ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE

FACTORS AFFECTING COFFEE EXPORT PERFORMANCE; IN ETHIOPIA

By: Martha Endalew

June, 2024

Addis Ababa, Ethiopia

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A THESIS TO BE SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF MASTERS OF ART IN LOGISTICS AND SUPPLY CHIAN MANAGEMENT

ADVISOR: BUSHA TEMESEGEN (PHD)

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APPROVAL SHEET

FACTORS AFFECTING COFFEE EXPORT PERFORMANCE: IN ETHIOPIA

BY

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APPROVED BY BOARD OF EXAMINERS

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CERTIFICATION

This is to certify that Ms. Martha Endalew has completed her thesis work entitled “FACTORS INFLUENCING COFFEE EXPORT PERFORMANCE: IN ETHIOPIA”. As I have evaluated, herresearch is original work and appropriate to be submitted as a partial fulfillment requirement for the Award of Masters Degree in Logistics and Supply chain management.

_____ _____

Thesis Advisor Signature, June 2024

DECLARATION

I, Martha Endalew, hereby declare that the thesis entitled "FACTORS INFLUENCING COFFEE EXPORT PERFORMANCE: IN ETHIOPIA" is my original work and submitted by me for the award of the Degree of Master of Logistics and Supply Chain Management of Addis Ababa University at Addis Ababa and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution and that all sources of material used for the study have been appropriately acknowledged.

Martha Endalew

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Student Signature, June 2024

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List of Acronyms

ADLI Agricultural Development Led Industry

ANOVA Analysis of Variance

AU African Union

BoP Balance of payment

COMESA Common Market for Eastern and Southern Africa

CSA Central Statistical Agency

ECX Ethiopian Commodity Exchange

ERCA Ethiopia Revenue and Customs Authority

FDI Foreign Direct Investment

GDP Growth Domestic Product

GTP Growth and Transformation Period

ICA International Coffee Agreement

ICO International Coffee Organization

LDCs Least Developing Countries

MoT Ministry of Trade

NBE National Bank of Ethiopia

SPSS Statistical Package for Social Science

UNCTAD United Nations Conference on Trade and Development

VIF Variance Inflation Factor

WB World Bank

Abstract

This study aims to investigate the factors affecting coffee export performance in Ethiopia. To address the objective explanatory design was adopted along with quantitative research. The Owners, Export Officers, Export Managers, Marketing Managers, and Experts in the export department with the selected coffee export companies were considered the target study population. A sample size of 120 respondents using a purposive sampling technique was selected. To acquire the intended information the study used primary sources for data collection mainly a self-administer questionnaire. Out of which, a total of 108 respondents valid and usable responses were collected. The collected data was analyzed with the aid of both descriptive and inferential statistics using SPSS version 22.0. The study's findings demonstrated that the export performance of coffee in Ethiopia is significantly influenced by external barriers including factors related to the institutional support environment, the political and regulatory environment, export industry obstacles, export market obstacles, and infrastructure difficulties, while company barriers showed less contribution to the model. It can be concluded that the external barriers have a direct relationship with the prediction of export performance. Based on the findings the study recommends that the government should intensify its support for the coffee export sector and actively engage exporters in policy formulation and also invest in infrastructure developments to rebust the performance. Exporters should have to track their foreign competitors and understand the international market activity, so they will be proactive rather than reactive in the market.

Key Words; Ethiopia, coffee, Export Performance,

CHAPTER ONE

INTRODUCTION

1.1Background of the Study

In today's world international trade is an essential driver for quick economic expansion by promoting the effective use of underutilized capital and human resources more, raising foreign exchange earnings, and emphasizing investment inspectors where access to technological knowledge has increased and it enjoys a comparative advantage. Additionally, increased export promotion and active involvement in the global market increase competition and boost productivity (Wagner, 2007).

A major concern for developed and developing countries is to gain and sustain high economic growth and development. To achieve this, exports signify primary sources of foreign exchange i.e. encourage the balance of payments and create employment opportunities (Raheem, 2016). The process of economic growth is a highly complex phenomenon that is influenced by numerous and varied factors; among other factors, openness to international trade is considered one of the very important contributors to growth (Samuelson and Nordhaus, 2010).

Worldwide, economic growth is essential to economic development, which is one of any society's primary goals. Economic growth is influenced by a variety of factors. One of the most significant drivers of growth is thought to be exports. Increased access to global markets is seen as a prerequisite for faster growth, and the economic literature backs up the claim that development necessitates economic growth to reduce poverty. In the modern world, the connection between economic growth and export performance is starting to pose serious concerns for the development of many nations. For nations that are emerging like Ethiopia, improving export performance is critical to achieving economic progress. Furthermore, in recent years, Ethiopia has faced huge foreign exchange needs to accelerate and sustain economic growth while also meeting the ever-increasing consumer demand for imported consumer goods (Degife, 2014).

As in the case of many developing countries, Ethiopia's exports have been limited to a few primary products, which are mainly agricultural commodities like coffee, oilseeds, gold, chat, flowers, pulses, live animals, and hide skins. The subsector of coffee is a hidden treasure when it comes to Ethiopia's export revenue and is crucial in the economy of the rural population. The agricultural sector operates at the mercy of nature and the effects of nature on the sector are directly transmitted to the performance of the export sector. Hence agriculture is the most important determinant of Ethiopia's overall export performance (World Bank, 2009).

In addition to being a widely consumed beverage, coffee is a significant global commodities cash crop. After fuel, it is also the second most valuable commodity. Ninety percent of coffee is produced in underdeveloped nations. Around the world, small farmers grow the majority of coffee. Worldwide, coffee is the primary source of income for some 25 million small farmers. Most of these people are modest producers, and most of them are found in developing nations (Ethiopia Tea and Coffee Authority, 2018).

Coffee is exceptional since it is grown in almost all tropical non-arid nations. The foreign exchange profits from coffee exports play a significant role in the balance of payments and the economies of many of these coffee-producing nations. Coffee is the most valuable tropical agricultural product in terms of worldwide trade. Its relevance in the global economy stems from the fact that it is a key export for many nations, making it a crucial factor in determining the welfare of their economies. It is becoming more and more difficult for vulnerable economies to secure the benefits from the coffee trade that are required for economic development and poverty reduction because of shifts in the global policy environment, adjustments in supply and demand, improvements in technology, as well as the uneven distribution of the balance of power in the coffee value chain (Utting-Chamorro, 2005).

Ethiopia is widely recognised as the origin of Arabica coffee, as evidenced by the high grade and diversity of its beans. Ethiopia is where coffee originates and is most diverse. The subsector of coffee has been and still is the cornerstone of the nation's economic and agricultural growth. It is Ethiopia’s number one source of export revenue generating about 30-35 percent of the country’s total export earnings. Annual coffee export from

Ethiopia in the year 2021/2022 E.C. is around 289,870 tons valued at around US$ 1,516,877,102 billion (Ethiopia Tea and Coffee Authority, 2021/22).

It is well known that Ethiopia is the birthplace. In terms of its contribution to the national economy overall and to exports specifically, Ethiopia's coffee industry dominates the agriculture sector (Birhe, 2010). Ethiopia is heavily dependent on coffee production; an estimated 15 million people make their living from some component of the country's coffee industry. Almost 200,000 metric tonnes of coffee are produced in the nation annually. Almost 95% of coffee produced in the forest region is advertised as organic. A significant portion of Ethiopian coffee is shipped to the rest of the world in the form of green coffee beans (Sidmartinbio.org, Dec 2020).

Coffee has been a major contributor to Ethiopia's foreign exchange profits for many years, making up the majority of the country's export industry. Furthermore, the performance of the nation's overall export revenues has been significantly influenced by its coffee export performance (NBE, 2014). Even though coffee accounts for the majority of Ethiopia's export industry and has been a major source of foreign exchange gains, the industry's potential is not fully realized. Ethiopia exports less coffee to the rest of the world compared to its potential, as various works of literature have shown. Accordingly, study and continual evaluation are necessary to improve coffee's export performance (Degife, 2014). Any effort to increase the supply of coffee exported will be more successful overall if it can identify the factors limiting growth and how exporters respond to shifts in both price and non-price conditions. Therefore, it is preferable to have a greater understanding of the variables influencing previous performance as well as the magnitude and direction of the necessary flexibility. Thus, the purpose of this study is to investigate the factors that are most likely influencing Ethiopia's coffee export performance.

1.2Statement of the Problem

Export is a crucial driver of economic development, prompting many countries to focus on encouraging the export of goods and services. Despite its importance, international trade faces numerous obstacles, resulting in an uneven playing field. While the benefits of exporting in a globalized market are substantial, many companies encounter significant challenges and barriers (Sisay, 2018).

Ethiopia, with its long history of international trade, has not fully capitalized on this sector, leading to a persistent trade deficit. This is primarily because of its export portfolio's predominance of primary agricultural items and its poor export performance (Digafe, 2014). Furthermore, high trade costs, inadequate infrastructure, cumbersome regulatory requirements, an unsupportive macroeconomic policy mix, and an underdeveloped private sector further constrain Ethiopia's export potential (Bassa&Goshu, 2019)

As one of the (LDC's) least developed countries, Ethiopia's export sector is heavily reliant on primary agricultural commodities with minimal industrial products. For decades, a few agricultural commodities, highly vulnerable to price fluctuations, have dominated the country's exports. Additionally, Ethiopia's exports are geographically concentrated, primarily targeting European and Asian markets (World Bank, 2014).

Specific to coffee, Tadesse (2015) identified factors such as the real export price of coffee, domestic production levels, physical infrastructure, and global supply as significant determinants of coffee export supply. Despite being Africa's largest coffee producer and the world's fifth-largest, Ethiopia's coffee exports underperform relative to the country's potential (Heliyon, 2021). The export of raw coffee predominates, with negligible amounts of processed coffee. Quality issues due to improper handling, falsification of origins, and corruption further undermine export performance (Diriba, 2021). The Ethiopian coffee industry is vital, contributing significantly to foreign exchange earnings and rural livelihoods. However, several factors impede its export performance, including price volatility. As a price taker in the global market, Ethiopia is affected by supply fluctuations from other major producers like Brazil, impacting export revenues (Belay, 2000).

Despite the abundant opportunities and ongoing efforts to boost production, Ethiopian coffee's productivity remains below its potential. This is due to various challenges, including inadequate infrastructure, regulatory barriers, and external market conditions (Jima, 2020). According to a number of sources, Ethiopian coffee exports to the rest of the world perform poorly when compared to the potential of the nation. Several variables affect Ethiopian coffee export performance, creating obstacles and constraints in reaching

the optimal possible results. Identifying the external as well as internal factors that influence the export performance is primary drive for conducting the study

Furthermore, the reliability was put into question because the majority of the previous studies done in the country used secondary data to assess the relationships. Moreover, the majority of studies looked at production-related aspects rather than export and marketing. Identifying the external as well as internal factors that influence the export earnings performance and demand for Ethiopian coffee and information on the future challenges and prospects were addressed. To the best of the researcher's knowledge, prior studies on the factors affecting coffee export performance concerning coffee exporter companies are limited, Few earlier research (Tamiru, 2017; Bultuma, 2015) conducted were targeted at the cooperative unions level and are limited in sample size.

The untapped potential in Ethiopia's coffee production and export, in addition to the requirement to maximize export earnings, necessitates ongoing research and problem-solving. It is crucial to understand how current trends and variables affect the export performance of Ethiopian coffee (Degife, 2014). In this study, the researcher tried to fill the above-identified gaps in the literature by conducting more research on the obstacles and variables (internal and external) hindering Ethiopia's coffee exports from achieving their full potential. coffee export performance.

1.3Research Question

- What are the factors influencing coffee export performance in Ethiopia?
- How does the company barrier affect the export performance of coffee in Ethiopia?
- What aspects of the institutional support system are influencing Ethiopian coffee's export results?
- How does government regulation in the coffee subsector affect its performance in Ethiopia?
- What are the export industry barriers affecting coffee export performance?
- What are the market barriers affecting coffee export performance in Ethiopia?

- What are the impacts of infrastructure obstacles on Ethiopia's coffee export performance?

1.4Research Objective

1.4.1General Objective

- The main objective of the study is to assess and examine the variables affecting Ethiopia's coffee export performance.

1.4.2Specific Objective

The study specific objective includes

- To examine how Ethiopian export performance is affected by the company barriers.
- To identify how institutional support-related environments affect the export performance of Ethiopian coffee.
- To examine the effects of regulatory frameworks and governmental policies on Ethiopia's coffee export performance
- To analyze the effect of export market obstacles on the export performance of coffee in Ethiopia.
- To evaluate the impact of export market obstacles on the export performance of coffee in Ethiopia.
- To analyze the effects of infrastructure obstacles on Ethiopia's coffee export performance.

1.5 Significance of the Study

The study sought to assess the effect of internal and external barriers affecting the export performance of coffee exporters in Addis Ababa. It would have the following significance:

This study examined factors that could affect Ethiopian coffee export performance, and by adding new insights to the body of existing literature, the findings may significantly expand our understanding of Ethiopian coffee export performance and challenges.

Policymakers in the coffee business may find the outcome useful as an outline and source of information when making decisions. In addition, the study's findings will help the government, exporters, assisting organizations, and other investors modify their strategies in order to improve the coffee industry.

Addressing the factors influencing export performance will have a positive impact on the livelihood of smallholder coffee farmers and contribute to the overall socio-economic development of the country, The study's findings may also benefit the field of export marketing research, and they can be used as a guide for other researchers who might be interested in conducting additional research in the same area.

1.6 Scope of the Study

Geographically and conceptually, the study's scope was restricted.

Geographically, the focus is restricted to Addis Ababa since there is where the majority of coffee export enterprises have their headquarters. We shall purposefully ignore other Addis Ababa-based coffee exporters and exporters of agricultural items since they are beyond of our scope.

Furthermore, the study's scope was conceptually defined by looking at the two primary factors internal and external with company obstacles serving as an internal factor that could have an impact on the export performance of companies that export coffee. The institutional support system in Ethiopia, governmental policy and regulations, export industry hurdles, export market barriers, and infrastructure constraints are some of the external issues.

1.7 Limitations of the Study

The results of this study may be impacted by the fact that some respondents did not promptly respond to the questionnaire, and not all questions were addressed. Also, it was hard finding export data from exporting companies so that their export performance could be trended.

In addition quality of the data series that are available, in particular the significant reporting gaps between several organisations Ethiopian Coffee and Tea Authority,

Ethiopian Commodity Exchange, National Bank of Ethiopia, Ministry of Trade, and other relevant organizations, could restrict the study's findings.

The study considered the factors influencing coffee export performance from the context of coffee exporters in Addis Ababa. Therefore, the inclusion of other export commodities would also give a clear picture so as to design and implement appropriate policy.

1.8 Definition of Terms/ Variables

Export: Exports in international trade relate to the sale of domestically produced goods and services to foreign markets. Any item or commodity that is legally moved from one nation to another, usually for trade (Edwards and Alves, 2006).

Export Performance: refers to the outcome of exporting products and services into foreign markets (Shoham 1996). It is the degree to which a business or country is successful or unsuccessful in its endeavors to sell locally produced goods and services abroad. It can also be defined objectively using terms like sales, profits, or marketing initiatives (Shoham 1991).

Export barriers: Export barriers can be defined as the attitudinal, structural, operational and other constraints that hinder a firm's ability to initiate, develop or sustain international operations (Koksal and Kettaneh, 2011).

It is also understood as the internal and external constraints that dissuade firms from initiating and/or expanding export activities (Leonidou, 2004).

External Barriers: are obstacles that have their roots in the outside environment, and the company cannot control the effects of these issues (Fedrico, 2004).

Internal Barriers: The opinions and feelings that surround the person and make it difficult for them to change their behavior. In addition, organizational resources and competencies, as well as the company's export business strategy, have inherent limitations (Sousa et al., 2008).

1.9 Organization of the Study

This research paper was organized into five chapters. The first chapter dealt with an introductory part of the work that includes background information, a statement of the problem, research questions and objectives of the study, significance of the study, scope, and limitations of the study. The second chapter also dealt with a review of the literature to build up the work on the existing theories and come up with supporting facts for constructing the conceptual framework of the research. Chapter three presented the methodology employed in undertaking the research. Analysis of primary data collected through the appropriate tools were analyzed and given meaning in the fourth chapter along with the interpretation of the analyzed data in this part. Chapter five presented the major findings, conclusions, and recommendations of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

In this chapter, the researcher reviewed relevant literature on theoretical, empirical, and conceptual framework issues, which are found to be essential to the research inquiry.

Thus, the first section discussed on theoretical framework related to the study variables. The theoretical literature review will explain the concept of export performance and its dimensions as well as its determinants, assessment of export performance, coffee production, and export in Ethiopia. Then a summary of some of the related previous work on this study was discussed. The sources considered in the review include books, websites, past article journals, and previous thesis.

2.1Theoretical Literature Review

2.1.1Concept and Definition of Export Performance

A conceptual definition of export performance addresses two parts: export and performance. Export is the international marketing-related decisions and activities of internationally active firms (Mechal, 2013). The over-tone of the word performance, in the literature sense, does not pose any problem for it is the act of carrying out or accomplishing something such as a task or action (Mechal, 2013). Export performance, according to Diamantopoulos (1998), is a representation of export activity under various business and environmental circumstances. Export performance is defined by Cavusgil and Zou (1994, p. 3) as the management's strategic reaction to the interrelationship of internal and external pressures.

Export performance is the relative success or failure of the efforts of a firm or nation to sell domestically produced goods and services in other nations. Export performance can be described in objective terms such as sales, profits, or marketing measures, by subjective measures such as distributor or customer satisfaction. According to Shoham (1998, p. 62), a company's export performance is determined by adding together its sales

worldwide. He views the idea as a three-dimensional construct, with export sales, export profitability, and performance changes as its dimensions.

2.1.2 Key Concepts of Export Performance

Redding and Venables (2004) proposed a division of factors influencing export performance into internal and external categories. While supply-side circumstances are the focus of internal components, market access/entry conditions and a nation's position in relation to foreign markets are examples of external components. Using aggregated trade data, they examine how much the capacity of internal supply which consists primarily of internal geographical factors contributes to export performance compared to the relative contribution of external geography, notably links to international demand.
They underscore that nations with close geographical access to areas with high aggregate import demand typically see stronger export growth. The two main components of a country's export performance, according to Fugazza (2004) and Bacchetta (2007), are its internal supply and its external market.

Conditions of supply capacity

It is essential for determining an economy's export potential, and nations with superior supply circumstances are anticipated to export more for a given degree of access to global markets (Fugazza, 2004). Important supply-side variables are particular elements that affect export performance differently in different nations. Both limitations on traditional export supply and limitations on redirecting resources towards new export endeavours must be taken into account when evaluating export supply limits (Biggs, 2007).

Market access conditions

There are two aspects to take into account when it comes to globally market access. The first is explained by trade partner interventions, while the second has to do with the exporting nation's actions to give its exportable goods a competitive advantage in pricing (McCarthy, 2008). Trade partners' trade policies, which include both tariff and non-tariff measures, have an impact on a nation's export performance (Fugazza, 2004 and Biggs,

2007). In addition to trade obstacles, international transportation costs significantly impact foreign market access (UNCTAD, 2005). These expenses are a crucial factor in enabling countries to provide their exports at a competitive price in the global market. Therefore, for low-income nations, transportation costs rank among the most significant trade barriers.

2.1.3 Dimension of Export Performance

According to reviews on export performance, the authors view export performance as a complex, multi-dimensional phenomenon that encompasses three main dimensions: effectiveness, efficiency, and potential for addiction (Katsikeas et al., 2000; Oliveira et al., 2012; Walker and Ruekert, 1987).Effectiveness is a parameter used to evaluate a company's performance against that of its rivals. According to Walker and Ruekert (1987), adaptability is the ability of the business to successfully respond to changes in the environment, while efficiency is the result of the policy adopted by the organization compared to the resources required to implement it. Effectiveness, efficiency, and adaptability are three qualities that a significant number of journalists use, even if just implicitly, to evaluate their work.

2.1.4 Export Performance Measurement

The measure of the Export performance of a firm reflects a firm-specific behavior in leveraging its resources and capabilities in an international context at a given point of time. Firm export performance is regarded as one of the key indicators of the success of a firm’s export operations, and as such, it has been an extensively studied phenomenon. Numerous studies have been conducted to provide a better understanding of the factors (firm- or environment-specific) and behaviors (e.g., export strategy) that make exporting a successful venture.

An overview of the relevant literature implies that a conceptually sound and reliable export performance measure should fulfill the following criteria: i) it has to be composite and multidimensional, i.e. to include both objective and subjective measures; ii) it has to have a frame of reference, i.e. to be benchmarked against domestic market performance, competitors performance or prior performance; iii) it has to be assessable over time, i.e.

expressed in absolute, as well as relative terms; and iv) it has to reflect the firm's strategic goals at the appropriate level (company, SBU, export venture or line of product) and for an appropriate time horizon (short- term or long-term) (Diamantopoulos and Kakkos, 2007).

2.1.5.1 Company Barriers

Internal export barriers typically arise from a firm's inherent resources and are linked to a lack of organisational capacity for increasing exports (Leonidou, 1995). The ability of the company to effectively carry out its marketing functions should be considered while constructing company export obstacles.

Three categories of company barriers exist financial resources, people resources, and marketing knowledge and information. Lack of qualified export professionals and ignorance of possible customer markets (Czinkota and Ronkainen 2001; Samiee and Walters 2002; Leonidou 2004). For many present and prospective exporters, finding clients in foreign markets can be a significant obstacle, as Leonidou (2004) noted. The same holds true for underqualified and inexperienced employees. Furthermore, one of the main barriers to exporting from developing nations is thought to be a lack of understanding about where to find possibilities abroad and potential markets. Distribution is one of the main exporting challenges. According to Tesfom and Lutz (2006), insufficient sales promotion and advertising campaigns are mentioned as additional barriers that impede export endeavours.

2.1.5.2 Government Policy and Regulation Environment

Any nation that engages in exports must provide ongoing support from the government at various points in the process, including assistance with choosing export products, locating foreign markets, identifying market niches, establishing distribution networks, supplying funding, and planning sales and support services.Therefore, government policies and institutions should provide a helpful and encouraging environment for the exporting community both locally and internationally. The export process involves a number of different organizations. In our case, these include the Ministry of Agriculture's specific assistance with NGO certification, the Chamber of Commerce's facilitation of

origin certification and provision of external market connections, banks providing specialized loans, etc (Addis, 2019).

Institutions involved in the export value chain process are expected to receive policy advice from governments, and the tone set at the top affects how well these institutions perform in terms of providing services. The export performance of Australian enterprises was found to be significantly impacted by government policy, with the absence of government support in surmounting export hurdles being cited as harmful (Julian and Ahmed, 2005).

According to Cateora and Graham (2001), foreign governments can impose a number of controls on companies that sell goods in their markets such as entry restrictions, price controls, special tax rates, and exchange controls. These controls can turn the exploitation of export opportunities into a tedious, expensive, and prolonged task, which deters many small firms from venturing into foreign markets (Leonidou, 2004).

2.1.5.3 Export Industry Barriers

Export obstacles are operationalized as impediments, which include structural, operational, and attitude-related limitations that make it difficult for businesses to expand internationally or continue doing so (Leondiou, 1995). Industry structure, which includes corporate size or economies of scale, a lack of innovative technologies, and an unstable raw material supply are categorized as industry barriers.

Availability of operational resources and raw materials is an additional crucial element for export enterprises in developing nations is the availability of raw materials and operational resources. Tesfom and Lutz, (2006) state that the competitive barrier is the other obstacle.

2.1.5.4 Transportation Infrastructural Challenges

Most researchers admitted that there is a serious concern on the infrastructural quality-related problems for African countries. According to Amal (2012), the infrastructural problems are very serious especially in landlocked nations because they are forced to cost high due to two major reasons: they have poor infrastructure which hinders their export

transaction, and the same problems exist in their neighboring countries so that they are forced to suffer two times with similar problems.

The extent and expansion of a nation's supply capacity, or domestic transportation infrastructure, is largely dependent on the availability of physical infrastructure, which includes everything from ports and highways to energy and telecommunications.Poor transport infrastructure and transport service are reflected in higher direct transport costs and longer delivery times. An improvement in a country's infrastructure can make a big difference in the costs of trading. The government plays a role in building the required infrastructure in the country to facilitate exports. Infrastructure problems are still widespread even in relatively well-developed exporting countries. A well-designed and manufactured product will not conquer export markets if it cannot be safely, punctually, and consistently transported and delivered to import markets (UNCATD, 2005).

2.1.5.5 Relationship between Factors and Coffee Export Performance

The relationship between the factors and coffee export performance can significantly impact the success and competitiveness of the coffee sector below are some ways in which the logistics factors influence the coffee export performance.

Transportation Efficiency: efficient transportation logistics, including reliable and well maintained roads, ports and airports are ensuring the timely delivery of Ethiopian coffee to international market.

Market Access and Competitiveness: At the level of national competitiveness, the term is typically used to describe either a nation’s ability to sustain high productivity, leading to higher standards of living for its citizens (Hoefter, 2001). Efficient logistics can enhance the competitiveness of Ethiopian coffee in the global market by reducing transport cost, improving delivery times and ensuring reliable supply. Export competitiveness involves, measuring international share, diversifying export baskets, sustaining high rate of export growth, upgrading the technology, and skill content of export activity and expanding the base of domestic firms to compete internationally (Nogami, 2008).

Technology Adoption: embracing technology and digital solutions in logistics can improve the efficiency, transparency, and traceability of coffee exports in Ethiopia.

Technologies such as blockchain, Internet of Things, and Supply chain management software can improve the overall export performance.

2.1.6 Ethiopian Coffee Industry

The story of coffee has its beginning in Ethiopia, the original home of the coffee Arabica plant, which still grows wild in highland forest. At number five on the global coffee grower and producer rankings, Ethiopia is the largest country in Africa and contributes between three and five percent of the world's annual production. The total area under cultivation of coffee in Ethiopia is estimated at 685,294 hectares with an average productivity of 0.71t/ha, but the country ranked tenth in the world in coffee exports with about 4.45 percent of the global export market share (FAOSTAT, 2021). Ethiopia is recognized for producing Arabica coffee, which is highly regarded for its aroma and taste, in addition to being the birthplace of Arabica coffee (Habtamu, 2019).Ethiopian coffee varieties are accessible in specialized markets under the name of the producing region because of their distinct features, which make it a popular choice for combining coffee of different origins.

Apart from its importance as a primary export good, it supports millions of people and is an important part of their socioeconomic and cultural values. Since small farmers produce 90% of Ethiopia's coffee, the crop is an important livelihood on farms and a major source of revenue. Ethiopia was the pioneer nation to sell coffee based on the region in which it originated.The known coffee types that are produced and exported from Ethiopia include Yirgacheffe, Sidamo, Limu, Teppi, Bebeka, Djimma, Lekempti, Kaffa, and Harrar. These are found growing in the southern, southwestern, and eastern parts of the country (Assefa, 2018).

According to Alemayehu (2014), In Ethiopia, coffee makes up 25–30% of the nation's foreign exchange earnings, 5% of its GDP, 90% of all exports, 85% of the workforce, and a significant portion of the national culture. Additionally, over 50% of the coffee produced is consumed locally.

Ethiopian coffee production systems are broadly classified into forest (8-10%), semi-forest (30-35%), Garden (50-55%), and Plantation (5-8%). The basis of Ethiopian coffee

culture is rooted in organic farming, agroecological sustainability, and biodiversity. Plantation and cooperative coffee make up over 10% of the export volume and around 15% of the monetary share (EtBuna, 2016).

1. **Coffee Production in Ethiopia**

In Ethiopia, coffee is cultivated in numerous ways. First, there is forest coffee, which grows freely in the forest. Semi-forest coffee is harvested from wild coffee plants that grow on private land and receive little or no cultivation. Smallholders on small plots cultivate garden coffee. Finally, plantation coffee was grown on large plantations, almost all of which were formerly state-owned farms. Traditionally, coffee is grown in the shade of trees, and coffee grown in this manner is referred to as "shade-grown "coffee. An increasing number of farmers are choosing to use sun cultivation, a method in which coffee is grown in rows, fully exposed to the sun with little or no protection from forest canopy. This causes berries to ripen more rapidly, which produces higher yields. However, this method necessitates the clearing of trees and the use of fertilizer and pesticides, thereby forfeiting the eligibility of the crop for organic or eco-friendly specialty status (Abu, 2021).

Cultivation of coffee in Ethiopia is primarily performed by smallholders, either running garden farms or picking wild and semi-wild coffee. Approximately two-thirds of the land cropped with coffee is under smallholder cultivation, whereas just under a third produces wild or semi-wild coffee. Large plantations account for a very small proportion of coffee-producing land. As most of Ethiopia's coffee is either cultivated by smallholders or grows wild, it is a labor-intensive industry and therefore does not require large quantities of capital.

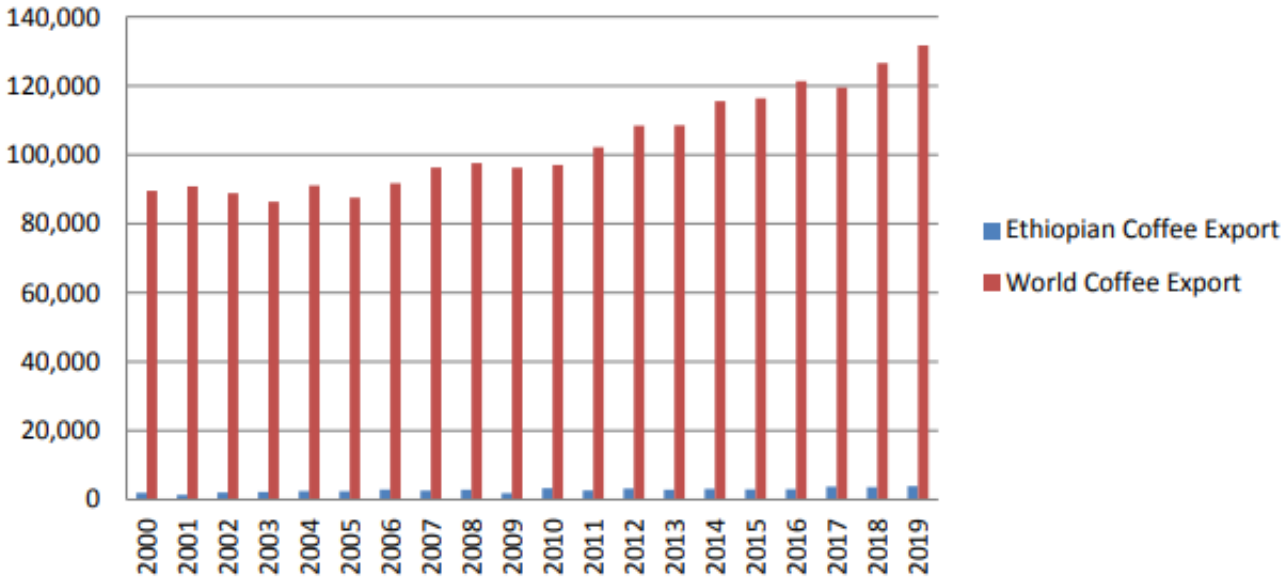
Smallholders require very little working capital, as the input supplies are limited to small quantities of fertilizer and perhaps the occasional replacement of tools. Farmers are generally not obliged to remedy environmental degradation arising from their production and so do not incur costs of environmental renovation. Owners of larger farms and plantations do require working capital, mostly to hire labor, as coffee production is labor-intensive. In terms of input supply, the private sector is weak.

Opportunities lie in promoting nurseries that develop and distribute newer disease-resistant strains cost-effectively (Anteneh, Et al., 2011).

Ethiopia is 5th producer of coffee next to Brazil, Vietnam, Colombia & Indonesia. Accounts for up to 4.46 percent of worldwide production and largest & 1st producer in Africa, > 43.15 % of the continent, (ICO, 2020).Ethiopian coffee productivity, which ranges from 0.5 to 0.7 tonnes per hectare on average between 1993 and 2021, is still poor. Ethiopian coffee yield/ha is still superior to that of several other African nations that grow coffee, including Kenya, Rwanda, and Tanzania, but it is far less than that of many producers in Latin America. Ethiopia's low coffee yield is attributed to a number of problems, including natural disasters such as land degradation, poor soil, and water shortages. conservation practices, and disease, demographic factors, socio-economic factors, weak extension services, lack of stumping old coffee trees, production system and lack of knowledge on the efficient utilization of available technologies, lack of access to basic agricultural inputs like fertilizer, chemicals such as herbicides and fungicides.

2. Coffee Export Performance in Ethiopia

Coffee is Ethiopia's number one source of export revenue generating 30-35% of the country's total export earnings, all the coffee produced in Ethiopia is one of the coffee Arabica varieties. Ethiopia sells coffee to more than 60 nations worldwide. Depending on the places it grows in, it offers a wide range of flavors and an organic nature. Many countries that import coffee place a high value on Ethiopian coffee among their customers. Arabica coffee from Ethiopia is exported to the Middle East, Australia, Asia, and Europe, among other regions of the world.



Source: Independent Data Computation from the ICO (2021)

2.1.7 Theoretical Models for Determining Exports

The majority of scholars utilize the five most often used models, as mentioned in several references, to evaluate a nation's export performance and determine how its exports relate to those of other nations. These include the gravity model, the two-regime model, the export demand model, the export destination model, and the simultaneous equation model.

One of the most significant empirical methods in international trade is the gravity model. As a result, a large body of literature on this approach has been published. Its roots can be found in Newton's rule of physics, which states that the product of two objects' masses divided by their distance from one another determines the gravitational pull between them (Rahman, 2006).

In the applied literature, the gravity model has been widely used to simulate trade potential and assess export potential, as well as to evaluate trade flows, the impact of regional agreements, the impact of monetary unions, and the effect of foreign direct investments (FDI) on trade flows (Kandogan, 2007; Eita and Jordaan, 2007; Samad et al., 2009).

This kind of export model is predicated on the idea that trade volume is determined by the importing country's mass or economic size, which is equivalent to GDP (the force of gravity) and is constrained by distance (friction). According to the model, trade between two countries has an opposite relationship with their distance from one another and is proportionate to each country's national economic prosperity. One model of export determination that has acknowledged the importance of transportation costs as a factor in global trade is the gravity model. Commerce flows are significantly influenced by geographical and other factors, and geographical elements are becoming more and more significant in the theory of international commerce (Mercelline, 2008).

2.2Empirical Literature Review

The empirical literature section of this study will analyze the findings of studies on the topic as well as the work of different scholars looking at the concepts connected to factors impacting export performance. Several academics divided the factors influencing export performance into distinct groups.

Mechal (2013), investigates the key factors influencing Ethiopian coffee export performance in the main importing nations, and his conclusions clarify Ethiopia's basic export commodity continues to be coffee. Even though Ethiopia is the home of Arabica coffee and has historically been a major exporter, over the past 20 years, the amount of coffee exported has increased by less than 8%. This is brought on by factors like low farmer returns, inconsistent quality, and low coffee yield. Conversely, Ethiopia's rivals have boosted their coffee export volume significantly by raising productivity and output.

There are two types of variables that determine export performance: internal and external. Constraints on market access and other variables affecting import demand are considered external problems. Transport expenses, which include physical and geographic infrastructures, influence international market access in addition to trade restrictions and competitive variables. Supply-side conditions are related to internal issues. Location-related factors also have an impact on supply capacity since they may impact access to labour and capital as well as raw materials. Factor costs are mostly determined by the institutional environment and economic policy, in addition to the availability of

resources. One factor that affects export performance is technological accessibility (UNCTAD, 2004).

Daniel (2016), studied the variables affecting Ethiopia's apparel export industry's success, with a focus on Addis Ababa. The empirical study identified several critical factors that seem to impact the apparel industry's export performance, such as the scarcity of skilled labour and raw materials, capital constraints, marketing issues, inadequate infrastructure, managerial shortcomings, poor institutional and inter-industry relationships, and a lack of government incentives and regulations. The findings also show that the most important barriers to the apparel industry's export are a lack of skilled labour, capital constraints, marketing staff deficiencies, and infrastructure inadequacies.

The factors that affect export performance are categorized into four groups, according to Aaby and Slater (1989), Zou and Stan (1998), cited in Carneiro J, et al. (2011). These groups include company characteristics (size, management engagement, and standpoint of management), company skills (technological advances, market expertise, market planning, export policy, govern systems, quality control, communication skills), export scheme (market selection utilization of intermediate products, product mix, product development, advertising, pricing), and external environment. These factors are either internal (export strategy, manager perceptions and attitudes, managerial features as well as company characteristics and competencies) or external (industry characteristics, external and domestic market characteristics; export performance factors.

2.2.1 Determinant of Export Performance

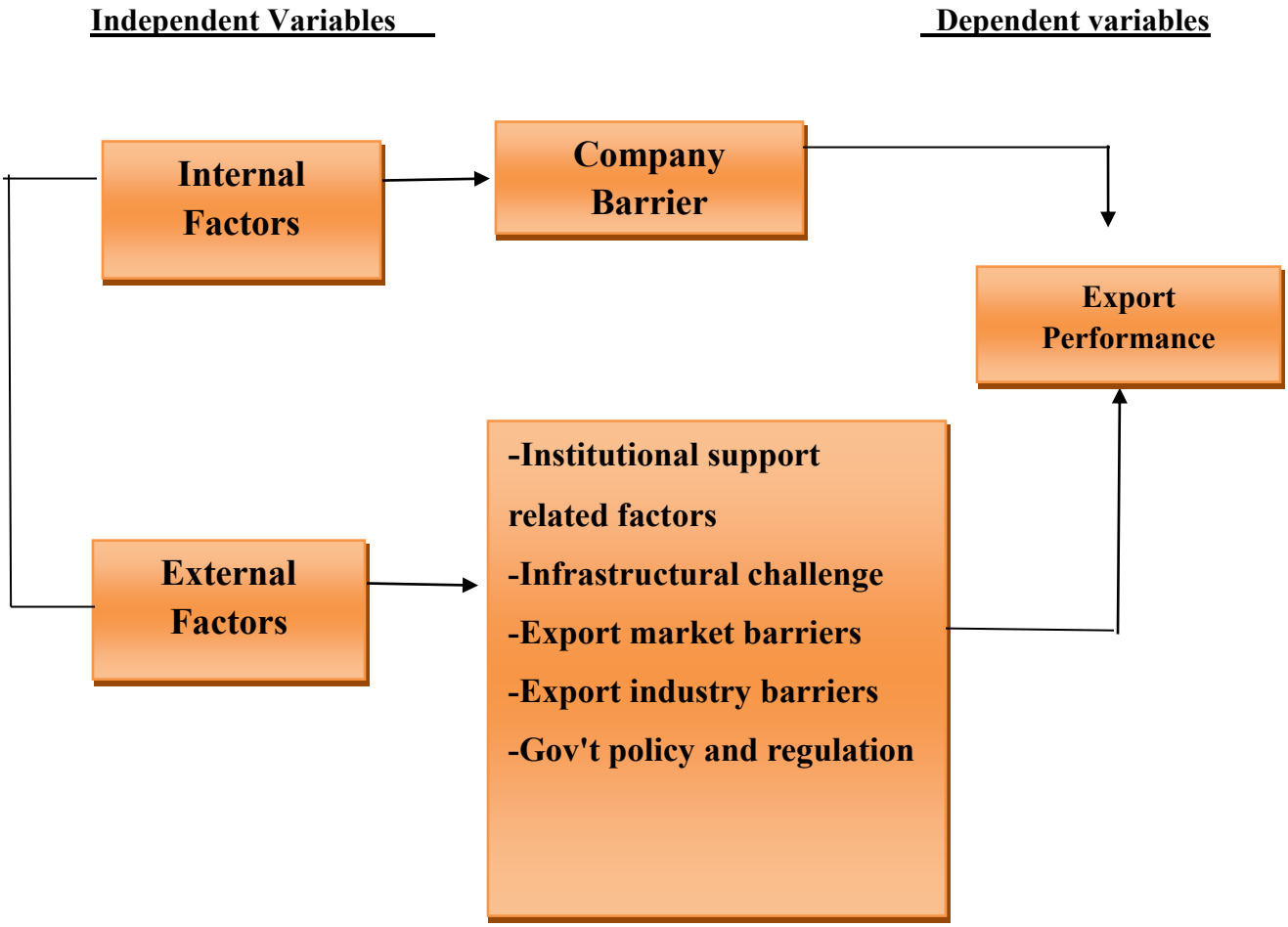
A Determinant is a factor that decisively affects the nature or outcome of something. So that the determinants of export performance are the factors that determines whether the exports of a firm are successful or not. There are two categories of determinants of export performance: internal and external. A country's location, which encompasses foreign markets, and market access/entry requirements are examples of external components. Supply-side factors are connected to internal components. Various factors influence foreign demand. First of all, it has a close relationship with geography (the structural element). Generally speaking, nations at the heart of rapidly expanding regions stand to

gain more than those outside of them. Second, the market access/entry component of trade policy and competition may be involved, as they may have a comparable effect on trade as geographic location.

The empirical literature demonstrates that export hurdles were divided into two groups by various researchers: internal barriers and external barriers. According to Leonidou (2004), the constraints linked to the organizations' resource capacities and its entrepreneurial approach to export operations constitute internal hurdles. The obstacles that have their roots in the outside world are known as external variables, and the company is unable to change the outcomes of these issues.

2.3 Conceptual Framework

According to the literature reviews made for this study, this study research has developed the following conceptual framework and tries to show how these independent variables affect the dependent variable (export performance). Export industry hurdles, export market barriers, institutional support environment, government policy and regulatory environment, business barriers, and infrastructure challenges are the independent factors.



Source: Adapted from Tesfom and Lutz (2006)

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter covers the methodology and research approach employed in the study. The study area, research paradigm, research approach, research design, target population and sample design, data sources, data collection and analysis techniques, validity and reliability, and ethical considerations that must be made during the study carrying out are all described in this chapter.

3.1 Description of the Study Area

Geographically, Ethiopia is located between 9.1450◦ North and 40.4897◦ East. The country's total land area is 1,104,300 km2, including highland, semi-highland, and lowland climatic conditions. The country's economy is mainly dependent on agriculture, which dominates the export amount. From agricultural commodities exported by the country, the share of coffee in 2019, 2020, 2021, and 2022 was 34%, 42%, 35%, and 45% respectively (USDA,2023). Arabica coffee originated in Ethiopia, it is blessed with a wide range of coffee varieties and origins. Ethiopia's unique taste and aroma are a result of the country's diverse geography (including elevation, soil, temperature, rainfall, topography, and ecology), genetic makeup, and cultural traditions (Selamta, 2014).

The purpose of this study was to investigate the variables influencing Ethiopia's coffee export performance, with a focus on Addis Ababa, the country's capital and the location of most coffee exporters' offices.Addis Ababa is one of the largest cities in Africa, and the city is known for its rich history, diverse culture, and vibrant economy. The study will focus on the obstacles, both internal and external, that coffee exporters must overcome to supply coffee to the global market.

3.2 Research Approach

This research employs a quantitative approach. In quantitative research, phenomena are explained through the collection and analysis of numerical data using mathematically

based techniques to determine relationships between independent and dependent variables, test hypotheses, and establish correlations between variables (Aliaga& Gunderson, 2010).

A quantitative approach was deemed suitable for this study as it allows for the collection of data through quantitative measurements and the analysis of this data using statistical methods. Specifically, the research aims to examine how various internal and external factors influence export performance. By utilizing a quantitative approach, the study can establish relationships between variables through the use of empirical data and statistical analysis, ensuring that findings are based on measurable evidence and objective facts.

Statistical methods such as regression analysis, correlation analysis, and hypothesis testing will be employed to analyze the data. These methods are particularly appropriate for understanding the complex interplay between multiple variables and for providing a clear, numerical depiction of their relationships.

The choice of a quantitative approach is further justified by the nature of the research questions, which seek to quantify the impact of different factors on export performance. This approach is effective in isolating and measuring specific variables, thus providing a robust framework for drawing reliable and generalizable conclusions.

In summary, the quantitative approach is appropriate for this study as it facilitates a rigorous examination of the relationships between internal and external factors and export performance, utilizing statistical tools to ensure accuracy and objectivity.

3.3 Research Design

This study employs an explanatory research design. Based on the opinions of the intended respondents, an explanatory research design seeks to gather information from members of a population in order to examine the cause-and-effect relationships among study variables (Saunders, 2010). This type of research design is particularly suited for understanding and explaining the factors that influence coffee export performance in Ethiopia.

Explanatory research design is chosen because it allows for a detailed analysis of how various internal and external factors impact the export performance of coffee. By focusing on cause-and-effect relationships, this design helps to identify and measure the specific variables that contribute to the current state of coffee exports in Ethiopia.

In implementing this design, data will be collected through structured surveys and questionnaires distributed to a representative sample of stakeholders in the coffee export sector which are exporters. The collected data will then be analyzed using statistical methods to determine the relationships between the independent variables (such as infrastructure, regulatory requirements, and market conditions) and the dependent variable (export performance).

The explanatory research design is appropriate for this study because it provides a comprehensive framework for exploring the complexities of the coffee export sector. It enables the researcher to explain, analyze, and quantify the factors affecting coffee export performance, thereby offering valuable insights into potential areas for improvement.

In summary, the explanatory research design facilitates a thorough investigation of the factors influencing coffee export performance in Ethiopia, using cause-and-effect analysis to derive meaningful conclusions and recommendations.

3.4 Research Population and Sampling

3.4.1 Target Population of the Study

All individuals or objects that one seeks to understand can be referred to as the population, and the act of choosing a selected group of the population for study is known as sampling (Kothari, 2003).For this study, the target population consists of active exporters of Ethiopian coffee to the rest of the world in the 2022/2023 financial year. It is important to note that the number of active exporters in the sector varies from year to year, and having a license does not necessarily mean that a company is actively exporting.

According to data from the Ethiopian Coffee and Tea Authority for the 2022/2023 fiscal year, Ethiopia has 400 coffee exporters who export coffee to over 60 countries. This data provides a comprehensive overview of the active exporters within the defined period, ensuring that the study focuses on those directly involved in the export activities.

Additionally, this research utilizes data series on the coffee export performance of Ethiopia from the fiscal years 2012-2022 G.C. to assess patterns in the coffee export industry's performance and identify ongoing problems. This historical data allows for a thorough analysis of the performance and challenges over a significant period, providing context and depth to the current study.

The choice of active exporters as the target population is justified by their direct involvement in the export processes, making them the most relevant group for studying factors affecting export performance. By focusing on this population, the research aims to obtain accurate and relevant insights into the current state of coffee exports in Ethiopia.

In summary, the target population for this study includes all active coffee exporters from Ethiopia during the 2022/2023 financial year, supported by historical data from the past decade to provide a comprehensive understanding of the trends and challenges in the coffee export sector.

3.4.2 Sampling Technique

The study utilized non-probability sampling techniques, specifically purposive sampling. This method was chosen for its practicality and efficiency in data collection. Purposive sampling is advantageous as it ensures that the information gathered is rich and directly relevant to the objectives of the study, producing conclusions that are more insightful and more specific.

In the context of this study, purposive sampling was employed to collect primary data from coffee exporters. The selection process involved identifying and approaching coffee exporters who were readily available and willing to participate in the study. This

approach was particularly useful given the geographical and logistical constraints of reaching a wider population of exporters.

However, it is important to acknowledge the potential limitations and biases associated with purposive sampling. This technique may not provide a fully representative sample of the entire population of coffee exporters. To mitigate these limitations, efforts were made to include a diverse range of exporters in terms of size, location, and export volume to capture a broad spectrum of perspectives.

The choice of purposive sampling is justified by the need for timely and efficient data collection, especially considering the dynamic nature of the coffee export industry. While acknowledging its limitations, purposive sampling provided a practical means to gather primary data necessary for the study.

In summary, purposive sampling was employed due to its ease of use and practicality. The technique facilitated efficient data collection from a diverse range of coffee exporters, although care was taken to address potential biases and limitations inherent in non-probability sampling methods.

3.5 Sample Size

Determining the appropriate sample size is crucial for the statistical validity and reliability of any research. In this study, the rule of thumb was applied to determine the sample size, based on the principle that having more than 30 data points generally provides sufficient information for making statistically sound conclusions about a population.

The general guidelines for sample size estimation, as stated by Roscoe (1975), indicate that sample sizes larger than thirty and smaller than five hundred are appropriate for the majority of research applications. Furthermore, the minimum sample size should be at least 30% of the population. Applying this rule to our study, which involves a total population of approximately 400 active coffee exporters, a sample size of 30% was chosen to ensure adequate representation and statistical power.

Thus, 30% of 400 results in a sample size of 120 coffee exporters. This sample size is considered sufficient to capture the diversity and range of experiences within the population, providing a robust basis for analysis. The choice of 30% ensures that the sample is large enough to generalize the findings to the entire population while remaining manageable for practical data collection and analysis.

To mitigate any potential limitations of this approach, efforts were made to ensure that the sample is as representative as possible. This includes considering factors such as the size of the exporting firms, their geographical distribution, and the volume of their exports. Additionally, strategies were implemented to address any non-responses or incomplete data, such as follow-up reminders and data imputation techniques.

In summary, a sample size of 120 coffee exporters, representing 30% of the total population, was determined using a rule-of-thumb approach. This sample size is justified by established guidelines and ensures a balance between statistical reliability and practical feasibility for the study.

3.6 Data Source

There are two sources of data primary and secondary which could be used for research analysis. For this study, only Primary data is utilized for analysis. The primary data source for this study was chosen based on the goals and research questions. All data collected during the study that might be particularly important to its goal is referred to as primary data. The responses of specific respondents to the prepared, self-administered questionnaire served as the source of the primary data.

3.6 Method of Data Collection

The primary data was gathered using a survey questionnaire. According to (Creswell, 2009), even with a big and geographically dispersed universe, the researcher can still obtain data at a reasonable cost by using questionnaires. It is also straightforward to contact non-approachable respondents, and significant amounts of data can be obtained.

The primary data was gathered via a survey questionnaire that was created with a five-point Likert scale for each of the study's factors. Five-point Likert scales, from strongly

disagree to strongly agree, and are used to compose the questionnaire. 1 represents strongly disagree, 2 disagree, 3 neutral, 4 represents agree, and 5 represents strongly agree.

The General Manager, Marketing Managers, Export Managers, Experts, Export Officers, Owners, and/or other important people who are directly in charge of the export operation in the chosen coffee exporting companies are among the main participants who provided fundamental data for the study. A questionnaire has been employed as the data collecting technique to gather both basic and detailed data.

3.8 Method of Data Analysis

Descriptive and inferential statistics were used to analyse the quantitative data of the respondents that were gathered with the aid of questionnaires in order to arrive at relevant facts and conclusions. All of the variables were coded and added into SPSS once data screening and cleaning were completed. This allowed for the analysis of survey data. The variables affecting Ethiopia's coffee export performance have been described using descriptive statistical analysis. Preliminary descriptive statistics, like frequency, percentages, mean scores, and standard deviation, are calculated for describing the data. Multiple linear regression and correlation analysis were utilised to statistically examine the relationship between the independent and dependent variables with regard to the inferential statistics.

3.8 Validity and Reliability

For ensuring the consistency of the research findings and the accuracy with which a method measures what it is intended to measure; the study has tested the reliability and validity of the measurement scales.

3.8.1 Validity

Validity refers to the extent to which the scores from a measure represent the variable they are intended (Gakure, 2010). The device should measure how truthful the research results are to maintain the validity of the instruments most of the questionnaire is adopted from previous research. Some of the questionnaires were developed on a careful review

of related literature. To ascertain the relevance of each question to the variables measured and to ensure that, the content of the instrument provided answers to the objectives of the study, content validity of the pilot questionnaire will be tested. The response of the pilot administration of the questionnaire was used to improve the content values of the questions used in the main administration. The feedback assigned advisor and other experts in the filled used to ensure the validity of the questionnaire.

3.8.2 Reliability

Reliability is the degree to which asses the variables are consistent. The reliability is consistency of the measurement; that is, to what extent a measuring device will produce the same results when applied multiple times to the same person under similar conditions (Gakure&Ngumi, 2010).Cronbach's Alpha was employed to evaluate the variable's consistency. Cronbach's alpha coefficients typically range from 0 to 1, and a value of more than 0.7 indicates reliability.

Table 3.1 Reliability test

Attributes	Cronbach's Alpha	No. of Item
Company barrier	.797	5
Institutional support Env't	.891	7
Government policy & regulation	.873	6
Export industry barrier	.878	6
Export market barrier	.800	5
Infrastructural challenges	.894	5
Export performance	.832	5
All Items	.852	39

Source: SPSS output, 2024

The generated scale is accurate the higher the score. According to Nunnaly (1978), 0.7 is a suitable reliability coefficient. Therefore, given that the overall alpha value was determined to be $\alpha = 0.852$, it can be said that the scale is trustworthy for gathering the necessary data.

3.9 Ethical Considerations

In undertaking any research, there is an ethical responsibility to do the work honestly and with integrity (Adams et al, 2007:35). The inquiry was conducted ethically by taking the required safety measures. Each company's employees gave their informed consent after being told of the study's significance and goal. For reasons of confidentiality, the research participants were not compelled to write down or identify the names of their companies. In addition, the researcher made an effort to omit any false or misleading statements from the survey. Finally, only willing participants who gave their complete agreement were given the surveys in person; unwilling participants were not included.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter focuses on organising, analysing, and presenting data acquired through questionnaires. The gathered data was examined and interpreted in accordance with the study's objectives, which was to look into the variables influencing coffee export performance in Ethiopia. It is divided into two main sections: the first deals with descriptive data and includes the respondents' demographic profile, a description of the companies under analysis, and the survey findings obtained from the questionnaire. The other portion provides an explanation of the inferential statistics of the samples, which include the correlation analysis, regression analysis assumptions, and multiple regression analysis findings.

4.1 Response rate and demographic data

About the background data evaluated relevant to the problem being investigated, the respondents were asked to provide a self-description. The demographic results of the respondents, including gender, age, educational attainment, and position of the respondents selected as the study's sample, are shown in this part.

Table 4.1 Demographic Profile of Respondents

Factor level	Frequency	Percentage
1. Gender		
Male	74	68.75
Female	34	31.25
Total	108	100
2. Age		
21-30 years	36	33
31 - 40 years	43	40
41-50 years	22	20.5
Over 50 years	7	6.5
Total	108	100
3. Educational qualification		
Certificate	3	2.78

Diploma	11	10.19
Degree	57	52.77
Master's Degree	29	26.85
Above Master's	8	7.41
Total	**108**	**100**
4. Position in the Company		
Export Officer	33	30.56
Expert in Export Dep't	16	14.81
Export Manager	35	32.41
Marketing Manager	10	9.26
General Director	14	12.96
Total	**108**	**100**

Source, SPSS output 2024

The demographic profile of respondents provides a comprehensive overview of the participants' gender, age distribution, educational qualifications, and professional status, as detailed in Table 4.1.

Regarding gender, 74 respondents were male, accounting for 68.75% of the total, while 34 respondents were female, representing 31.25%. This distribution indicates a higher representation of male respondents, reflecting the prevailing gender structure within the companies, where males are dominant.

In terms of age distribution, the majority of respondents, 40%, were between 31-40 years old. This was followed by 33% of respondents aged 21-30 years, and 20.5% aged 41-50 years. Only 6.5% of respondents were over 50 years old. This age range suggests that the export industry attracts individuals across various age groups, from young adults to the elderly, due to its appealing opportunities and necessity for survival and sustainability.

Educational qualifications among respondents were diverse. The largest group, 52.77%, held a first degree. This was followed by 26.85% with a master's degree, 10.19% with a diploma, and 7.14% with qualifications above a master's degree. This variation in academic qualifications implies that respondents possess different levels of education, enhancing the reliability of their responses due to their relatively better understanding.

The professional status of the respondents was also varied. Among the 108 participants, 12.96% were general directors, 9.26% were marketing managers, 32.41% were export

managers, 14.81% were export department experts, and 30.56% were export officers. The majority, 62.97%, were either export managers or export officers. This concentration suggests that the perceptions regarding the export industry provided by these individuals can be considered reliable, thereby ensuring the credibility of the analysis.

In summary, the demographic profile of respondents reveals a predominantly male representation, a broad age range with a focus on young to middle-aged adults, high levels of educational qualifications, and a concentration in export management roles. These characteristics contribute to the reliability and credibility of the data collected for this study.

4.2 General Information of the Firm

The survey's results are detailed in Table 4.2 below. In addition to the respondents' demographic information, questions about the company's legal structure, number of years of experience in the coffee export industry, and export goals were also asked.

Table 4.2 General Information of the Firm

Factor Level	Frequency	Percentage
Number of years stayed in the Coffee Export Business		
Under 5 Years	10	9.26
Between 6-10 Years	23	21.3
Between 11-15 Years	31	28.7
Between 16-20	27	25
Above 20	17	15.74
Total	108	100
Legal formation of the Firm		
Partnership	15	13.89
Sole Proprietorship	13	12.04
Joint-Venture	8	7.41

Cooperative Union	5	4.63
Share Company	10	9.26
Private Limited Company	57	52.77
Total	**108**	**100**
Export Destination of Firm		
Asia	33	30.56
Europe	38	35.19
North America	13	12.04
South America	17	15.74
Africa	7	6.47
	108	**100**

Source: SPSS output, 2024

As indicated in Table 4.2, the survey results provide insights into the general information of the firms involved in the coffee export business. The findings show that 10 companies, representing 9.26% of the total sample, have been active in the coffee export business for less than 5 years. Additionally, 23 firms (21.3%) have been engaged in coffee export for 6-10 years, 31 firms (38.7%) for 11-15 years, 27 firms (25%) for 16-20 years, and 17 firms (15.74%) for over 21 years. The majority of the respondents have relatively long service years, implying they possess extensive information and experience regarding the compensation schemes of their companies.

Furthermore, the data reveals that 57 firms (52.77%) are Private Limited Companies. Among the remaining companies, 13.89% are partnerships, 12.04% are sole proprietorships, 9.26% are joint ventures, 7.41% are cooperative unions, and 4.63% are share companies. This distribution highlights the predominance of Private Limited Companies in the coffee export sector.

The survey also evaluated the export locations of these firms. The findings indicate that 38 businesses (35.19%) export coffee to Europe, 33 businesses (30.56%) to Asia, 17 businesses (15.74%) to South America, 13 businesses (12.14%) to North America, and 7

businesses (6.74%) to Africa. This distribution suggests that the primary importers of Ethiopian coffee are nations in Asia and Europe. The presence of large populations of coffee drinkers in these continents presents a significant marketing opportunity for Ethiopian coffee exporters.

In summary, the general information of the firms reveals a diverse range of experience in the coffee export business, with a significant proportion being Private Limited Companies. The primary export destinations are Europe and Asia, indicating a strong market presence in regions with high coffee consumption. These characteristics provide valuable context for understanding the dynamics of the Ethiopian coffee export industry.

4.3 Descriptive Statistics of Study Variables

The descriptive analysis of the study variables comprises six variables: Company barrier which is an internal factor and external factors including the institutional support environment, Government policy and regulations, export industry barriers, export market barriers, and infrastructural challenges. The central tendency and variation of respondents' perceptions about the study variables provided are measured using descriptive statistics, namely the grand mean and standard deviation.

The mean and standard deviation of the descriptive statistics were used to compare how the respondents perceived the variables. The sample group's average level of agreement or disagreement with the various statements is indicated by the mean. Respondents are classified as strongly disagreed if the mean scored value falls between 1.00 and 1.80, disagreed between 1.81 and 2.60, neither agreed nor disagreed between 2.61 and 3.40, agreed between 3.41 and 4.20, and strongly agreed between 4.21 and 5.00 on the scale. Furthermore, the standard deviation demonstrates the variation in an observed answer. Each dimension's description is shown below.

4.3.1 Company Barriers

Table 4.3 below shows the items asked to explain the barriers to business that may affect companies' export performance in the study.

Table 4.3 Company Barriers

S. N	I. Internal Problems Affecting Coffee Export Performance of Firms			
	Company Barriers	**N**	**Mean**	**S.D**
1	Our company lacks knowledge about coffee export marketing	108	2.52	1.172
2	Our company operation faces insufficient working capital	108	2.56	1.121
3	Our company lacks managerial commitment to expanding export-related activities	108	2.51	1.148
4	As a business, our company doesn't have a competitive export marketing plan	108	2.81	1.172
5	Our company experienced the inability to locate possible buyers and agents in global markets	108	2.77	1.323
	Grand Mean	**108**	**2.63**	**1.187**

Source: SPSS output, 2024

In examining the internal factors influencing the export performance of coffee firms, several key barriers have emerged from the data analysis. These barriers encompass issues ranging from strategic deficiencies to operational challenges, each contributing uniquely to the complexities faced by coffee exporters.

The majority of the respondents' neutral stands on the company barriers (do not have a significant effect) on their company's export performance. It can be said that their firms did not suffer from a lack of management dedication to growing exports, a lack of insufficient working capital, or a lack of marketing knowledge and information. How ever some of the respondents agreed on the factors identified by the researcher.

The absence of a competitive export marketing plan emerged as another significant concern, scoring a mean of 2.81 with a standard deviation of 1.172. This finding underscores the importance of strategic planning and differentiation in positioning coffee products effectively in international markets. Developing robust marketing strategies tailored to target consumer preferences and market trends could help firms gain a competitive edge.

Lastly, respondents cited challenges in locating potential buyers and agents in global markets, scoring this barrier at a mean of 2.56 with a standard deviation of 1.121. While

moderately perceived, the relatively low standard deviation indicates a more uniform agreement among respondents regarding the difficulty of accessing international markets. Enhancing networking opportunities and establishing partnerships with international trade bodies could facilitate smoother market entry and expansion.

The overall grand mean across all identified barriers is calculated at 2.63, with a standard deviation of 1.187. This aggregate score reflects a generally neutral level of agreement among respondents regarding the severity of internal challenges impacting coffee export performance. The variability in responses highlights the nuanced nature of these barriers, emphasizing the diverse perspectives within the stakeholder community.

4.3.3 Institutional Support-Related Environment

The study participants were asked to evaluate the degree to which they agreed with the statements listed under institutional support-related environment relating to external barriers. The outcomes of the survey are presented below.

Table: 4.4 Institutional Support-related Environments

	II. External Barriers Affecting Export Performance of Firms			
S.N	**A. Institutional Support Environment**	**N**	**Mean**	**S.D**
1	The structure of the coffee value chain has not changed significantly since the ECX was established	108	3.07	1.236
2	Institutions that work towards improving coffee quality, delivery, and price discovery are inefficient	108	3.96	.831
3	Ethiopian organizations that assist exports are filled with unnecessary legal bureaucracy	108	4.31	.732
4	There is inefficiency in gov't institutions in improving export procedures and providing export training	108	4.21	.684
5	There is a lack of transparency in accessing coffee market information (both domestic and international)	108	3.52	1.072
6	Their agricultural product export marketing structure is weakly organized	108	3.50	.837
7	There is inadequate technology transfer for agricultural products	108	4.05	.728
	Grand Mean	**108**	**3.803**	**0.874**

Source: SPSS output, 2024

The analysis delves into the external barriers perceived to impact the export performance of coffee firms, focusing specifically on institutional support environments in Ethiopia. Respondents highlighted several key challenges that pose significant hurdles to the effective exportation of coffee products.

Respondents expressed moderate agreement (Mean = 3.07, S.D. = 1.236) that the structure of the coffee value chain has not evolved significantly since the establishment of the Ethiopian Commodity Exchange (ECX). This perception suggests a need for reforms or innovations to enhance efficiency and adaptability within the supply chain.

There is a strong consensus (Mean = 3.96, S.D. = 0.831) regarding the inefficiency of institutions tasked with improving coffee quality, delivery mechanisms, and price discovery. This finding underscores a critical area where improvements in operational effectiveness and quality assurance processes could significantly benefit coffee exporters.

Respondents strongly perceive (Mean = 4.31, S.D. = 0.732) that Ethiopian organizations assisting exports are bogged down by unnecessary legal bureaucracy. Streamlining administrative processes and enhancing organizational agility could alleviate these burdens and foster a more supportive environment for exporters.

Governmental institutions' inefficiencies in improving export procedures and providing adequate training are also highlighted (Mean = 4.21, S.D. = 0.684). This underscores a critical need for policy reforms and capacity-building initiatives to streamline regulatory frameworks and enhance exporter capabilities.

Moderately perceived (Mean = 3.52, S.D. = 1.072) is the lack of transparency in accessing both domestic and international coffee market information. Improving information dissemination and accessibility could empower exporters with timely market insights and strategic advantages.

There is a perception (Mean = 3.50, S.D. = 0.837) of weaknesses in the organizational structure supporting agricultural product export marketing. Strengthening coordination and collaboration among stakeholders could enhance market penetration and competitive positioning.

Respondents strongly agree (Mean = 4.05, S.D. = 0.728) that there is inadequate technology transfer for agricultural products. Addressing this barrier could catalyze innovation and efficiency improvements across the value chain, from cultivation to export.

The aggregate grand mean across all external barriers is 3.803, with a standard deviation of 0.874. This indicates a notable consensus among respondents regarding the substantial challenges posed by institutional support-related environments in the coffee export sector. The relatively moderate standard deviation suggests a cohesive understanding among stakeholders regarding the severity of these barriers.

4.3.4 Government Policy and Regulation Environment

According to Julian and Ahmed (2005), if government policy, regulation, and the absence of official support in removing export obstacles are taken into consideration, the degree of government intervention in the market might potentially be seen as a separate barrier in and of itself. Considering this, the study evaluates the problems related to the regulatory framework and government policy in relation to the export of coffee. The summary of descriptive statistics on the regulatory framework and government policy is presented in Table 4.5 below.

Table 4.5 Government Policy and Regulation Environment

	Government Policy and Regulation Environment	**N**	**Mean**	**S.D**
1	There is a low level of legal enforcement to minimize illegal coffee trade	108	4.18	.807
2	There is inconsistency in government policy (National Bank directives, Exchange Rate, Tax and Trade Policy)	108	3.73	.943
3	The support from the government in providing export incentives are inadequate	108	3.87	.938
4	There is inefficiency in government rules and regulations that promotes market linkage of the coffee trade	108	3.63	.860
5	There are low levels of public investment in coffee production and marketing activities	108	3.76	.906
6	There is a lack of export risk management tool(s)for stakeholders in coffee export	108	3.6	1.093
	Grand Mean		**3.795**	**0.925**

Source: SPSS output, 2024

The regulatory environment and government policy have a grand mean score of 3.795 with a standard deviation of 0.925, as shown in table 4.5. This further suggested that the majority of respondents indicated there were issues and inefficiencies with the institutional support system for coffee exports. Specifically That means, they had relatively similar stand in this issue. They slightly agreed with low lack of risk management tool (M = 3.60), inefficiency of gov't rule and regulation (M = 3.63), inconsistency of gov't policy (M=3.73) and low level of public investment (M = 3.76). However, they admitted low level of legal enforcement (M = 4.18) as well as support from gov't (M = 3.87) affected their company's export performance. The findings generally showed that there are limitations or shortcomings with regard to the legal enforcement, the start and execution of laws and policies that support the coffee trade's market linkage, and the provision of sufficient export

This finding is in line with that of Girma (2017), who discovered that the performance of the coffee value chain in enhancing the quality and sufficient supply of coffee is facilitated by current government regulations and policies, as well as by supporting financial institutions. Additionally, encouraging the availability of production means and market connectivity is still in its early stages. Barriers to coffee export performance were also created by financial support for investments related to the trade, access to value chain actors, and market information.

4.3.5 Export Industry Barriers

The export industry's barriers are the other group of external factors that may have an impact on a company's export success. The survey participants were requested to indicate their level of agreement with the statements included under "obstacles for the export industry." The following is a description of the survey's outcome.

Table 4.6 Export Industry Barriers

	Export Industry Barriers	N	Mean	S.D
1	The large domestic market for coffee is a threat to the improvement of coffee export performance	108	3.30	1.035
2	There is aggressive competition with other coffee exporters	108	3.64	.891
3	Being landlocked is a major disadvantage for coffee exporters to be competitive in the international trade	108	3.87	.844
4	There are low levels of technology adoption in providing quality coffee for the international market	108	3.82	.905
5	The success of coffee exports was negatively impacted by limited access to outside markets.	108	4.06	.895
6	There are supply-side constraints like; a lack of working capital to produce coffee and inadequate access to financial services	108	4.13	.725
Grand Mean		**108**	**3.803**	**0.883**

Source: SPSS Output, 2024

As can be seen from Table 4.6 above, the poll results show (M=3.803) with S.D=0.883 which is <1.00 that the majority of respondents agree with the barriers faced by the export industry, (M=3.64) including aggressive competition between coffee exporters, (M=3.87) landlocked Ethiopia, (M=3.82) low level of technology to provide quality coffee. (M=3.30) of respondents were neutral on the effect of large domestic market. Also the questioned respondents agreed their company export performance affected by limited access to outside market (M=4.06) and (M=4.13) supply side constrains. As a result this shows that most of the respondent believes existence of supply side constraints, limited access of outside market, being landlocked and low level of technology adoption in providing quality coffee.

4.3.6 Export Market Barriers

The export market obstacles are divided into two categories: procedural and the customer barriers. Export procedure expertise is necessary to overcome procedural barriers during export. Usually, it takes a lot of effort and paperwork to comply with national and

international rules. Customer barriers result from the customer's perception of the product properties. An essential point to note here is that exporters from developing nations face not only particular quality issues but also a lack of goodwill inside their own countries. Furthermore, Ford et al. (1996) identified the primary factors influencing customer preferences as language and cultural barriers, the products' negative reputation on international markets, and the effect of the country of origin.

Taking this into consideration, the study evaluates the concerns pertaining to foreign market obstacles linked to the export of coffee. As a result, the descriptive statistics about export-marketing features were summarised and shown in Table 4.7 below.

Table 4.7 Export Market Barriers

D	Export Market Barriers	N	Mean	S.D
1	As Ethiopia cannot determine the world coffee price exporters are vulnerable to price volatility	108	3.81	.961
2	The cultural differences between importing countries affected our export	108	3.54	.990
3	There are export payment delays	108	3.33	1.014
4	The export procedures (documentation& paperwork) are complex	108	3.41	.977
5	Coffee exporters face various trade barriers (we face in foreign countries affected our export performance)	108	3.50	.881
Grand Mean		**108**	**3.518**	**0.964**

Source: SPSS Output, 2024

As illustrated in table 4.7, the grand mean score for export marketing characteristics is 3.518 with standard deviation of 0.964. Regarding each specific items, the replies range from the highest (3.81) for the question about whether the companies export performance is affected by reduced prices in the global coffee market to the lowest (3.41) for the question about whether the export documentation, paperwork, and procedures are complicated. To be more precise, the mean, or central location of the data, indicates that the majority of respondents hold the belief that there are several trade barriers, export procedures complexity, payment delays, and limited access to overseas markets.

4.3.7 Infrastructural Challenges

The supply capacity is primarily determined by the domestic infrastructure. The extent and expansion of a nation's supply capacity are largely dependent on the availability of physical infrastructure, which includes everything from ports and highways to energy and telecommunications. This is known as domestic transportation infrastructure. The government is responsible for developing the nation's infrastructure in order to support exports. Even in exporting nations that are comparatively highly developed, there are still many infrastructure issues. According to UNCATD (2005), if a product cannot be transported and delivered to import markets in a timely, safe, and reliable manner, it will not succeed in export markets, even with greater design and manufacturing.

The survey participants were asked to score their level of agreement with the statements included under "Infrastructure Challenges." The description of the survey's results as follows.

Table 4.8 Infrastructural Challenges

E	**Infrastructural Challenges**	**N**	**Mean**	**S.D**
1	There is inadequate infrastructure in telecommunication	108	3.59	1.160
2	There is inadequate infrastructure in transportation	108	4.12	.782
3	There is a low level of access to electric power for coffee exporters	108	4.04	.709
4	Long supply chain activities adversely affected the coffee export performance	108	4.33	.611
5	Poor logistics performance adversely affected the coffee export performance	108	4.31	.648
Grand Mean		**108**	**4.078**	**0.782**

Source: SPSS output, 2024

As illustrated in table 4.8, the grand mean of (M=4.078) with standard deviation (S.D=0.782) implies the majority of respondents highly agree on the overall effect on infrastructural effects on their companies export performance. This means (M=4.33) effect of long supply chain activities and (M=4.31) poor logistics performance have high effect on their export performance. Also respondents slightly agreed on (M=3.59)

inadequate infrastructure on telecommunication (M=4.12) inadequate infrastructure in transportation affected the performance of their company performance.

According to the respondents, Ethiopia's poor logistical performance and lengthy supply chain had a negative impact on the companies coffee export performance. Respondents who recognized inadequate transportation and restricted access to electricity as barriers to coffee export also mentioned other infrastructural problems.

4.3.4 Export Performance

Participants were asked to score their level of agreement with the statements provided under export performance. The survey results are described below.

Table 4.9 Export Performance

F	Export Performance	N	Mean	S.D
1	The volume of coffee that our company exported has increased during the last 5 years	108	3.35	.835
2	The value of coffee our company exported has been increasing during the last 5 years	108	3.37	.816
3	The export profitability of our company has been increasing during the last 5 years	108	3.38	.720
4	The competitiveness of our company has improved over the years	108	3.81	.592
5	The percentage of coffee exports achieved during the past 5 years is considered very good when compared to the planned export	108	3.25	.657
Grand Mean		**108**	**3.43**	**0.724**

Source: SPSS Output, 2024

Finally, in terms of the overall performance of their coffee export performance, the majority of the respondents were also slightly positive, as the grand mean scored value has been found to be 3.43 with standard deviation of .724. That means, they had relatively similar stand in this issue. They slightly agreed with the percentage of export achieved (M = 3.25), increment on volume of export (M = 3.35), and volume (M = 3.37). However, they admitted that they improved their competitiveness (M = 3.81). This

implies that although the company's overall export performance has improved moderately over the last five years, its sufficiency has not been recognised as anticipated.

Table 4.10 Summary of Descriptive Statistics of Variables

No.	Item	N	Mean	S.D
A	**Internal Barrier**	108	2.63	1.187
	Company Barrier	**108**	**2.63**	**1.187**
	Total Average of External barriers			
B	**External Barriers**	**108**	**3.79**	**0.886**
1	**Institutional support Env't**	108	3.803	0.874
2	**Government rules & regulation**	108	3.795	0.925
3	**Export Industry Barriers**	108	3.803	0.883
4	**Export Market Barriers**	108	3.518	0.964
5	**Infrastructural Challenges**	108	4.08	0.782
C	**Export Performance**	**108**	**3.43**	**0.724**

Source: SPSS Output, 2024

According to Table 4.10 above, The study's descriptive analysis reveals that internal barriers, specifically the company's barrier, are 2.63 with a standard deviation of S.D=1.79. This indicates that the respondent partially disagrees with the statements regarding the internal barriers that influence their companies' coffee export performance. According to the study's findings, respondents agree with the identified statements about how external barriers affect coffee export performance of enterprises, with an average mean of 3.79 and a standard deviation of 0.886.On the other hand, the overall rate of export performance is 3.43, with a standard deviation of 0.724.

4.4 Inferential Analysis

Three primary analyses comprise inferential statistics: correlation analysis, multiple linear regression analysis, and regression assumptions testing. The Pearson correlation test was used to determine whether the categorical variables were related, and the multiple linear regression analysis tests tested for multicollinearity, multivariate normality, linearity, and homoscedasticity considerations. The multiple linear regression analysis was done to see if one or more predictor factors explained the dependent (criterion) variable.

4.4.1 Correlation

The goal of correlation analysis is to determine how closely two variables relate to one another. In general, correlations between 0.1 and 0.3 are regarded as minor, 0.3 and 0.7 as moderate, 0.7 and 0.9 as large, and 0.9 and 1.00 as very large. Possibly the most fundamental and practical way to quantify relationships between two or more variables is through correlations (Denis, 2001). Thus, a Pearson correlation coefficient was used to analyze the correlation between dependent and independent variables in SPSS.

Table 4.11 Correlation analysis of variables

Correlations

		Company barrier	Institutional support env't	Gov't rule and regulation	Export industry barrier	Export market barrier	Infrastructural challenges	Export performance
Company barriers	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	108						
Institutional support env't	Pearson Correlation	.086	1					
	Sig. (2-tailed)	.376						
	N	108	108					
Gov't rule & regulation	Pearson Correlation	.160	.770**	1				
	Sig. (2-tailed)	.099	.001					
	N	108	108	108				
Export industry barriers	Pearson Correlation	.098	.774**	.757**	1			
	Sig. (2-tailed)	.312	.000	.000				
	N	108	108	108	108			
Export market barriers	Pearson Correlation	.089	.814**	.789**	.789**	1		
	Sig. (2-tailed)	.361	.000	.000	.000			
	N	108	108	108	108	108		
Infrastructural barriers	Pearson Correlation	.103	.769**	.771**	.807**	.823**	1	
	Sig. (2-tailed)	.287	.000	.001	.000	.000		
	N	108	108	108	108	108	108	
Export performance	Pearson Correlation	.141	.848**	.875**	.885**	.881**	.882**	1
	Sig. (2-tailed)	.146	.000	.000	.000	.000	.000	
	N	108	108	108	108	108	108	108

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

Source: SPSS Output, 2024

As shown above in Table 4.11, the correlation analysis's outcome demonstrates that company barrier with the correlation coefficient r = .141 has a weak correlation or little impact on export performance and the Sig (2-tailed) value is p <0.146, which means greater than 0.01. This leads us to the conclusion that there is no statistically significant correlation between export performance and company barriers. Every other independent variable, in contrast to the company barrier, has a significant and positive correlation/favourable relationships with the dependent variable. Infrastructure challenges also have a strong correlation (r = 0.882, p <.000) with export performance, as do the institutional support environment (r = 0.848, p <.001), political and regulatory environment (r = 0.875, p <.001), export industry barriers (r = 0.885, p <.000), and export market barriers (r = 0.881, p <. 000). These suggest that variations in external influencing factors would result in changes in export performance; hence, it can be stated that in this case study, external barriers are reliable indicator of export performance.

4.4.2 Regression

One statistical method for examining relationships between variables is regression analysis (Field, 2009).

4.4.2.1 Assumption Tests of Regression Analysis

Analysing whether one or more predictive variables explain for the dependent (criterion) variable is known as multiple linear regressions. Multicollinearity, Multivariate Normality, Linearity, and Homoscedasticity are the underlying assumptions of regression.

Multicollinearity Test

When there is a strong correlation between the independent and predictor variables, this is referred to as multicollinearity. Multicollinearity among independent variables results in "overlap" or the sharing of predictive capacity. Because of this, multicollinearity has the effect of reducing the predictive ability of each independent variable by the degree to which it is correlated with the other independent variables. “Tolerance” and “variance inflation factors” (VIF) values for every predictor can be used to test for

multicollinearity. A multicollinearity issue is indicated by a tolerance value less than 0.1 and a VIF value greater than 10%, (Robert, 2006).

Table 4.12 Multicollinearity Test

Variables	Collinearity Statistics	
	Tolerance	VIF
Company Barriers	.425	2.351
Institutional support Environment	.327	3.004
Government policy and regulation	.574	1.738
Export Industry Barrier	.507	1.980
Export Market Barrier	.736	1.350
Infrastructural challenges	.415	2.405

Source: Survey Result, SPSS 2024

As a result, a multicollinearity test was run in this study, and the results, which are shown in Table 4.12 above, the variance inflation factors (VIF) value ranged from 1.350 to 3.004, indicating that there was no collinearity problem, according to the study's results. It can be seen as evidence that multicollinearity problems were resolved, enabling regression analysis to carry on.

Linearity and Homoscedasticity Test

Regression analysis bases its test for homoscedasticity on the hypothesis that the variances of the residuals at each level of the predictor variable(s) are identical. The distribution is examined using the ZRESID versus ZPRED plots to see if the graph resembles a random collection of dots uniformly distributed around zero. This means that the spread of residuals should be relatively constant along any given predictor variable at every point.

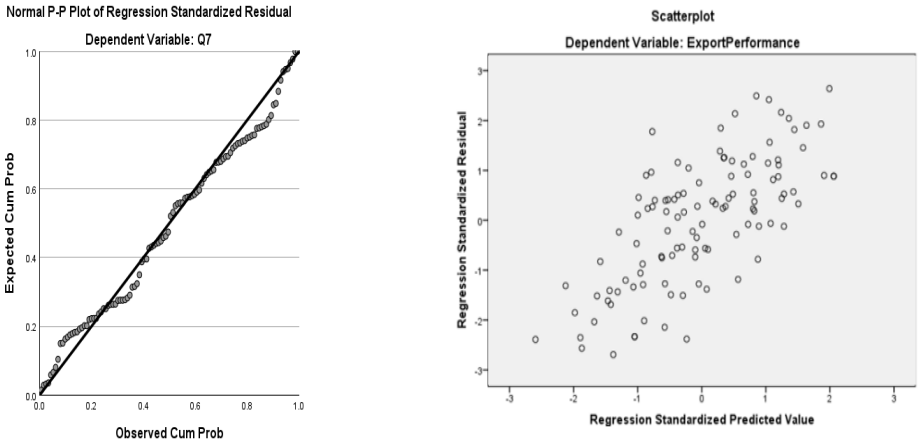


Figure 4: Homoscedasticity and Linearity Test Scatter Plot

As the observed values are depicted as individual dots, the expected values are represented by a straight diagonal line. If the data is normally distributed, the observed values on the diagram should fall exactly along the straight line, indicating that the observed values match what one would anticipate from a normally distributed data set. Any deviation from the line among the points is not regular. As a result, the Q-Q plot of every variable taken into account in this study seems to be a straight line with dots surrounding it, and as was previously said, it displayed minimal deviation from normality.

Figure 4 displays each export performance in relation to the predictor variables of influencing factors. The figure illustrates how the points are distributed equally and at random over the plot. Furthermore, these patterns suggest that the assumptions of linearity and homoscedasticity have been satisfied. Plotting the values one would anticipate from a normal distribution versus the values observed in the data set is what the normal Q-Q chart does.

Normality Test

Normality of data distribution is an assumption of several inferential statistics. It is important that we know if our variables are highly skewed or not since most common inferential statistics or test assume that the dependent variable is normally distributed. According to Haar et al. (2010), the distribution should be considered normal if the

skewness and kurtosis values fall between 1 and 3. Since none of the variables in table 4.13 below differ from the normalcy requirements, they were all kept for a further analysis.

Table 4.13 Normality Test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Company Barriers	108	-.165	.228	-.905	.453
Institutional support environment	108	.310	.228	.958	.453
Government policy and regulation	108	.205	.228	-.523	.453
Export industry Barriers	108	.241	.228	.534	.453
Export Market Barriers	108	-.447	.228	-1.014	.453
Infrastructural challenges	108	-.080	.228	.083	.453
Export performance	108	-.212	.228	-.097	.453
Valid N	108				

Source: Survey Result, 2024

4.4.3 Multiple Regression Analysis

A multiple regression is a correlation between the values of X that multiple regression models predict and the values of Y that are observed (Albaum, 1997). Multiple linear regressions were therefore carried out to determine the explanatory power of the independent variables (company barriers, institutional support environment, government policy and regulation environment, export industry barriers, export market barriers, and

infrastructural challenges), as well as to determine the correlation and ascertain the highly influential variables that influenced the dependent variable (export performance).

Table 4.14 Model Summary

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.907[a]	.823	.811	.183	2.096
a. Predictors: (Constant), company barriers, government policy and regulations, institutional support environment, export industry barriers, export market barriers and infrastructural challenges					
b. Dependent Variable: Export performance					

Source: Survey Result, 2024

The R value: As indicated in Table 13, the R=.907[a] demonstrates that the dependent variable (export performance) was strongly predicted by the linear combination of the six independent variables (company barriers, institutional support environment, government policy and regulatory environment, export industry barriers, export market barriers, and infrastructural challenges). This indicates a strong correlation between predictors and observed variables.

The R Square = 0.823 result suggests that 82.3% of the variance in export performance can be explained by the linear combination of the predictor variables, which include company barriers, institutional support environment, government policy and regulations, export industry obstacles, export market challenges, and infrastructural challenges. External factors excluded from this regression model account for the remaining 17.7% of the variation.

The difference between the final model's R^2 and adjusted R^2 (.823 - 0.811 = 0.012) is around 1.2%. This suggests that if the model was developed from the population rather than a sample, the outcome would have around 1.2% less variation. With the value of 2.096, the Durbin Watson estimate suggests that the independent variables are exogenous, with less serial correlation between the explanatory elements. In this method,

the regression estimate is prevented from giving a biased estimate due to incorrect regression.

4.4.4 ANOVA Analysis

Table 4.15

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.979	6	2.284	6.807	.000[b]
	Residual	3.451	101	.034		
	Total	19.427	107			
a. Dependent Variable: Ex[port Performance						
b. Predictors: (Constant),company barriers, institutional support environment, government policy, and regulation environment, export industry barriers, export market barriers and infrastructural challenges						

This data's result indicates that F is 6.807, which is significant if P <0.0001 (due to the fact that the value in the Sig. column is less than 0.001). This finding indicates that the internal and external factors explained the sales performance is not buy chance; there is a less than 0.1% chance that a high F-Ratio would occur. Since the p-value is less than 0.005, we can draw the conclusion that all explanatory variables are jointly significant based on the ANOVA estimation result. Consequently, variances in export performance can be explained by the combined effects of all the explanatory factors in the model.

The purpose of this study was to determine which independent variable has the greatest influence on the prediction of the dependent variable. Thus, the standardised beta coefficient was employed to determine how much each predictor (independent variable) influences the criteria (dependent variable). The coefficient table below displays each independent variable's contribution to the multiple linear regression models, as well as their statistical significance.

Table 4.16 Coefficients

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.213	.211		1.012	.313		
	Company barrier	.065	.032	-.134	2.097	.083	.425	2.351
	Institutional support environment	.134	.079	.125	1.742	.039	.327	3.004
	Government policy and regulation	.085	.047	.106	1.921	.000	.574	1.738
	Export industry barriers	.475	.056	.476	8.197	.000	.507	1.980
	Export market barriers	.108	.031	.179	3.689	.000	.736	1.350
	Infrastructural challenges	.516	.051	.657	10.226	.000	.415	2.405
a. Dependent Variable: export performance								

Source: Survey Result, 2024

The coefficients in coefficient table 4.16 show that the infrastructural challenge barriers have the highest beta coefficient (β=.657), indicating a higher sensitivity for the respective companies' export performance. This suggests that, for example, infrastructural difficulties make up 65.7% of the model.

Furthermore, each independent variable's contribution to the multiple linear regression models and its statistical significance are displayed in the coefficient table 4.16. These findings explain why the majority of the explanatory factors significantly impact the model predicted is influenced by the institutional support environment, which has a significant value of 0.39, whereas all other factors, including government policy and regulation, export industry, export market barriers, and infrastructure, have a significant

value of.000. The significance value of the other predictive variables, company barrier, is 0.083, which is more than 0.05, indicating that these predictors have a significant relationship with the dependent variable and hence have no significant impact on the analysed companies' export performance.

The explanatory variables' data are thought to have little association with one another if the Variance Inflation Factor (VIF) value is less than 5. High levels of association between the explanatory variables cause bias in the regression estimation process and false results, which in turn lead to incorrect conclusions (Wooldridge, 2012).The variance inflation factor (VIF) for all predictor less than five is likewise provided in the coefficient table 4.16 above. As a result, this finding indicates that there is no correlation between the data set and all of the explanatory factors in this study, with a VIF value of less than 5.

4.5 Discussion of results

This study aimed to identify factors affecting the export performance of coffee companies in Addis Ababa. The findings reveal that five out of the six factors examined (institutional support environment, government policy and regulatory environment, export marketing characteristics, export industry barriers, and infrastructural challenges) significantly predict export performance. These factors yielded p-values below 0.05.

Among the significant predictors, institutional support environments showed the least effect on export performance ($B = .125$, $p < .05$). Factors such as unnecessary legal bureaucracy, lack of transparency, and inadequate technology transfer significantly predicted export performance among coffee export companies. This finding aligns with Addis (2019), who underscored the positive significance of institutional support-related factors, while highlighting that company-specific barriers, export marketing challenges, and marketing strategies did not significantly explain export performance variations.

The study identifies export marketing barriers as highly impactful on companies' export performance. The findings indicate that coffee export effectiveness is hindered by various trade barriers, coffee price fluctuations, and procedural challenges related to exports. This

result echoes Karjaluoto's (2002) findings, which emphasized export market restrictions as a critical determinant of coffee export performance in Uganda.

Moreover, the lack of infrastructure for exporting coffee, with a median value of 4.07 ($B = .65$, $p < .001$), emerged as another significant challenge affecting export performance. Respondents agreed that poor logistical performance and extended supply chains adversely affected coffee export effectiveness, compounded by issues such as inadequate transportation and limited access to electricity. Nsabimana and Wondmagegn (2019) similarly highlighted the infrastructure deficiencies in East Africa that constrain coffee export activities.

In conclusion, this study provides insights into the multifaceted challenges impacting coffee export performance in Addis Ababa. It underscores the critical role of addressing institutional support, export marketing barriers, and infrastructural deficiencies to enhance the competitiveness and efficiency of coffee export operations in the region. These findings contribute to the existing literature by empirically validating key factors influencing export performance, thereby informing strategic interventions and policy enhancements in the coffee export sector.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter summarises the study's basic results, conclusions, and recommendations based on descriptive and inferential analyses of primary data obtained using a self-administered questionnaire.

5.1. Summary

The primary objective of this study was to examine the factors affecting Ethiopia's coffee export performance, focusing on six significant internal and external factors. Internally, the study investigated company barriers, while externally, it analyzed institutional support environments, government policies and regulations, foreign industry obstacles, export market challenges, and infrastructural challenges. A quantitative method was employed to achieve comprehensive insights. Primary data was gathered through a self-administered questionnaire with coffee exporting companies, complemented by secondary data sources to address the research objectives effectively.

Descriptive Analysis: The descriptive analysis revealed that the mean value for internal barriers was 2.63 with a standard deviation of 1.187, indicating disagreement among respondents regarding the impact of internal barriers on coffee export performance. Conversely, external barriers scored an average mean of 3.79 with a standard deviation of 0.866 on a scale from 1 to 5, suggesting that the majority of respondents agreed on the significant influence of external challenges (institutional support environment, government regulations, export industry barriers, export market challenges, and infrastructural challenges) on coffee exporting enterprises.

Correlation Analysis: The correlation analysis indicated no statistically significant correlation between company barriers and export performance, with Sig (2-Tailed) values exceeding 0.01, suggesting weak associations. In contrast, all other independent variables

exhibited statistically significant and positive correlations with the dependent variable, indicating their substantial impact on export performance.

Regression Analysis: The linear combination of the six independent factors strongly predicted export performance, as evidenced by the regression model summary (R = 0.907). The R Square value of 0.823 indicated that 82.3% of the variance in export performance could be explained by these factors, with the remaining 17.7% attributed to extraneous variables. Adjusted R Square (0.811) indicated a slight variation of approximately 1.2% from R Square, suggesting the robustness of the model within the sample context.

Other Statistical Tests: The Durbin Watson statistic of 2.096 suggested exogeneity of independent variables and minimal serial correlation among explanatory factors. The significant F value of 6.808 from ANOVA analysis ($p < 0.0001$) indicated that all explanatory variables jointly contributed significantly to explaining export performance. This underscored the model's validity and highlighted the collective impact of the variables studied on coffee export outcomes.

In conclusion, this study provided comprehensive insights into the factors influencing Ethiopia's coffee export performance, employing rigorous quantitative methods to substantiate its findings. The results underscored the critical importance of addressing external barriers and optimizing internal processes to enhance the competitiveness and efficiency of coffee export enterprises in Ethiopia's dynamic market environment.

5.2 Conclusion

Ethiopia stands as one of the World's leading exporters of coffee, serving as a vital source of foreign currency and employment for millions. The growth of exports is pivotal for the development and prosperity of developing nations, significantly improving living standards and fostering economic advancement through export-driven opportunities. However, despite its crucial role in national economic development, the exporting sector faces various challenges.

This study was designed to investigate the factors influencing Ethiopia's performance in coffee exports, focusing on six distinct elements categorized under internal and external

components. Internally, company barriers were examined, while externally, the study considered export industry obstacles, export market barriers, institutional support environment, government policy and regulatory environment, and infrastructural challenges.

The findings from the descriptive analysis indicate a nuanced perspective among respondents regarding the impact of internal barriers on coffee export businesses. Conversely, respondents generally agreed on the significant influence of external barriers on the success of coffee-exporting enterprises, highlighting consensus on these critical factors.

The correlation analysis revealed a weak association between export performance and company-specific barriers, indicating minimal impact. In contrast, a substantial and positive correlation was observed between export success and all external variables, underscoring their collective influence on export performance. The regression analysis demonstrated that the linear combination of independent variables strongly predicted export performance. Specifically, the predictor variables explained 82.2% of the variance in export performance, with the remaining 17.8% attributed to extraneous factors not included in the model. The ANOVA results confirmed that all explanatory variables collectively contributed significantly to explaining variations in export performance, reinforcing the robustness and validity of the model.

Significant areas still need expansion regarding the role of the government and institutional support environment. These include improving the quality and sufficient supply of coffee, fostering marketing connections, and giving coffee-exporting enterprises access to risk management tools. From ports and highways to electricity and telecommunication, infrastructure needs to be improved because it affects trading costs and boosts export performance. In order to improve Ethiopian coffee's competitiveness in the international market and guarantee a steady supply, the export business needs effective logistics. Adoption of new technologies, like as supply chain management software and the Internet of things.

In conclusion, this study provides valuable insights into the complex dynamics influencing Ethiopia's coffee export performance. By systematically examining internal

and external barriers and employing rigorous statistical analyses, the study contributes to understanding how these factors collectively shape export outcomes. These findings are essential for policymakers and stakeholders aiming to enhance Ethiopia's export competitiveness and sustainability in the global coffee market.

5.3 Recommendations

Based on the significant findings and conclusions drawn from this study, the following recommendations are proposed:

- ✓ The government should intensify its support for the coffee export sector and actively engage exporters in policy formulation through bodies like the Ethiopian Coffee Exporters Association. Enhancing bilateral and multilateral trade opportunities and fostering awareness among exporters about these opportunities are crucial steps.
- ✓ Access to agricultural inputs should be contingent upon the production of Sector-specific exportable raw materials. The government should have to facilitate this process to ensure that resources are efficiently allocated to enhance export productivity.
- ✓ Exporters need to monitor their foreign competitors and understand global market dynamics to adopt proactive strategies. The government has to bolster the competitiveness of the coffee export sector by facilitating the integration of foreign high technology and promoting domestic independent research.
- ✓ Policymakers should prioritize addressing all dimensions of the external sector's development process to mitigate the impact of export market barriers on coffee exporters. Strategic interventions should focus on reducing trade barriers and enhancing market access for Ethiopian coffee.
- ✓ The government should invest in infrastructure development, including electricity, transportation, and telecommunications. Inadequate infrastructure elevates costs and impedes exporters' efficiency and competitiveness in the global market.
- ✓ This study highlights the need for extensive further research in the identified areas. Future studies can delve deeper into these factors to provide more nuanced

insights and refine policy recommendations for sustained growth and competitiveness in Ethiopia's coffee export sector.

These recommendations aim to guide policymakers, stakeholders, and industry players in fostering an enabling environment that supports sustainable growth, enhances competitiveness, and maximizes the economic benefits derived from Ethiopia's coffee exports. By implementing these suggestions, Ethiopia can capitalize on its strengths and overcome challenges to solidify its position as a leading player in the global coffee market.

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Appendix -I

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE

Survey Questionnaire to be filled by Exporters

Dear Participant,

My name is Martha Endalew, a postgraduate student at Addis Ababa University, School of Commerce. I am conducting my research entitled "FACTORS INFLUENCING COFFEE EXPORT PERFORMANCE: IN ETHIOPIA". Therefore, I ask for your kind assistance in filling out the below questions to the best of your knowledge and experience with obstacles in coffee export. Your honest and sincere responses to this questionnaire will play a great role in making the research successful. I assure you that all the responses will be treated confidentially and only be used for academic purposes. Participation is purely voluntary and no need to write your name.

I thank you in advance for offering your golden time and if you have any questions, please feel free to contact me at the below contact:

Martha Endalew
Email: marthaendalew43@gmail.com

Survey on Factors Affecting Coffee Export Performance; In Ethiopia

Part One: Respondents Profiles

1. Gender Female ☐ Male ☐

2. Age 21 - 30 years ☐ 31 - 40 years ☐ 41 – 50 years ☐ > 50 ☐

3. Education High School ☐ Certificate ☐ Diploma ☐ Degree ☐
Post Graduate ☐ other, please specify_____

4. Position in the company

Export Officer ☐ Expert in Export Dep't ☐ Export Manager ☐
Marketing Manager ☐ General Direct ☐ other, please specify_____

Part Two: Information of the Company

1. **Number of Years stayed in the Coffee Export Business;**

Under 5 years ☐ Between 6-10 Years ☐ Between 11-15 Years ☐
Between 16-20 Years ☐ ☐ Above 21

2. **Legal formation of the Firm**

Partnership ☐ Sole Proprietorship ☐ Joint-Venture ☐
Share Company ☐ Private Limited Company ☐ Cooperative ☐
Union

3. **Country of Export**

Asia ☐ Europe ☐ North America ☐

Africa ☐ South America ☐

Part Three: Factors Affecting Coffee Export Performance in Ethiopia

Instruction: Please indicate the extent to which you agree or disagree with each of the following statements by ticking "√" from 1 to 5 that best represents your level of agreement with the statement.

Note: 1- Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5- Strongly Disagree

S.N	**I. Internal Problems Affecting Coffee Export Performance of Firms**					
	Company Barriers	**SD(1)**	**D(2)**	**N(3)**	**A(4)**	**SA(5)**
1	Our company lacks knowledge about coffee export marketing					
2	Our company operation faces insufficient working capital					
3	Our company lacks managerial commitment to expanding export-related activities					
4	As a business, our company doesn't have a competitive export marketing plan					
5	Our company experienced the inability to locate possible buyers and agents in global markets					

S.N	**II. External Barriers Affecting Export Performance of Firms**					
A.	**Institutional Support Environment**	**SD(1)**	**D(2)**	**N(3)**	**A(4)**	**SA(5)**
1	The structure of the coffee value chain has not changed significantly since the ECX was established					

2	Institutions that work towards improving coffee quality, delivery, and price discovery are inefficient					
3	Ethiopian organizations that assist exports are filled with unnecessary legal bureaucracy					
4	There is inefficiency in gov't institutions in improving export procedures and providing export training					
5	There is a lack of transparency in accessing coffee market information (both domestic and international)					
6	Their agricultural product export marketing structure is weakly organized					
7	There is inadequate technology transfer for agricultural products					
B	**Government Policy and Regulation Environment**	**SD(1)**	**D(2)**	**N(3)**	**A(4)**	**SA(5)**
1	There is a low level of legal enforcement to minimize illegal coffee trade					
2	There is inconsistency in government policy (National Bank directives, Exchange Rate, Tax and Trade Policy)					
3	The support from the government in providing export incentives are inadequate					
4	There is inefficiency in government rules and regulations that promotes market linkage of the coffee trade					
5	There are low levels of public investment in coffee production and marketing activities					
6	There is a lack of export risk management tool(s)for stakeholders in coffee export					
C	**Export Industry Barriers**	**SD(1)**	**D(2)**	**N(3)**	**A(4)**	**SA(5)**
1	The large domestic market for coffee is a threat to the improvement of coffee export performance					
2	There is aggressive competition with other coffee exporters					
3	Being landlocked is a major disadvantage for coffee exporters to be competitive in the international trade					
4	There are low levels of technology adoption in providing quality coffee for the international market					
5	The success of coffee exports was negatively impacted by limited access to outside markets.					
6	There are supply-side constraints like; a lack of working capital to produce coffee and inadequate access to financial services					
D	**Export Market Barriers**	**SD(1)**	**D(2)**	**N(3)**	**A(4)**	**SA(5)**

1	As Ethiopia cannot determine the world coffee price exporters are vulnerable to price volatility					
2	The cultural differences between importing countries affected our export					
3	There are export payment delays					
4	The export procedures (documentation& paperwork) are complex					
5	Coffee exporters face various trade barriers (we face in foreign countries affected our export performance)					
E	**Infrastructural Challenges**	**SD(1)**	**D(2)**	**N(3)**	**A(4)**	**SA(5)**
1	There is inadequate infrastructure in telecommunication					
2	There is inadequate infrastructure in transportation					
3	There is a low level of access to electric power for coffee exporters					
4	Long supply chain activities adversely affected the coffee export performance					
5	Poor logistics performance adversely affected the coffee export performance					
F	**Export Performance**	**SD(1)**	**D(2)**	**N(3)**	**A(4)**	**SA(5)**
1	The volume of coffee that our company exported has increased during the last 5 years					
2	The value of coffee our company exported has been increasing during the last 5 years					
3	The export profitability of our company has been increasing during the last 5 years					
4	The competitiveness of our company has improved over the years					
5	The percentage of coffee exports achieved during the past 5 years is considered very good when compared to the planned export					

Part IV. Would you kindly provide any more variables that might impact Ethiopia's coffee export results?

_____

_____

_____

Thank you for your Cooperation!