by the predictor variables. The adjusted R square indicates 79.8% of the variation in Spice export firm's performance is explained by the combined effect of the five predictor variables, i.e. Nature of the product, marketing strategy, managerial quality, nature of the product and government policy and regulation.

Table 4. 7 ANOVA Analysis Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.604	5	12.121	98.087	.000[b]
	Residual	14.581	118	.124		
	Total	75.185	397			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Competitive Aggressiveness(D4), Innovativeness (D1), Risk Taking(D3), Proactiveness (D2)

Source: Own Survey, SPSSv23, 2020

The ANOVA tells us whether the overall model is statistically significant and is good in predicting the outcome variable. (F) Value is (98.087) at 0.000 p- value which indicates that the regression model is fit and significant. This implies if we take the five predictor variables together as a group, they predict the organization performance significantly.

Table 4. 8 Durbin Waston Statistics

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.368	.177		2.084	.039
	Nature of the Firm Product	.409	.048	.427	8.476	.000
	Marketing Strategy of the Firm	.361	.039	.509	9.281	.000
	Managerial quality of the Firm	.241	.048	.326	5.030	.000
	Nature of the Competitive Market of the Firm	-.157	.045	-.198	-3.501	.001
	Government Policy and Regulation	.026	.027	.045	.938	.350

a. Dependent Variable: Export Performance of the Firm

Source: Own Survey, SPSSv23, 2020

The coefficient table indicates level of effect of each variable has on the dependent variable. The highest beta value of Time β = 0.409 indicates that the variable "Nature of the Product" has relatively a strong degree of importance for spice export firms' performance followed by marketing strategy of firms with the value of β = 0.361 than any other variables in the study. Managerial Quality of the and Government policy and regulation variables and their degree of importance beta values are β=0.241, and β=0.026 respectively regarding the spice export firms performance. Regarding the nature of the market it has very week importance on firm's performance with β=-0.157. Therefore, except the Nature of the market the predictor variables are statistically significant and have a positive impact on the firms Performance since their p- value is < 0.05. Standardized coefficient (Beta value) indicates the degree of importance each variable has towards firm's performance as a result, the affecting variables can be ranked in the following order on the basis of their contribution.

Nature of the Product comes first with the highest standardized beta value (β =0.409), followed by Marketing Strategy of the firms (β =0.361) and Managerial Quality of the Firms

ranked third with beta value (β =0.241), the Furth one is Government Policy and Regulation with beta value (β=.026), Fifth and the least one is Nature of the Market with (β =-0.157). In addition, the beta value on the coefficients table indicates the level of effect or impact each variable has on the dependent variable. If we consider Nature of the Product, the one with the highest standardized beta value, for every additional standard deviation (SD) of competitiveness that the organization arise, one would expect a gain of 0.427 SD points on the firm's performance achieved, other variables are held constant. If we use the unstandardized beta value, the expression will be as follows: for action to be aggressively competitor by the one would expect a 0.409-unit increase in firm's performance. Therefore, from among the five variables, Nature of the Product contributes the strongest unique factor on firms export performance. Thus, Spice exporters should focus on keeping its on Product Quality, marketing strategy, Managerial capability, and government policy and regulations respectively.

H1: Nature of the Product will positively relate to firm performance in that firms with higher level of quality product will have higher export performance.

In the regression analysis, among the internal factors that affect the export performance nature of the product has been introduced in Model 1 (Table 4.5) to see the determinants of export performance in spice exporter firms in Ethiopia on their performance. Consistent with the initial proposed hypothesis, Nature of the product has positive and statistically significant effect on spice exporter firm's performance (standardized $\beta = 0.427$, $p<0.01$). These statistics supported hypothesis 1 which posits Nature of the Product is positively related to Spice exporter firm's performance in such firms with higher quality of product achieve higher performance compared to those with lower quality product.

The positive and significant universal factors of export performance in this study is consistent with prior empirical researches as mentioned in empirical literature.

Table 4. 9 Spearman's Correlations

Correlations

			Export Performance of the Firm	Nature of the Firm Product
Spearman's rho	Export Performance of the Firm	Correlation Coefficient	1.000	.673**
		Sig. (2-tailed)	.	.000
		N	124	124
	Nature of the Firm Product	Correlation Coefficient	.673**	1.000
		Sig. (2-tailed)	.000	.
		N	124	127

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

Source: Own Survey, SPSSv23, 2020

As indicated in the above Table calculated significance value 0.01 was less than the critical value of 5% significance. As well as per the correlation data there was strong relationship between independent variable (Nature of the Product) and the dependent variable (Firm Export Performance) because the calculated correlation coefficient **0.673**** shows that there was a strong and positive relationship between the two variables. As a result, the first hypothesis "Nature of the Product will positively relate to firm performance" in that firms with higher level of Innovation will have higher performance" was not rejected. This implying that there is a positive significant relationship between Nature of the product and export performance in Spice export Firms in Ethiopia. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted.

H2: Marketing Strategy of the Firm will positively relate to firm performance in that firms with Strong Marketing Strategy will have higher export performance.

Marketing strategy of the Firm has been introduced in Model 1 (Table 4.5) to see the direct effect of Spice export firm's performance. Consistent with the initial proposed hypothesis, The Firms marketing strategy has positive and statistically significant effect on Spice export firms performance (standardized $\beta = 0.509$, $p<0.01$. These statistics supported hypothesis 2 which posits entrepreneurial Marketing Strategy of the firm" is positively related to spice export firms performance in that organizations with strong marketing achieve higher performance compared to those with weak marketing strategy. The positive and significant universal effect of marketing strategy on firms performance in this study is consistent with prior empirical researches as mentioned in empirical Literature.

Table 4. 10 Spearman's Correlations

Correlations

			Export Performance of the Firm	Marketing Strategy of the Firm
Spearman's rho	Export Performance of the Firm	Correlation Coefficient	1.000	.517**
		Sig. (2-tailed)	.	.000
		N	124	124
	Marketing Strategy of the Firm	Correlation Coefficient	.517**	1.000
		Sig. (2-tailed)	.000	.
		N	124	128

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

Source: Own Survey, SPSSv23, 2020

As indicated in the above table calculated significance value 0.01 was less than the critical value of 5% significance. As well as per the correlation data there was strong relationship between independent variable (Marketing Strategy) and the dependent variable (Firm Performance) because the calculated correlation coefficient **0.517**** shows that there was a strong and positive relationship between the two variables. As a result, the second hypothesis "Marketing Strategy of the Firm" will positively relate to firm performance" in that firms with Strong Marketing strategy will have higher performance was not rejected. This implying that there is a positive significant relationship between marketing strategy and Spice export firm's performance Ethiopia. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted.

H3: Managerial quality of the Firm will positively relate to firm performance in that firms with higher quality of will have higher performance.

Managerial quality of the firm has been introduced in Model 1 (Table 4.5) to see the direct effect of managerial quality on spice export firms performance. Consistent with the initial proposed hypothesis, Managerial quality has positive and statistically significant effect on firms performance (standardized $\beta = 0.326$, $p<0.01$). These statistics supported hypothesis 3 which posits "Managerial Quality" is positively related to spice export firms performance in such a way that firms with strong management achieve higher performance compared to those with weak management quality.

The positive and significant universal effect of managerial quality on firms performance in this study is consistent with prior empirical researches as mentioned in a meta-analysis.

Table 4. 11 Spearman's Correlations

Correlations

			Export Performance of the Firm	Managerial quality of the Firm
Spearman's rho	Export Performance of the Firm	Correlation Coefficient	1.000	.684**
		Sig. (2-tailed)	.	.000
		N	124	124
	Managerial quality of the Firm	Correlation Coefficient	.684**	1.000
		Sig. (2-tailed)	.000	.
		N	124	128

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

Source: Own Survey, SPSSv23, 2020

As indicated in the table above calculated significance value 0.01 was less than the critical value of 5% significance. As well as per the correlation data there was strong relationship between independent variable (Managerial Quality) and the dependent variable (Firms Performance) because the calculated correlation coefficient **0.684**** shows that there was a strong and positive relationship between the two variables. As a result, the third hypothesis "Managerial Quality" will positively relate to firm performance" in that firms with higher managerial quality will have higher performance was not rejected. This implying that there is a positive significant relationship between Managerial Quality and spice exporter firms performance in Ethiopia. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted.

H4: "Nature of the Market" will positively relate to firm performance in that firms with higher Competitive Market will have higher performance.

Nature of the Market "Existence of competitive Firms" has been introduced in Model 1 (Table 4.5) to see the direct effect of existence of competitive firms on spice export performance. Consistent with the initial proposed hypothesis, Existence of Competitive Firms in the industry has negative and statistically insignificant effect firms performance (standardized β =- 0.198, $p<0.01$).These statistics does not supported hypothesis 4 which posits Existence of competitive firms in the industry is positively related to Spice exporter firms performance in that organizations with higher level of Competitive firms achieve higher performance compared to those with lower competitive firms in the industry. The positive

and significant universal effect of Competitive Firms existence in the industry on export performance in this study is consistent with prior empirical researches.

Table 4. 12 Spearman's Correlation

			Export Performance of the Firm	Nature of the competitive Market of the Firm
Spearman's rho	Export Performance of the Firm	Correlation Coefficient	1.000	.166
		Sig. (2-tailed)	.	.065
		N	124	124
	Nature of the competitive Market of the Firm	Correlation Coefficient	.166	1.000
		Sig. (2-tailed)	.065	.
		N	124	129

Source: Own Survey, SPSSv23, 2020

As indicated in table above calculated significance value 0.01 was less than the critical value of 5% significance. As well as per the correlation data there was negative relationship between independent variable (Nature of the Market) and the dependent variable (Firms performance) because the calculated correlation coefficient **0.166** shows that there was not strong and negative relationship between the two variables. As a result, the Forth hypothesis "Nature of the Market" will Negatively relate to firm performance" in that firms with existence of Competitive Firms in the industry will have an effect on export performance was rejected. This implying that there is a positive significant relationship between competitive firms existence in the industry and export firms performance in Ethiopia. Thus, the null hypothesis is accepted and the alternative hypothesis is not rejected.

H5: "Government Policy and Regulations" will positively relate to firm performance in that firms with higher Competitive Market will have higher performance.

Government Policy and regulations has been introduced in Model 1 (Table 4.5) to see the direct effect of government policy and regulation firms on spice export performance. Consistent with the initial proposed hypothesis, Government Policy and Regulation has positive and statistically insignificant effect firms performance (standardized $\beta = 0.045$, $p<0.01$).These statistics supported hypothesis 4 which posits Government policy and Regulation is positively related to Spice exporter firms performance in that firms with the support of Government policy and regulation achieve higher performance compared to those with no supported firms in the industry. The positive and significant universal effect of

Competitive Firms existence in the industry on export performance in this study is consistent with prior empirical researches.

Table 4. 13 Spearman's Correlations

Correlations

			Export Performance of the Firm	Government Policy and Regulation
Spearman's rho	Export Performance of the Firm	Correlation Coefficient	1.000	-.115
		Sig. (2-tailed)	.	.204
		N	124	124
	Government Policy and Regulation	Correlation Coefficient	-.115	1.000
		Sig. (2-tailed)	.204	.
		N	124	127

Table 4. 14 Spearman's Correlations

Source: Own Survey, SPSSv23, 2020

As indicated in table above calculated significance value 0.01 was less than the critical value of 5% significance. As well as per the correlation data there was strong relationship between independent variable (Nature of the Market) and the dependent variable (Firms performance) because the calculated correlation coefficient **-0.155** shows that there was a weak and Negative relationship between the two variables. As a result, the Fifth hypothesis "Government Policy and Regulation" will positively relate to firm performance" in that firms with the support of government policy and regulation will have an effect on export performance was rejected. This implying that there is a negative insignificant relationship between government policy and regulation in spice export industry and firm's performance in Ethiopia. Thus, the null hypothesis is accepted and the alternative hypothesis is rejected.

4.6 Summary of the Proposed Hypothesis

The hypotheses of the study are tested through multiple regression analysis by taking the determinants of export on dependent and Independent variable the results are summarized below:

Table 4. 15 Summary of the Hypothesis

Hypothesis	Result
H1: The Nature of the Product of the Firm will positively relate to spice export firm's performance in Ethiopia spice export industry.	**Accepted**
H2: Marketing Strategy of the Firm will positively relate to spice export firm's performance in Ethiopia spice export industry.	**Accepted**
H3: Managerial quality of the Firm will positively relate to spice export firm's performance in Ethiopia spice export industry.	**Accepted**
H4: Nature of the Market "Existence of Competitive Firm "will positively relate to spice export firm's performance in Ethiopia spice export industry.	**Rejected**
H5: Nature of the Product will positively relate to spice export firm's performance in Ethiopia spice export industry.	**Rejected**

Source: Own Survey, SPSSv23, 2020

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The study set out to assess the determinants of export on spice export firm's performance in Ethiopia. The study was focused on the internal and external factors of export performance whose influence on the dependent variable (Export performance) was assessed: Nature of the Product, Marketing Strategy of the Firm, Managerial quality of the Firm from the Internal Factor and Nature of the Market and Government Policy and Regulation from the External factors were included in the study as independent variable of the study. With the objective of assessing the determinants of export on Spice export firm's performance in Ethiopia.

The study used both quantitative data to determine which factor has the dominant influence on the export marketing performance of the subject firms. In order to answer the research question, therefore, all active members of Ethiopian Spices Exporters were included in the study. Accordingly, the study distributed 140 questionnaires, 133 respondents replied the questionnaires which indicate 95% of response rate.

I summarized the major findings that are related to the export determinants and their associated effects on the firms' export marketing performance. All the variables and the respective measurements in this research are based on theory adopted from literatures. The reliability and validity of the constructs and items were tested as per the recommendations made in literatures.

The relationship between variables which is their correlation was conducted and the result shows that determinants of export performance has strong significance and positive relation with organization performance. The independent variables Nature of the Product, Marketing Strategy of the Firm, Managerial Quality of the Firms, Nature of the Market, and Government Policy and Regulation has positive and moderate correlation with Firms performance independently. Accordingly, Nature of the Product and Marketing strategy of the firm has substantial degree of positive correlation with spice export firm's performance, Managerial Quality has strong positive correlation with spice export firm's performance. However, government policy and regulation have a negative correlation with firms export performance.

Multi-co linearity test result shows that the independent variables do have a linear relation with the dependent variable. In the previous chapter the computation shows there is no a serious multi-co linearity problem between the variables. To test the research hypotheses, multiple regression analysis has been applied and the findings are summarized.

Before the regression analysis the correlation between variables is examined and it is confirmed that there is strong association between the majority of independent variables except government policy and regulation and the dependent variables each ranging from r -0.198 to 0.666 and the comprehensive value of EO r =0.666. This is an indication that the five determinants of export have moderate relationship with spice export performance. The correlation among the independent and dependent variables in these cases are moderate and free from multicollinearity problem.

Multiple linear regression analysis was also conducted to check if the fifth determinants of export affect the spice export firms performance. The results obtained reveals that adjusted R^2= .806 which indicates that 80.6% of the variation in organization performance is explained by the five determinants (Nature of the Product, Marketing Strategy of the Firm, Managerial Quality of the Firm, Nature of the Market and Government Policy and Regulation) with p= 0.000 which indicates a high significant regression model. The result of multiple regression analysis reveals that the three (Nature of the Product, Marketing Strategy, and Managerial Quality of the Firm) has a direct significant effect with firms export performance.

Generally, the multiple regression made for the five independent variables (predictors) and the dependent variable has resulted an acceptable model [F statistic (98.087) and sig. value 0.000]. The coefficients of standardized estimation result indicate that, out of the five independent variables considered in the model, Marketing Strategy related factors has the highest beta coefficient, which is (β=.509), this confirms that it has higher level of sensitivity to the subject Spice export firms' performance, followed by the nature of the product with coefficient of (β=.427), and Managerial Quality of the firms with a coefficient of (β=.326).

Hypothesis test result: Since the concern of this study is on testing the multiple determinants of Spice export firm's performance, except the Government Policy and regulation and Nature of the market related factors, the other determinants shall be supported.

The regression analysis also revealed the most important determinants of spice export performance to be Marketing Strategy of the Firm, followed by Nature of the Market, Managerial Quality of the Firm, Government Policy and Regulation , and finally nature of the market with beta value of (β =.509), (β =.427),(β =.326) (β =.045), & (β =-.198), along sig=.000, sig=.000, sig=.000, and sig=.001, sig=.350 respectively, which is consistent with the higher ranked scores observed in the Pearson correlation coefficient.

Generally, determinants of export (Nature of the Product, Marketing Strategy of the Firm and Managerial Quality of the firm has positive and significant effect on export performance that are tested in this research.

5.2 Conclusion

Based on the findings summarized in section 5.1 the following major conclusions are drawn. According to the multiple regression result reports, the three determinants, which are considering the internal factors of export performance in spice export firms related factor had a significant effect on spice export performance while the remaining variables, government policy and nature of the market which are the external factors had no significant effect on exporters performance. From the empirical results obtained through questionnaire, and documents analysis, the internal and external factors of export determinants that are discussed in most empirical literature seemed to be very contextual when they are considered in Ethiopian export market situation. The determinant factors have embraced the spice export performance of the nation. This further indicates the export performance of the country on the sector which otherwise might also be affected by any other determinants that were explained in most literature—managerial competencies (Cavusgil, 1984), firm capacity (Zou, Fang, and Zhao, 2003), product characteristics ((Sisay, 2018), foreign market characteristics, (Julain, 2003), and marketing strategy (Tesfom & Lutz, 2006) do have an effect on the export marketing performance of a firm.

5.3. Recommendation

The study focused on the determinants of export on spice export firm's performance in Ethiopia. Based on the discoveries made in this study it can be established that both the internal and external factors of export will stimulate organization performance in Ethiopia spice export sector. Accordingly, given the significant & positive relationships between the predictor variables (Nature of the Product, Marketing Strategy of the Firm, Managerial Quality of the Firm, Nature of the Market and Government Policy and Regulation) and the

outcome variable (Spice export firms Performance), the following recommendations are forwarded for a better and more impact on export Performance. Hence, to the research findings and the concluded notions the following main recommendations are forwarded:

- Companies working on the Spice export sector should give a greater emphasis for quality product selection and by far they should support intermediaries and farmers for better quality product generation since it has a huge impact on the success of all channel members.
- Firms focusing on the spice export sub sector should be keen on designing successful marketing strategy to be competent on the international market and thus they should nominate experts on designing their marketing strategy at the international level.
- Since Managerial quality of the firm has significant impact on the success of every Exporter in the spice sub sector, Firms should not be reluctant on building a staff with ideal managerial capability.
- The main regulatory body, Ministry of Trade, should support the exporters in its policy, procedures rules and regulations so as to be competitive in the international Market and to focus on developing quality products that meet international standards.

Overall, the study has mainly focused on assessing the determinants of export performance on spice exporter firm's performance in Ethiopia. Nonetheless, the findings should be interpreted carefully; as there are a number of drawbacks which have an effect on export performance of the respondents. Further research may elaborate the identified factors, most importantly, a deep investigation can be made on the external factors that will affect the sector.

5.4. Future Research

Regarding the future studies the researcher recommends the following points to be addressed by the future researchers for those who are interested in the area of Spice exporter firms Performance. Thus, additional researches are required concerning interaction of the determinants with several social, economic, political, environmental factors and assess its impact on performance.

Currently, the model has been tested for selected spice exporter firms. Future research could expand the study firms and, for example, include larger exporter firms in the country.

The study focuses on five determinant factors of export, while some articles suggest there are more than five determinants. Now I have established that the internal determinants of export

performance have a positive effect on firms' performance, it would be interesting to see whether these dimensions have a separate, different or additional effect on other areas.

The study also suggest that future studies should investigate the interplay of the determinants further, and consider antecedents, moderators, mediators and performance outcomes.

It would be interesting to control the analysis not only by size of firms, but also by age, in order to see if there are differences between young and established firms.

The investigation of the determinants and their effects on performance over a longer period of time might provide further insights about the reliability of the results in a long-term perspective.

The study recommends taking cultural, situational and psychological factors into consideration, as these factors could explain and verify the results.

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Annexes

Annex 1: - Questionnaire

ADDIS ABEBA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING POST GRADUATE PROGRAM

Questionnaire to be filled by exporters

This questionnaire is designed by Aklilu Shumete, the final year Masters in Marketing Management student of ADDIS ABEBA UNIVERSITY for research project entitled "**DETERMINANTS OF SPICE EXPORT PERFORMANCE IN ETHIOPIA**". The information that you offer me with this questionnaire will be used as a primary data in which I am conducting as a partial requirement of Masters of Marketing Management. Hence, this research is believed to be evaluated in terms of its contribution towards investigating the Determinants of spice export in Ethiopia along with its performance. The information supplied by you is strictly held confidential and used for academic purpose only.

General

Instructions

- *There is no need of writing your name.*
- *In all cases, where answers to options are available, please tick "√" in the appropriate box.*
- *For questions that demand your opinion, please try to honestly describe your responses on the space provided.*

Thank you in Advance for your kind cooperation in filling up this questionnaire.

Section I: Personal Data

Please, indicate your response by placing "√" in the box

1. Gender ☐ Male ☐ Female

2. Age ☐ 18 -25 ☐ 26 -35 ☐ 36 – 45 ☐ 46 – 55 ☐ Above 56

3. Educational Background ☐ Illiterate ☐ Primary Education ☐ Secondary Education ☐ TVET/Diploma ☐ First Degree ☐ Master's Degree ☐ PHD

4. Job Position

☐ General Manager ☐ Export (Marketing) Manager

☐ Expert in Export Department ☐ Other

5. How long have you been working in your current position?

☐ Less than 2 year ☐ 2 – 6 year ☐ 7 – 10 year

☐ 11 – 15 year ☐ 16 – 20 year ☐ 21 and Above

Section II: Five Point Likers Scale

Please complete the following questionnaire on scale of 1 to 5. Please, indicate your response by placing "√" in the box

1- Strongly disagree, 2- Disagree, 3- Neutral, 4- Agree, and 5- Strongly agree

1. Issues Regarding Firm (exporter) Characteristics

No		Construct	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Nature of product	The firm supply quality product as per the standard specification					
2		The product of the firm has never been rejected due to quality in the host country market					
3		The firm analysis and assure the quality of the product based on stated specification					

4		The firm product has acceptable quality in the host country due to its origin					
5	Marketing strategy	The firm has well defined marketing strategy for its products					
6		The firm has strong market strategy related to promotion to get competitive advantage in the host country					
7		The firm has a better price strategy for its product respective of the competitors					
8		The firm has well identified distribution channels for its products					
9	Managerial quality	The firm has competent and well experienced management personnel					
10		The management always works hard to achieve the firm's objectives					
11		The management allows effective communication with buyers of the product					
12		The management organize and coordinate the firm for better performance					

2. Issues Regarding External Characteristics

No		Construct	Strongly agree	Agree	Neutral	Disagree	Strongly disag
13	Nature of the market	The existence of competitor firms affects the business performance					
14		The existence of spice firm contributes to the firm to well perform on export activates					
15		The existence of network marketing plays vital role in the firm's export					
16		The firm understands the structure and nature of the foreign market					

17	Government rule and regulation	The government supports the sector by its rule, regulation and polices					
18		The government supports the sector by providing the firm's capital					
19		The government provides requirement and up-to-date market information					
20		The government creates awareness related with bilateral and multilateral trade opportunities					

3. Issues Regarding the Firms Export Performance

No	Construct	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
21	The firm has improved international market competitiveness					
22	The firm exporting has strengthened the strategic position					
23	The export marketing performance has resulted in business/firm growth					
24	The Financial Export Performance has increased the profitability of the firm					
25	The firm's export endeavor has fully met the expectation					
26	The firm's export scheme has been successful					

Thank you Very Much!

Annex 2: - SPSS Output

Descriptive

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Gender of the Respondents	131	1	2	1.15	.353
Age of the Respondents	128	1	5	3.59	1.140
Educational Backgrounds of the Respondents	122	2	6	4.50	.874
How long have you been working in your current position	127	2	6	4.08	1.088
Job Position	131	1	4	1.79	.992
Valid N (listwise)	119				

Frequencies

Statistics

		Gender of the Respondents	Age of the Respondents	Educational Backgrounds of the Respondents	How long have you been working in your current position	Job Position
N	Valid	131	128	122	127	131
	Missing	2	5	11	6	2

Frequency Table

Gender of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	112	84.2	85.5	85.5
	Female	19	14.3	14.5	100.0
	Total	131	98.5	100.0	
Missing	9	2	1.5		
Total		133	100.0		

Age of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	7	5.3	5.5	5.5
	26-35	13	9.8	10.2	15.6
	36-45	39	29.3	30.5	46.1
	46-55	36	27.1	28.1	74.2
	>56	33	24.8	25.8	100.0
	Total	128	96.2	100.0	
Missing	9	5	3.8		
Total		133	100.0		

Educational Backgrounds of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primery Education	3	2.3	2.5	2.5
	Secondary Education	15	11.3	12.3	14.8
	TVET/Diploma	29	21.8	23.8	38.5
	First Degree	68	51.1	55.7	94.3
	Masters Degree	7	5.3	5.7	100.0
	Total	122	91.7	100.0	
Missing	9	11	8.3		
Total		133	100.0		

How long have you been working in your current position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2-6 year	6	4.5	4.7	4.7
	7-10 year	35	26.3	27.6	32.3
	11-15 year	46	34.6	36.2	68.5
	16-20 year	23	17.3	18.1	86.6
	21 and above year	17	12.8	13.4	100.0
	Total	127	95.5	100.0	
Missing	9	6	4.5		
Total		133	100.0		

Job Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	General Manager	69	51.9	52.7	52.7
	Export (Marketing) Manager	33	24.8	25.2	77.9
	Expert in Export Department	17	12.8	13.0	90.8
	Other	12	9.0	9.2	100.0
	Total	131	98.5	100.0	
Missing	9	2	1.5		
Total		133	100.0		

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	124	93.2
	Excluded[a]	9	6.8
	Total	133	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.704	.751	6

Item Statistics

	Mean	Std. Deviation	N
Nature of the Firm Product	3.3448	.81500	124
Marketing Strategy of the Firm	3.5565	1.10240	124
Managerial quality of the Firm	3.6492	1.05918	124
Nature of the competative Market of the Firm	3.7056	.99032	124
Government Policy and Regulation	2.9113	1.37012	124
Export Performance of the Firm	3.3938	.78183	124

Regression

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.898[a]	.806	.798	.35153	.869

a. Predictors: (Constant), Government Policy and Regulation, Marketing Strategy of the Firm, Nature of the Firm Product, Nature of the competative Market of the Firm, Managerial quality of the Firm

b. Dependent Variable: Export Performance of the Firm

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.604	5	12.121	98.087	.000[b]
	Residual	14.581	118	.124		
	Total	75.185	123			

a. Dependent Variable: Export Performance of the Firm

b. Predictors: (Constant), Government Policy and Regulation, Marketing Strategy of the Firm, Nature of the Firm Product, Nature of the competative Market of the Firm, Managerial quality of the Firm

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.368	.177		2.084	.039
	Nature of the Firm Product	.409	.048	.427	8.476	.000
	Marketing Strategy of the Firm	.361	.039	.509	9.281	.000
	Managerial quality of the Firm	.241	.048	.326	5.030	.000
	Nature of the competative Market of the Firm	-.157	.045	-.198	-3.501	.001
	Government Policy and Regulation	.026	.027	.045	.938	.350

a. Dependent Variable: Export Performance of the Firm

Charts