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Full Length Research Paper

Growth of Small and Medium Enterprises in Addis Ababa Administration In The Case Of Kolfe Keranyo Sub City

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Abstract

Small and Medium Enterprises (SMEs) are a vital component of the economies in both developed and developing countries. Beyond their economic significance, SMEs are a major focus for policymakers, economists, and various other stakeholders. This study aims to address the gap in understanding the key challenges facing the SME sector. Specifically, the study examines the factors affecting the growth of SMEs in the Kolfe Keranyo sub-city of the Addis Ababa Administration, with a focus on the trade, urban agriculture, manufacturing, service, and construction sectors. Using a combination of quantitative and qualitative approaches, the researchers collected data through a questionnaire distributed via proportional stratified sampling. The analysis, conducted using SPSS software, revealed several major factors hindering the growth of SMEs in the region. These include a lack of access to capital, limited marketing opportunities, poor infrastructure, inadequate human skills, and deficient managerial capabilities. The findings indicate that access to capital, availability of suitable working premises, supportive government policies, access to markets, and infrastructure development are all crucial determinants of SME success and growth By identifying these critical factors, the study provides valuable insights that can inform policymaking and support initiatives to strengthen the SME sector in the Addis Ababa region. Addressing the barriers faced by small and medium enterprises is essential for unleashing their full potential as engines of economic development and job creation in both developed and developing economies.

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1. Introduction

Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ less than a given number of employees. This number varies across countries, with the most frequent upper limit designating an SME as 250 employees, as in the European Union (European Commission, 2003). However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees (OECD, 2005). The labor surplus theory argued that the driving force behind SME development is excess labor supply, which cannot be absorbed in the public sector or large private enterprises and is forced into SMEs in spite of poor pay and low productivity (Ranis & Stewart, 1999). The output demand theory postulates that the development of the SME sector in developing countries is driven by the existence of a market for their products and services (Pack & Westphal, 1986). The firm growth theory contends that as a result of industrialization and economic growth, SMEs are likely to disappear and be replaced by modern large-scale industry (Schumpeter, 1950).

Ethiopia is one of the developing countries in Africa that has prioritized SME development for economic growth, employment generation, and building an industrial economy. In 1997, the government designed a National MSEs Development and Promotion Strategy to facilitate and pave the ground for the growth and development of the sector (Ministry of Trade and Industry, 1997). The primary objective of the strategy was to create a favorable environment for MSEs so that they could facilitate economic growth, create long-term jobs, strengthen cooperation, provide a basis for medium and large-scale enterprises, and promote export. The direct policy support for SMEs includes access to markets, finance, industrial extension, training, and technological support.

This research aims to assess the performance and challenges of SMEs in the Kolfe Keranyo sub-city of Addis Ababa, Ethiopia, with respect to job creation, market linkages, savings, and SME growth levels. The research will focus on identifying both internal and external factors affecting the growth of this critical sector for Ethiopia's economic development.

Small and medium-size enterprises (SMEs) play a very important economic and social role, both in the economy and in reduction of unemployment. In Ethiopia, SMEs have a problem of finance when establishing the business as most individual sources of finance come from family & friends, personal savings and loans acquired from relatives, and money lenders with high amount of interests (MoTI, 2005).

The researcher used a decision hierarchy model developed by Ta & Har (2000). In this model, seven parameters are identified to measure the growth of SMEs. Using these variables, various studies have been conducted by different researchers, however

the results show no consistency, which is one rationale behind the present study. Almossawi (2001) pointed out that although studies done in developed counties have contributed significantly to the literature on SMEs, their findings may not have universal applicability, due to differences in cultural, economic, and legal environments.

In the context of Ethiopia, various studies have investigated SMEs, such as Fetene (2010) and Dereje (2012), but they have focused only on access to finance. Therefore, the researcher believes that the current study fills an important gap by considering other determinants of small and medium enterprises. However, the previous studies used simple descriptive analysis and did not include the most important variables, nor did they employ statistical tests or focus on a specific sub-city rather than Addis Ababa as a whole.

The research aims to address the time gap, as no recent research has been conducted in the Kolfe Keranyo sub-city. This is one of the basic central points of the study. The researcher also has experience that some SMEs have been dissolved due to their inability to resist internal and external factors, while others are struggling to survive with no change over time. Therefore, this study tries to identify to what extent internal and external factors affect the growth of SMEs in Kolfe Keranyo sub-city.

2. Theorethical foundation of the study

The study is guided by several key theories and models related to the growth and performance of small and medium enterprises (SMEs). The resource-based view (RBV) theory suggests that a firm's internal resources and capabilities are the primary drivers of its performance and growth (Barney, 1991; Wernerfelt, 1984). According to the RBV, SMEs can achieve sustainable competitive advantage by developing valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities, such as entrepreneurial orientation, managerial skills, access to finance, and technological capabilities.

Institutional theory, on the other hand, focuses on the role of external environmental factors in shaping organizational structures and practices (DiMaggio & Powell, 1983; Scott, 2013). This theory highlights the influence of government policies, regulations, infrastructure, and the overall business environment on the growth and performance of SMEs. Firms must conform to institutional norms, rules, and expectations to gain legitimacy and access to necessary resources for survival and growth.

Furthermore, the firm growth theory contends that as a result of industrialization and economic growth, small and medium enterprises are likely to disappear and be replaced by modern large-scale industry (Schumpeter, 1950). This theory suggests that SMEs may face challenges in sustaining their growth and may eventually be outcompeted by larger firms as the economy develops.

Based on these theoretical perspectives, the conceptual framework for this study will include both internal factors (entrepreneurial orientation, managerial skills, access to finance, technological capabilities) and external factors (government policies, regulations, infrastructure, access to markets, competition) as independent variables, and SME growth and performance (e.g., job creation, sales, profitability, survival) as the dependent variable. The study will examine how these factors affect the growth and performance of SMEs in the Kolfe Keranyo sub-city of Addis Ababa, Ethiopia.

3. Methodology

This study employed a mixed-methods approach, combining both quantitative and qualitative research methods to investigate the factors affecting the growth and performance of small and medium enterprises (SMEs) in the Kolfe Keranyo sub-city of Addis Ababa, Ethiopia.

The quantitative component of the study involved a cross-sectional survey of SMEs in the Kolfe Keranyo sub-city. A structured questionnaire was designed to collect data on the independent variables (internal and external factors) and the dependent variable (SME growth and performance), including both closed-ended and open-ended questions. A random sampling technique was used to select the SMEs to be included in the survey, with a sample size of 200 SMEs, determined using the Cochran formula and considering the total population of SMEs in the sub-city, the desired level of precision, and the expected response rate.

The quantitative data collected through the survey was analyzed using various statistical techniques, including descriptive statistics, correlation analysis, and multiple regression analysis. The correlation and regression analysis were used to examine the effect of the determinants (independent variables) on the growth and performance (dependent variable) of the SMEs, while controlling for other factors.

The qualitative component of the study involved in-depth interviews with a selected number of SME owners, managers, and relevant stakeholders, such as government officials and industry experts. A purposive sampling technique was used to select the interview participants, ensuring a diverse representation of SMEs in terms of industry, size, and stage of growth. The qualitative data collected through the interviews was analyzed using thematic analysis, where the researchers identified and analyzed the emerging themes, patterns, and relationships related to the factors affecting SME growth and performance.

The findings from the quantitative and qualitative components of the study were integrated to provide a comprehensive understanding of the factors affecting SME growth and performance in the Kolfe Keranyo sub-city. The quantitative results, including the correlation and regression analysis, were used to identify the relative importance and the effect of different factors on SME growth and performance, while the qualitative findings helped to explain the underlying mechanisms and contextual nuances. The integration of the quantitative and

qualitative findings was used to develop a robust and contextually-relevant set of recommendations for policymakers, SME support organizations, and SME owners to foster the growth and development of SMEs in the Kolfe Keranyo sub-city and beyond.A total of 200 MSEs were surveyed and data were collected using questionnaires.

4. Results and Discussion

4.1 Pearson correlation cofeeficeints

Correlation analysis provides valuable insights into the factors affecting the growth of micro and small enterprises (MSEs) in the Kolfe Keranyo sub-city of Addis Ababa, Ethiopia. The results indicate that entrepreneur characteristics have a strong positive correlation ($r = 0.541$, $p<0.01$) with MSE growth, suggesting that the personal qualities, skills, and experience of the entrepreneur are crucial determinants of enterprise performance and expansion.

Similarly, the management and marketing capabilities of the enterprise also exhibit a strong positive correlation ($r = 0.568$, $p<0.01$) with MSE growth, highlighting the importance of managerial and marketing skills for the success and growth of these businesses. The technological capacities of the MSEs further demonstrate a strong positive correlation ($r = 0.571$, $p<0.01$) with their growth, underscoring the vital role of technological adoption and utilization in driving enterprise expansion.

Turning to the external factors, the legal and regulatory framework shows a moderate positive correlation ($r = 0.374$, $p<0.01$) with MSE growth, indicating that government policies, regulations, and support mechanisms do play a role, albeit a relatively less prominent one compared to the internal factors. Access to external financing, on the other hand, has a strong positive correlation ($r = 0.588$, $p<0.01$) with MSE growth, suggesting that the availability and accessibility of financial resources are critical for the growth and expansion of these enterprises. Lastly, access to adequate markets also displays a moderate positive correlation ($r = 0.459$, $p<0.01$) with MSE growth, emphasizing the significance of the MSEs' ability to access and serve their target markets.

Moreover, the correlation analysis highlights the multifaceted nature of the factors influencing MSE growth, with both internal and external variables playing crucial roles. This underscores the need for a comprehensive and targeted approach to supporting and fostering the growth and development of micro and small enterprises in the Kolfe Keranyo sub-city and beyond.

Table 1: Pearson correlation coefficient

Variables spear man's rank correlations	Independent variables	Dependent variable

			1	2	3	4	5	6	Growth of MSEs
	Entrepreneur characteristics	r	1.00						
		Sig.	0.00						
	Management and marketing capabilities	R	0.359**	1.00					
		Sig.	0.00	0.00					
	High-tech proficiencies	R	0.821**	0.462**	1.00				
		Sig.	0.00	0.00	0.00				
	Government Regulation issues	R	0.492**	.209*	.493*	1.00			
		Sig.	0.00	0.01	0.03	0.00			
	Availability of subsidy firms that offer finance	R	0.474**	0.349**	0.455**	0.536**	1.00		
		Sig.	0.00	0.00	0.00	0.00	0.00		
	Access to adequate market	R	.375**	.242**	.352**	.493**	.592**	1.00	
		Sig.	0.00	0.00	0.00	0.00	0.00	0.00	
	Growth of MSEs	R	.541**	.568**	.571**	.374**	.588**	.459**	1.00
		Sig.	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Source: Survey result, 2022

4.2 Regression analysis

Prior to conducting the regression analysis, the researchers performed a series of diagnostic tests to ensure the underlying assumptions were met. This included tests for normality, linearity, heteroscedasticity, and multicollinearity. The results of these preliminary analyses indicated the data was suitable for proceeding with the regression modeling.

The regression model summary shows that the predictor variables explain 56.1% of the variance in the expansion of micro and small enterprises. The remaining 43.9% is attributed to other factors not included in the study. The ANOVA results

confirm the overall statistical significance of the regression model ($F = 41.291$, $p < 0.001$), indicating the model as a whole significantly predicts MSE growth.

Table 2: Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of theEstimate
1	.749[a]	.561	.547	.592

Source; own survey, 2022

Table 3: ANOVA [a]

Model		Sum of Squares	d/f	Mean Square	F	Sig.
	Regression	86.685	6	14.447	41.291	.000[b]
1	Residual	67.879	194	.350		
	Total	154.564	200			

a. The expansion of micro and small businesses (dependent variable)

b. Predictor variables: (continuous access to a suitable market/market integration/, management and marketing skills/skills in running a business/, government-related concerns, characteristics of entrepreneurs/invention and innovation trends/, High-tech proficiencies, and access to outside financing).

The regression analysis results presented in the Beta Coefficients table provide a de-tailed understanding of the factors that significantly impact the growth of micro and small enterprises (MSEs).

The capability of invention and innovation exhibits a positive and significant influence, with a standardized beta coefficient of 0.228 ($p < 0.007$). This indicates that a one-unit increase in the capability of invention and innovation is associated with a 22.8% increase in MSE growth, holding all other variables constant.

Similarly, the skill of supervising habit or trends shows a strong positive relationship, with a standardized beta coefficient of 0.197 ($p < 0.000$). This suggests that a one-unit increase in the skill of supervising habit or trends leads to a 19.7% increase

in MSE growth.

The availability of technology also has a positive and significant impact, with a standardized beta coefficient of 0.209 ($p < 0.015$). This implies that a one-unit increase in the availability of technology is associated with a 20.9% increase in the growth of MSEs.

Interestingly, government-related issues exhibit a negative and significant relationship, with a standardized beta coefficient of -0.048 ($p < 0.041$). This suggests that a one-unit increase in government-related issues is associated with a 4.8% decrease in MSE growth.

Access to financial support has a positive and significant influence, with a standardized beta coefficient of 0.232 ($p < 0.000$). This indicates that a one-unit increase in access to financial support leads to a 23.2% increase in the growth of MSEs.

Lastly, the capability of management and marketing skills also shows a positive and significant impact, with a standardized beta coefficient of 0.190 ($p < 0.002$). This means that a one-unit increase in the capability of management and marketing skills is associated with a 19% increase in MSE growth.

Morever, the regression analysis highlights the multifaceted nature of the factors influencing the growth of micro and small enterprises, underscoring the importance of addressing both internal (e.g., innovation, management skills) and external (e.g., access to finance, technology) factors to foster the expansion and development of these enterprises.

Table 4: Beta Coefficients [a]

Model	Unstandardized Coefficients		Standardized Coefficients	*t-value*	*P-vale*
	B	Std. Error	Beta		
(Constant)	.301	.241		1.247	.214
Invention and innovation	.212	.078	.228	2.709	.007
Enterprenurial skills	.274	.047	.197	3.665	.000
Availability of technology	.187	.076	.209	2.448	.015
Government Related issues	.037	.045	-.048	-.820	.041
Access to financial support	.237	.063	.232	3.777	.000
Market linkage	.175	.055	.190	3.191	.002

a. Dependent Variable: MSEs Growth

b. *Predictor variables (constant), invention and innovation, skill of enterprenurs, availability of technology, Government related issues, Access to financial support, and market linkage*

Source: Survey result, 2022

5. Conclusion and recoommendations

The research results indicate that the lack of working space, financial problems, poor infrastructure, lack of market information, and other related factors were the major hindering factors affecting the growth of Small and Medium Enterprises (SMEs) in the Kolfe Keranyo sub-city. Based on this analysis, the researcher has drawn the following conclusions:

Working Space: The analysis shows that the availability of a working space has a positive and significant effect on the growth of SMEs. The lack of own working spaces and high rental costs are major problems facing SMEs, which adversely affect their growth. This suggests a direct relationship between the availability of working space and the growth of SMEs.

The study findings reveal a positive relationship between the growth of SMEs and access to finance or capital. This implies that access to finance has a high influence in determining the growth of SMEs. The main problems faced by enterprises include a shortage of working capital, high-interest rates charged by lending institutions, high collateral requirements from banks and other lending institutions, inadequate financial record-keeping systems, and complicated loan application procedures.

Marketing also has a positive and significant effect on the growth of SMEs. However, insufficient market access, lack of marketing channels, lack of market research, lack of demand prediction, and inadequate product and service advertising have a high influence on the growth of SMEs. This indicates a positive relationship between marketing factors and the growth of small and medium enterprises.

The study results show that infrastructure, including power interruptions and lack of sufficient and efficient transportation services, has a positive and significant effect that hinders the business growth of enterprises in the Kolfe Keranyo sub-city.

Government policy also has a positive and significant effect on the growth of SMEs. However, negative impacts exist, such as bureaucracy in the processing of registration and licensing, as well as insufficient government support.

In general, both internal (finance, marketing, working space) and external (infrastructure, government policy) factors have a very high effect on the growth of SMEs.

Therefore, based on the findings, the following recommendations are given:

- To address the financial problems, financial institutions, the Federal and Regional Governments, should provide special emphasis and support, including specialized lending and repayment arrangements, to assist the growth of the SME sector.
- To solve marketing-related problems, the government should facilitate connections between SMEs and provide trainings to enterprises.
- The government should give great attention to improving infrastructure, such as power supply and transportation, to support the growth of SMEs.
- The government should simplify registration and licensing procedures and provide sufficient support to the SME sector.

Future Research: The researcher recommends conducting more research on the issues to contribute to the development of SMEs in the country.The study populations in the area have time-tested indigenous knowledge about their way of life and their environment in general. Their skill and knowledge about the best tree species to utilize for charcoal making is part of their indigenous experience.

Conflicts of Interest

The authors declare that they have no conflicts of interest.

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Full Length Research Paper

FACTORS AFFECTING LOAN DISBURSEMENT IN COMMERCIAL BANKS OF ETHIOPIA

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Abstract

The specific objective of this study was to investigate the determinant factors affecting loan disbursement of selected commercial banks in Ethiopia. The research employed a quantitative approach, utilizing descriptive and explanatory research designs, and panel data was collected from the annual financial reports of eight sampled commercial banks from 2010-2022. Secondary data were collected from seven private and one publicly-owned commercial bank in Ethiopia using purposive sampling, and the data were analyzed using descriptive statistics, correlation, and regression analysis. Since the sample was not randomly selected, the study used a fixed-effect regression model, which was determined to be the appropriate model based on Hausman and Wald tests. The results showed that profit, capital, and the number of customers had statistically significant and positive effects on loan disbursement, while deposit, asset, liabilities, and the number of branches had insignificant impacts.

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1. Introduction

Loan disbursement refers to the extension of credit, or the sum of funds lent to borrowers, by commercial banks in exchange for future repayment of the principal amount (Olokoyo, 2011). This lending activity, whether short-term, medium-term, or long-term, is crucial for investment, development, and contributing to the economic growth of a country. Loan disbursement is a primary source of profit generation and financial performance for commercial banks, as they receive deposits from customers and lend those funds to borrowers or investors to earn interest revenue (Comptroller, 1998).

The level of customer deposits directly influences a bank's capacity to disburse loans, both positively and negatively (Natnael, 2017). A decline in liquidity may prompt banks to draw down cash securities to protect their loan collection and position (Leonardo et al., 2001). Deposits are a key determinant of loan provision, as banks have less incentive to lend when liability levels are low (Kashyap & Stein, 2000). Loan performance and collections are the largest benefits and profit sources for most commercial banks (Comptroller, 1998).

In emerging economies like Ethiopia, banks' loan disbursement can have a more significant impact on the implementation of monetary policy compared to developed countries (Alkilani et al., 2015). Commercial banks play a crucial role in mobilizing savings and financial resources to promote economic expansion (Olokoyo, 2011). While some previous studies in Ethiopia have examined factors like deposits, interest rates, GDP, and cash reserve requirements, their results showed these variables had an insignificant impact on loan disbursement (Amano, 2014; Temesgen, 2016; Mitiku, 2014; Berhanu, 2016). Therefore, further research is needed to investigate additional determinants of loan disbursement by commercial banks in Ethiopia, especially given the evolving nature of the banking sector and the economy.

Prior research on the factors affecting loan disbursement by commercial banks in Ethiopia has yielded inconsistent results. Some studies found deposit volume had a significant positive relationship with loan disbursement (Mitku, 2014; Berhanu, 2016; Amano, 2014), while others found cash reserve requirements had a significant effect (Amano, 2014; Berhanu, 2016), contrary to other studies (Mitiku, 2014; Temesgen, 2016). The impact of macroeconomic variables like GDP was also mixed, with some studies finding a significant effect (Berhanu, 2016; Mitku, 2014) and others finding no effect (Amano, 2014; Temesgen, 2016).

This study aims to fill a gap in the literature by examining additional factors that may affect loan disbursement by commercial banks in Ethiopia, including profit, assets, capital, customers, liabilities, and branch network.

The specific objectives are:

1. Examine the effect of profit on loan disbursement
2. Analyze the effect of deposit on loan disbursement
3. Determine the effect of assets on loan disbursement

4. Analyze the effect of capital on loan disbursement

2. Theorethical review and hypotheses

Numerous empirical studies have found a positive and significant relationship between profitability and loan disbursement. For example, a study by Abate (2019) in the Ethiopian banking sector revealed that higher profitability, as measured by return on assets (ROA), had a significant positive impact on banks' loan disbursement. Similarly, Alemu (2015) found that profitability was a key determinant of loan growth in Ethiopian commercial banks.

H1: Profitability has a significant and positive effect on the loan disbursement of commercial banks in Addis Ababa, Ethiopia.

The empirical evidence on the relationship between deposit volume and loan disbursement is well-established. Studies by Tesfaye (2014) and Wondwossen (2017) in the Ethiopian context have consistently shown that banks with higher deposit mobilization tend to have greater loan disbursement capacity.

H2: Deposit volume has a significant and positive effect on the loan disbursement of commercial banks in Addis Ababa, Ethiopia.

Empirical research has generally supported the positive relationship between asset size and loan disbursement. Getahun (2016) and Mengistu (2018) found that larger banks, as measured by their total assets, were able to disburse more loans in the Ethiopian banking industry.

H3: There is a significant positive relationship between the asset size and loan disbursement of commercial banks in Addis Ababa, Ethiopia.

Capital Adequacy and Loan Disbursement

The empirical evidence on the impact of capital adequacy on loan disbursement is mixed. While some studies, such as Demissie (2017), have found a positive and significant relationship, others, like Shimelis (2016), have reported a negative or insignificant effect. This may be due to the various ways in which capital adequacy is measured and the different regulatory environments in which banks operate.

H4: Capital adequacy has a significant positive effect on the loan disbursement of commercial banks in Addis Ababa, Ethiopia.

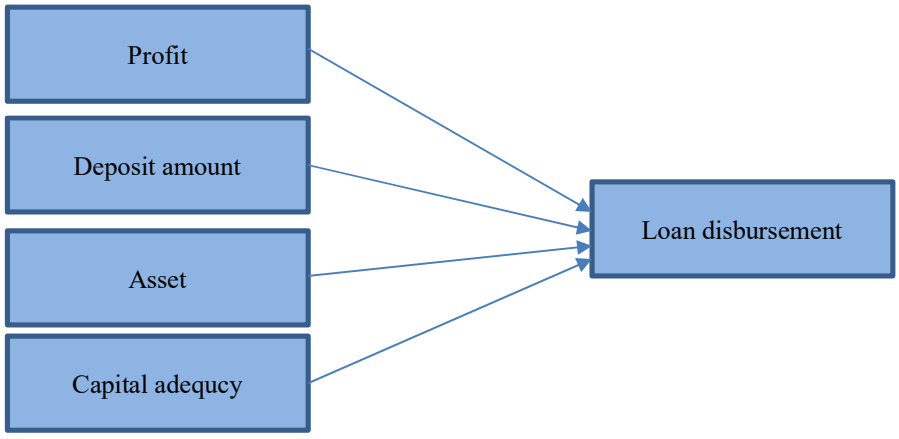

Figure 1: Conceptual framework, 2022

3. Methodology

The research design provides the framework for data collection and analysis. This study used an explanatory research design, which is suitable for analyzing cause-and-effect relationships. The study relied on secondary data obtained from sources like financial reports and websites of commercial banks in Ethiopia.

The target population was the 8 commercial banks in Ethiopia, including 1 public bank and 7 private banks that had been operating for at least 13 years. A non-probability purposive sampling technique was used to select these 8 banks as the sample.

The data were analyzed using descriptive statistics, correlation analysis, and multiple linear regression. Specifically, the study employed panel data analysis techniques like pooled regression, fixed effects, and random effects models to examine the determinants of loan disbursement by the commercial banks.

The multiple regression model was specified with loan disbursement as the dependent variabl4e and factors like profit, deposits, assets, capital, customer base, liabilities, and branch network as the independent variables. The analysis was conducted using the EViews 10 software.

4. Results and Discussion

4.1 Descriptive results

The table provides an overview of key financial and operational metrics for the organization over 104 observations. The mean loan disbursement of 32,816.95 Birr indicates the institution's active role in lending, with the capacity to disburse loans ranging from a minimum of 364.769 Birr to a maximum of 289,878.6 Birr, suggesting it caters to a diverse customer base. The mean profit of 2,236.173 Birr demonstrates the organization's ability to generate surplus, though this figure exhibits high variability with a standard deviation of 4,081.943 Birr, potentially influenced by market dynamics and strategic decisions. The institution's deposit-taking function is highlighted by the mean deposit of 64,133.83 Birr, with the capacity to attract deposits up to 742,648.9 Birr. The substantial mean asset value of 83,631.55 Birr, with a maximum of 1,001,232 Birr, reflects the organization's scale and resource base, while the mean capital of 6,554.565 Birr underscores its financial stability and capacity to support operations. Overall, the statistics paint a picture of a dynamic institution serving a diverse range of customers and operating in a rapidly evolving environment.

Table 1: Decsriptive results

	LOAN_DISB.	PROFIT	DEPOSIT	ASSET	CAPITAL
Mean	32816.95	2236.173	64133.83	83631.55	6554.565

Maximum	289878.6	19470.48	742648.9	1001232	54364.79
Minimum	364.769	21.509	820.933	1118.57	189.001
Std. Dev.	56168.87	4081.943	138696.8	185764.7	11493.25
Observations	104	104	104	104	104

Source: National Bank report, 2022

4.2 Regression Results

The regression model provides insights into the relationship between the dependent variable, Loan Disbursement, and the independent variables of Profit, Deposit, Asset, and Capital. The results indicate that Profit and Capital have a statistically significant positive impact on Loan Disbursement, while Asset has a statistically insignificant negative impact. Specifically, the Profit coefficient of 3.524778 suggests that a one-unit increase in Profit is associated with a 3.525-unit increase in Loan Disbursement, holding all other variables constant. This relationship is highly statistically significant, with a p-value of 0.000, indicating a strong link between the institution's profitability and its ability to disburse loans.

Similarly, the Capital coefficient of 1.356529 implies that a one-unit increase in Capital is associated with a 1.357-unit increase in Loan Disbursement, all else equal. This finding also has a high level of statistical significance, with a p-value of 0.000, underscoring the importance of the institution's capital base in supporting its lending activities. In contrast, the Deposit coefficient of 0.292772 suggests a positive but statistically insignificant relationship between Deposit and Loan Disbursement, with a p-value of 0.2345. This implies that the institution's deposit-taking function may not have a direct, significant influence on its loan disbursement decisions.

Furthermore, the Asset coefficient of -0.093203 indicates a negative but statistically insignificant relationship between Asset and Loan Disbursement, with a p-value of 0.5844. This suggests that the institution's overall asset base may not be a primary driver of its loan disbursement activities. The model's goodness-of-fit is strong, as evidenced by the high R-squared value of 0.978356, indicating that the independent variables explain 97.84% of the variation in Loan Disbursement. The Adjusted R-squared of 0.977018 further confirms the model's high explanatory power.

However, the Durbin-Watson statistic of 0.797761 suggests the presence of positive autocorrelation in the residuals, which may indicate a need to address potential issues related to the model's dynamic structure or the presence of unobserved factors. Moreover, the regression analysis highlights the crucial role of Profit and Capital in influencing the institution's loan disbursement activities, while the relationship with Deposit and Asset appears to be less significant in the context of this particular model.Risks in the banking industry refer to uncertainties that can result in adverse variations in profitability or

losses. The banking sector faces a wide array of risks, many of which are well-known. However, there has been a significant shift in focus from traditional qualitative risk assessment towards the quantitative management of risks, driven by evolving risk practices and strong regulatory incentives.

Table 2: Pooled OLS Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	3.524778	0.792484	4.447759	0.000
DEPOSIT	0.292772	0.244727	1.196319	0.2345
ASSET	-0.093203	0.169822	-0.548826	0.5844
CAPITAL	1.356529	0.313022	4.333661	0.000
Weighted Statistics				
R-squared	0.978356			
Adjusted R-squared	0.977018			
S.E. of regression	8515.183			
Durbin-Watson stat	0.797761			

Note: Dependent Variable: Loan Disbursement

As Table 3 reveasl, the fixed effects panel regression model provides a more nuanced analysis of the relationship between the dependent variable, Loan Disbursement, and the independent variables of Profit, Deposit, Asset, and Capital. This approach accounts for unobserved individual heterogeneity, allowing for a more comprehensive understanding of the underlying dynamics. The results indicate that Profit and Capital have a statistically significant positive impact on Loan Disbursement, while Deposit and Asset have insignificant relationships. The Profit coefficient of 6.122474 suggests that a one-unit increase in Profit is associated with a 6.122-unit increase in Loan Disbursement, holding all other variables constant. This relationship is highly statistically significant, with a p-value of 0.000, reinforcing the importance of profitability in driving the institution's lending activities.

The Capital coefficient of 0.803766 implies that a one-unit increase in Capital is associated with a 0.804-unit increase in Loan Disbursement, all else equal. This finding is also statistically significant, with a p-value of 0.0034, underscoring the role of the institution's capital base in supporting its loan disbursement. In contrast, the Deposit coefficient of 0.205858 suggests a positive but statistically insignificant relationship between Deposit and Loan Disbursement, with a p-value of 0.3012. This implies that the institution's deposit-taking function may not have a direct, significant influence on its lending decisions. The Asset coefficient of -0.016394 indicates a negative and statistically insignificant relationship between Asset and Loan Disbursement, with a p-value of 0.9051. This suggests that the institution's overall asset base may not be a primary driver of its loan disbursement activities.

The model's goodness-of-fit is exceptionally strong, as evidenced by the high R-squared value of 0.987917, indicating that the independent variables explain 98.79% of the variation in Loan Disbursement. The Adjusted R-squared of 0.986017 further confirms the model's high explanatory power. The F-statistic of 519.7785, with a corresponding p-value of 0.000, indicates that the model as a whole is statistically significant, validating the inclusion of the independent variables in explaining the variation in Loan Disbursement. Compared to the Pooled OLS Regression Model, the Fixed Effects Panel Regression Model provides a more robust and reliable analysis, as it accounts for unobserved individual-level factors that may influence the relationships between the variables. This approach helps to address potential omitted variable bias and provides a more comprehensive understanding of the underlying dynamics within the institution.

Table 3: Fixed Effects Panel Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.	
Constant	-28878.88	12621	- 2.2881	0.0245	
PROFIT	6.122474	0.863845	7.08747	0.000	
DEPOSIT	0.205858	0.197966	1.03987	0.3012	
ASSET	-0.016394	0.137144	-0.11954	0.9051	
CAPITAL	0.803766	0.267098	3.00925	0.0034	
	Weighted Statistics				
R-squared	0.987917				
Adjusted R-squared	0.986017				
S.E. of regression	6642.039				
Sum squared	3.93E				
F-statistic	519.7785				
Prob (F-statistic)	0.000				

Note: Dependent Variable: Loan Disbursement

Table 4 reveals the random effects panel regression model provides an alternative approach to analyzing the relationship between the dependent variable, Loan Disbursement, and the independent variables of Profit, Deposit, Asset, and Capital. Unlike the fixed effects model, the random effects model assumes that the unobserved individual-level heterogeneity is uncorrelated with the independent variables. The results indicate that Profit and Capital have a statistically significant positive impact on Loan Disbursement, while Deposit and Asset have insignificant relationships. The Profit coefficient of 2.770889 suggests that a one-unit increase in Profit is associated with a 2.771-unit increase in Loan Disbursement, holding all other variables constant. This relationship is highly statistically significant, with a p-value of 0.0001, reinforcing the importance of profitability in driving the institution's lending activities.

The Capital coefficient of 1.200198 implies that

a one-unit increase in Capital is associated with a 1.200-unit increase in Loan Disbursement, all else equal. This finding is also statistically significant, with a p-value of 0.000, underscoring the role of the institution's capital base in supporting its loan disbursement. In contrast, the Deposit coefficient of 0.279274 suggests a positive but statistically insignificant relationship between Deposit and Loan Disbursement, with a p-value of 0.1239. This implies that the institution's deposit-taking function may not have a direct, significant influence on its lending decisions.

Similarly, the Asset coefficient of -0.06738 indicates a negative and statistically insignificant relationship between Asset and Loan Disbursement, with a p-value of 0.5919. This suggests that the institution's overall asset base may not be a primary driver of its loan disbursement activities. The model's goodness-of-fit is strong, as evidenced by the high R-squared value of 0.978989, indicating that the independent variables explain 97.90% of the variation in Loan Disbursement. The Adjusted R-squared of 0.977457 further confirms the model's high explanatory power. The F-statistic of 638.994, with a corresponding p-value of 0.000, indicates that the model as a whole is statistically significant, validating the inclusion of the independent variables in explaining the variation in Loan Disbursement.

Compared to the Pooled OLS Regression Model and the Fixed Effects Panel Regression Model, the Random Effects Panel Regression Model provides a different perspective on the underlying relationships. While the fixed effects model assumes that the unobserved individual-level factors are correlated with the independent variables, the random effects model assumes that they are uncorrelated. The results of the Random Effects Panel Regression Model are generally consistent with the findings from the Pooled OLS (Table 2) and Fixed Effects model (Table 3) , highlighting the crucial role of Profit and Capital in influencing the institution's loan disbursement activities, while the relationships with Deposit and Asset appear to be less significant.

Table 4: Regression Result of Random Effects Panel Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.	
C	-22124.19	9655.653	-2.29132	0.0241	
PROFIT	2.770889	0.668765	4.143293	0.0001	
DEPOSIT	0.279274	0.179895	1.552428	0.1239	
ASSET	-0.06738	0.125275	-0.537855	0.5919	
CAPITAL	1.200198	0.239882	5.003293	0.000	
	Weighted Statistics				
R-squared	0.978989				
Adjusted R-squared	0.977457				
S.E. of regression	8433.458				
F-statistic	638.994				

Prob (F-statistic)	0.000				

Note: Dependent Variable: Loan disbursement

5 Conclusion and implications

The regression analyses conducted on the data provide valuable insights into the key factors that drive the institution's loan disbursement activities. Across all three models, profitability, as measured by the Profit variable, emerges as a consistently significant and positive determinant of loan disbursement. This suggests that the institution's ability to generate profits is a crucial consideration in its lending decisions, likely reflecting a focus on maintaining a healthy financial position and managing risks effectively. The significance of the Profit variable underscores the importance of the institution's revenue-generating capabilities and cost management strategies in supporting its lending operations. Complementing the role of profitability, the institution's capital base, as captured by the Capital variable, also demonstrates a statistically significant and positive relationship with loan disbursement in both the Fixed Effects and Random Effects models. This finding highlights the importance of the institution's capital adequacy in enabling it to expand its loan portfolio and meet regulatory requirements. The implication is that the institution should maintain a robust capital base, potentially through strategies such as capital raising, efficient capital allocation, and prudent risk management. In contrast, the institution's deposit-taking function, as represented by the Deposit variable, and its overall asset base, as measured by the Asset variable, do not appear to have a direct, significant influence on loan disbursement decisions. This may suggest that factors other than deposit-gathering and asset management, such as risk management and strategic priorities, play a more prominent role in the institution's lending activities. This could incentivize the institution to diversify its funding sources and asset management strategies to better support its lending operations, potentially exploring alternative funding mechanisms and optimizing its asset allocation. The differences in the underlying assumptions and results between the Fixed Effects and Random Effects models also highlight the importance of carefully selecting the appropriate modeling approach when analyzing the drivers of the institution's lending decisions, as the choice of model may depend on the specific characteristics of the institution and the nature of the unobserved individual-level factors that may influence the relationships.

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Workers Attitude toward Female Managers in Addis Ababa City Administration: The Case of Nifas Silk Lafto Subcity)

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Abstract

The main purpose of this study was to investigate the perceived effect of knowledge management systems on decision making in the Addis Ababa City Administration. The study sought answers to basic questions related to knowledge identification, knowledge acquisition, knowledge transfer, and knowledge assessment, and their perceived effect on decision making. The survey conducted in the Addis Ababa City Administration, Nifas Silk Lafto Sub-city, revealed a direct perceived effect of the knowledge management system on decision making, with a substantial number of staff not performing at their best level. The research employed a mixed methodology, with community partnership facilitators, supervisors, officers, specialists, leads, coordinators, team leaders, managers, and directors as the subjects of the study. Questionnaires and interviews were the primary data gathering instruments, and statistical tools such as numbers, percentages, weighted mean, standard deviation, t-test, and chi-square test were used to analyze and interpret the data. The findings showed that knowledge identification, knowledge acquisition, knowledge transfer, and knowledge assessment were the key dimensions that had a directly perceived effect on the success of decision making, and the study recommended further enhancing the visions and career developments of female managers.

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1. Introduction

Attitude is an expression of inner feelings that reflects a person's favorable or unfavorable predisposition towards an object. It has three components: affective (feelings), cognitive (beliefs, information), and behavioral (likely actions) (Zikmund, 2003). This study focused on the cognitive component, investigating the beliefs that workers hold towards female managers.

Stereotypes are structured sets of beliefs about the personal attributes of a group of people (Del Boca, 1979). Gender stereotypes relate to common views of males as more independent, objective, task-oriented, and better-suited for management, while females are seen as more sensitive, gentle, and less capable of high-level responsibilities (Terborg and Ilgen, 1975).

Despite efforts by international institutions to advocate for female rights and promote female managers, attitudes have powerful influences on workplace behavior (Herbert & Yost, 1978). Male subordinates may politely refuse instructions from female managers or make negative comments, as women are often perceived less favorably in terms of ability and accomplishments, even with equal qualifications (Eagly & Carau, 2001).

As more women enter the workforce globally, attitudes towards women in management remain an important issue. This study aims to compare attitudes towards women in management, as gender role perceptions in male-dominated economies and social structures often prefer male leaders, despite women's recent achievements in leadership roles (Murgai, 1999; Chen, 1997; Adler and Izraeli, 1988).

The study focuses on Nifas Silk Lafto Subcity in Addis Ababa, Ethiopia, which has a significant female population and women in managerial positions, including the President and Chief of Justice. Examining the long-rooted gender stereotypical attitudes towards females in the workplace could provide insights into the potential discrimination they face (Ilgen and Terborg, 1975).

Globally, stereotyping of females as less competitive and less capable is not unusual. This is true in most countries regardless of their economic development. Multinational research on "attitudes towards female managers" has consistently reported the universal existence of gender-based stereotypes.

Studies conducted in the US (Dubno, 1985; Owen & Todor, 1993), comparing the US to Chile (Cordano et al., 2001) and Nigeria (Tomkiewicz & Adeyemi-Bello, 1995), as well as research in the United Arab Emirates (Elamin & Omanin, 2010), Greece (Galanaki, 2009), India (Gulhati, 1990), Canada (Orser, 1994), and Egypt (Mustafa, 2003), all concluded that there are negative attitudes towards women managers. Across these diverse contexts, women are viewed as being less qualified than men for managerial positions. Surprisingly, the studies showed that male subordinates often hold less favorable attitudes towards female managers than female subordinates.

In developing countries, women in managerial positions in the corporate world have been few in almost all countries. The 1995 Beijing Conference on Women sought to narrow the gap between men and women and provide equal opportunities. This goal has been achieved to a large extent in many developed countries - for instance, in the US, nearly 60% of adult women are in the workforce

and hold 51.4% of all managerial and professional positions (US Bureau of Labour Statistics, 2011).

However, the situation is different in Africa. In Ethiopia, where the culture is predominantly male-dominated and hinders the potential of females, one can expect similar or even worse results in terms of unfavorable attitudes towards female managers, as found in previous studies. However, the widely declared policy of promoting "equality in terms of education, job opportunities, and managerial positions" in 1996 (FDRE, 1998) may have led to some changes in attitudes.

This study aims to understand the attitudes of workers towards female managers in the case of the Nifas Silk Lafto Subcity in Addis Ababa, Ethiopia. Previous studies have often failed to consider "workers" as the unit of observation when analyzing attitudes. It is likely that the more individuals are exposed to female managers, the less biased their attitudes become. By focusing on workers who directly interact with female managers, this study seeks to provide insights that are less influenced by broader cultural biases.

The specific objectives of this study are:

1) To identify the gender stereotypical attitudes or characteristics among workers about female managers in Nifas Silk Lafto Subcity, Addis Ababa, Ethiopia.
2) To examine the factors that affect the attitudes of workers towards female managers.
3) To explore the major problems that hinder women managers from effectively exercising their responsibilities.

2. Theoretical Framework

This study was guided by the social role theory (Eagly, 1987) and the stereotype content model (Fiske et al., 2002) to understand the attitudes of workers towards female managers.

The social role theory posits that gender stereotypes and expectations are shaped by the social roles that men and women occupy in society (Eagly, 1987). According to this theory, the perceived gender-based differences in characteristics and behaviors between men and women arise from the different social roles they typically assume, such as men in leadership positions and women in caregiving roles. These societal expectations and stereotypes can then influence the attitudes and perceptions towards individuals in certain roles, such as female managers.

The stereotype content model, developed by Fiske et al. (2002), suggests that stereotypes are formed based on two fundamental dimensions: warmth and competence. Individuals or groups perceived as high in warmth but low in competence (e.g., the elderly, housewives) are often viewed with pity, while those perceived as low in warmth but high in competence (e.g., rich people, professionals) are often viewed with envy or admiration. The model further suggests that these stereotype-based perceptions can shape attitudes and behaviors towards individuals or groups.

In the context of this study, the social role theory and the stereotype content model provide a theoretical foundation to explore how gender-based stereotypes and expectations may influence the attitudes of workers towards female managers, and how these attitudes are shaped by the perceived characteristics and competencies of female managers.

3. Methods and Materials

This study employed a mixed-methods approach, combining quantitative and qualitative methods, to investigate the attitudes of workers towards female managers in the Nifas Silk Lafto Subcity of Addis Ababa, Ethiopia. For the quantitative approach, a structured questionnaire was designed to collect data on the workers' attitudes towards female managers. The questionnaire included sections on demographic information, gender stereotypical attitudes, and factors affecting attitudes. The questionnaire was distributed to a random sample of 300 workers, and 265 valid responses were received, representing a response rate of 88.3%.

To complement the quantitative data, semi-structured interviews were conducted with 20 purposefully selected workers, including both male and female employees. The interview guide covered topics such as perceptions and experiences of working with female managers, challenges and barriers faced by female managers, and suggestions for improving the status and acceptance of female managers. The interviews were recorded, transcribed, and analyzed using thematic analysis to identify recurring themes and patterns.

The quantitative data from the questionnaires was analyzed using statistical software, including descriptive statistics and inferential statistics, such as t-tests and one-way ANOVA. The qualitative data from the interviews was analyzed using thematic analysis, where the interview transcripts were carefully reviewed, and codes were assigned to identify key themes and patterns. The integration of the quantitative and qualitative findings allowed for a more comprehensive understanding of the research problem and the development of a holistic interpretation of the attitudes towards female managers in the Nifas Silk Lafto Subcity.

4. Results and Discussions

4.1 Descriptive Results

The survey respondents had diverse demographic characteristics. The gender distribution was 57.4% male and 42.6% female. The mean age of the respondents was 35.2 years, with the majority (54.3%) being between 30 and 40 years old. In terms of educational attainment, 42.6% had a bachelor's degree, 31.7% had a diploma, and 25.7% had a postgraduate degree. The mean work experience of the respondents was 9.5 years, with approximately 40% having 5-10 years of experience. Regarding their positions, 38.1% were in administrative roles, 31.3% were in technical/professional positions, and 30.6% were in managerial roles.

The respondents' level of agreement with gender stereotypical statements about female managers was measured on a 5-point Likert scale. The results indicated moderate levels of gender stereotypical attitudes. For example, the respondents tended to agree that "women are less assertive than men in managerial positions" ($M = 3.42$, $SD = 1.09$) and that "female managers are more emotional and irrational than male managers" ($M = 3.15$, $SD = 1.23$). However, they were less likely to agree with statements such as "women lack the necessary leadership skills for managerial roles" ($M = 2.87$, $SD = 1.17$) and "female managers are less capable of making tough decisions than male managers" ($M = 2.78$, $SD = 1.21$).

The survey also examined factors that may influence the workers' attitudes towards female manag-

ers. The respondents were asked to rate the importance of various factors on a 5-point Likert scale. The results suggest that exposure to female managers (M = 4.01, SD = 0.92) and organizational culture and policies (M = 3.87, SD = 1.04) were perceived as the most important factors in shaping their attitudes. Societal norms and expectations (M = 3.72, SD = 1.11), personal beliefs and values (M = 3.54, SD = 1.18), and media and cultural representations (M = 3.41, SD = 1.23) were also considered relevant, but to a lesser extent.

4.2 Correlation results

The correlation analysis revealed several significant relationships between the variables examined in the survey. First, gender stereotypical attitudes held by the respondents were negatively correlated with their exposure to female managers ($r = -0.42$, $p < 0.01$) and the organizational culture and policies in their workplaces ($r = -0.39$, $p < 0.01$). This suggests that greater exposure to female managers and more supportive organizational environments are associated with lower levels of gender stereotypical attitudes among the workers.

The analysis also showed a positive correlation between exposure to female managers and the organization's culture and policies ($r = 0.47$, $p < 0.01$). This indicates that organizations with more supportive policies and cultures tend to have higher levels of exposure to female managers. Additionally, societal norms and expectations were positively correlated with gender stereotypical attitudes ($r = 0.35$, $p < 0.01$), personal beliefs and values ($r = 0.42$, $p < 0.01$), and media and cultural representations ($r = 0.38$, $p < 0.01$). This suggests that societal influences play a significant role in shaping individual attitudes and perceptions towards female managers.

Furthermore, the results reveal that personal beliefs and values were positively correlated with gender stereotypical attitudes ($r = 0.29$, $p < 0.01$) and media and cultural representations ($r = 0.35$, $p < 0.01$). This indicates that individual belief systems and exposure to media and cultural representations can contribute to the formation of gender stereotypical attitudes among the respondents.

Morever, the correlation analysis provides valuable insights into the complex interplay of various factors, including organizational culture, societal norms, personal beliefs, and exposure to female managers, which influence the attitudes of workers towards female managers.

4.3 Regression results

The multiple regression analysis provided further insights into the factors influencing gender stereotypical attitudes among the survey respondents. The results revealed several significant relationships.

First, the analysis showed a significant negative relationship between exposure to female managers and gender stereotypical attitudes ($\beta = -0.31$, $p < 0.001$). This indicates that as the level of exposure to female managers increases, the respondents' gender stereotypical attitudes tend to decrease. This finding supports the notion that increased interaction and familiarity with female leaders can help reduce stereotypical perceptions.

The regression analysis also found a significant negative relationship between organizational culture and policies and gender stereotypical attitudes ($\beta = -0.21$, $p < 0.001$). This suggests that organizations with more supportive and inclusive environments, characterized by policies and practices

that promote gender diversity and equality, are associated with lower levels of gender stereotypical attitudes among their employees.

Furthermore, the results indicated a significant positive relationship between societal norms and expectations and gender stereotypical attitudes ($\beta = 0.21$, $p < 0.001$). This implies that the respondents' gender stereotypical attitudes are influenced by the broader societal context, including prevailing norms, beliefs, and expectations about gender roles and leadership.

The analysis also revealed a significant positive relationship between personal beliefs and values and gender stereotypical attitudes ($\beta = 0.13$, $p = 0.042$). This suggests that individuals' own belief systems and value orientations play a role in shaping their perceptions and attitudes towards female managers.

Lastly, the regression analysis showed a significant positive relationship between media and cultural representations and gender stereotypical attitudes ($\beta = 0.14$, $p = 0.010$). This finding highlights the influential role that media and cultural portrayals of gender and leadership can have on individuals' attitudes and perceptions.

The overall model explained 32% of the variance in gender stereotypical attitudes, indicating that the combination of the examined factors significantly contributes to understanding the formation of gender stereotypical attitudes among the survey respondents.

These regression results provide valuable insights into the multifaceted nature of the factors influencing gender stereotypical attitudes in the workplace. The findings underscore the importance of both individual-level factors, such as exposure to female managers and personal beliefs, as well as organizational and societal-level factors, such as organizational culture and societal norms, in shaping the attitudes and perceptions of workers towards female managers.

5. Conclusion and Implications

5.1 Conclusion

There have been numerous studies examining the experiences of female managers across different regions, including Africa, Asia, and Europe. These studies have highlighted the widespread existence of fairness issues for female managers, which are receiving serious attention globally. Despite ongoing efforts to address these challenges, the situation for female managers in our country of Ethiopia remains inadequate.

This study aimed to examine attitudes towards female managers in the Nifas Silk Lafto Sub-city of Addis Ababa. Key variables such as respondents' age, gender, marital status, and education level were analyzed to evaluate their impacts. The findings indicate that participants generally support the participation of female managers in the workplace. However, male workers outnumber female workers in the Addis Ababa City Administration, Nifas Silk Lafto Sub-city, despite women's equal competence. The study also found that the more educated the women, the more positive their perceptions of managerial roles.

The research revealed that women in Addis Ababa City display ambition, assertiveness, self-confidence, and competitiveness, but these qualities are hindered by poor enabling environments. Negative stereotypes and lack of awareness among workers towards female managers persist, creating barriers to their advancement.

The City Administration is actively working to empower women and increase their representation in managerial and leadership positions. However, the study found that men's attitudes towards women in these roles remain relatively negative.

5.2 Recommendations:

a) For Government Sectors:

- Provide capacity-building opportunities to develop women's knowledge and skills
- Assist women in employing effective managerial approaches and tools
- Offer comprehensive training in management and innovative decision-making
- Encourage women to engage with critical issues

b) For Addis Ababa City Administration:

- Equip female managers with necessary facilities and support
- Organize continuous professional development activities to enhance women's skills and experience
- Initiate programs to boost women's ambition, assertiveness, self-confidence, and competitiveness, as these qualities are essential for the city's administrative progress.

Conflict of Interests

The authors declare that there's no conflict of interest concerning to the publication of this article

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Full Length Research Paper

EFFECTS OF REWARD STRATEGY ON EMPLOYEE PERFORMANCE IN PRIVATE BANKS: AN EVIDENCE FROM ABYSSINIA BANK, ADDIS ABABA

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Abstract

This study examines the effect of reward strategies on employee performance in the Western Addis Ababa districts of Bank of Abyssinia. It aims to establish the relationship between employee performance and rewards, utilizing a Census method to collect data from bank employees in the targeted region. The study employed a self-administered questionnaire, and the data was analyzed using the SPSS statistical software, with both descriptive and inferential tools. The findings reveal that the six independent variables (employee salary, bonus, medical expense coverage, educational fee coverage, recognition, and career advancements) have varying degrees of positive relationships with the dependent variable, employee performance. Specifically, career advancements showed a strong positive relationship, followed by educational fee coverage, bonus, and recognition, which had moderately positive effects. In contrast, medical expense coverage and employee salary had positive but weak relationships with performance. The regression analysis further supported these findings, indicating that the identified factors have significant and positive effects on employee performance in the bank. Overall, the study's results align with the existing theoretical and empirical literature, as both descriptive and inferential statistics confirm the identified factors.

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1. Introduction

In the world, there are two competing interests. Employers require their employees to do more with less, while employees are asking for more incentives. This requires that organizations devise a system that strikes a balance, if they want to continue to have increased performance (Puwanenthiren, 2011). Organizations are increasingly realizing that they have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. Establishing this balance is one of the main reasons to reward employees.

To maximize the overall performance of the company, the employer needs to understand what motivates the employees and how to increase their job satisfaction. It might, however, be challenging for a company to find out what motivates its employees, especially because different people are motivated by different things (Nursebo, 2012). A reward system is imperative for employee performance, and an increase in employee performance will lead to an increase in organizational performance. In an organizational context of performance, employee performance is defined as the degree to which an organizational member contributes to achieving the goals of the organization. Employee performance is vital to an organization's success, as it is an imperative mechanism that contributes to the success of an organization. According to Motowidlo, Borman and Schmidt (1997) cited in Onukwube (2010), job performance is the behavior that can be evaluated in terms of the extent to which it contributes to organizational effectiveness. Similarly, Jaafar et al. (2006) see job performance as an individual's work achievement after having exerted effort. Guest (2001) regards it as the behavior and outcomes that employees engage in or bring about that are linked with and contribute to organizational goals. Reward systems in an organization help to motivate and retain employees at work, which is an important element of human resource management. A well-designed reward system leads an organization towards higher productivity and employee satisfaction.

Employee reward systems could be defined as a program by an organization to reward performance and motivate individuals as well as group employees. For a company to design a reward system, it should specify the organizational goals to be attained and the specific performance that will attract rewards. By doing so, the reward system will help management shape the behavior of employees, thereby attaining the organization's goal to achieve higher levels of quality and performance. As Hatice (2012) states, "reward systems play a critical role in determining the organization's ability to attract high-potential individuals and retain high-performing employees." To put it another way, effective rewards are the most important way to engage people with their work and their organization (Ibrar, 2015). Employee performance is defined as a situation in which one group of people acts in a specific manner for the benefit of another group of people (Chaundary & Sharma, 2012). It is concerned with employees' work efficiency, how well they perform on the job, and the responsibilities assigned to them as measured against the commonly accepted performance criteria established by their employers (Torrington, 2008). Management uses incentives to motivate workers. As a result, an effective reward system

draws new employees to the company and spurs current ones to work harder. According to Malik et al. (2011), the reward system is a very important tool that all banks can use to enhance employee motivation in different ways. In other words, banks give rewards to employees, and the reward system seeks not only to attract new employees to join the bank but also to keep existing employees and also motivate them to perform at a high level (Mohemmed, 2011).

This study aims to answer the following research questions:

1) *What are the factors affecting employee performance at the Bank of Abyssinia?*
2) *How do financial incentives/rewards affect employee performance at the Bank of Abyssinia?*
3) *What are the effects of non-financial rewards on employees' performance at the Bank of Abyssinia?*

Morever, the study was to examine the effect of reward strategy on the performance of employees at the Bank of Abyssinia. Specifically, the study addressed the following objectives:

1. *To measure the effect of financial rewards on employees' performance at the Bank of Abyssinia.*
2. *To examine the effect of non-financial rewards on employees' performance at the Bank of Abyssinia.*

2. Theorethical Framework

Reward refers to recognizing employees, both individually and as a group, for their performance and acknowledging their contribution to the organization's mission (Zaliha, Soonyew, and Laikuan, 2009). Reward encompasses all monetary, non-monetary, and psychological compensation that an organization provides to its employees in exchange for the work they do. It includes both extrinsic and intrinsic rewards (Bratton, 2007).

According to Gross and Friedman (2004), rewards include compensation (base pay, short- and long-term incentives), benefits (health issues, work-life balance, and other benefits), and career development (training and progression). Rewards can be categorized into two main types: intrinsic and extrinsic (Mottaz, 2012).

Intrinsic rewards are derived from the content of the task itself, such as interesting and challenging work, self-direction, responsibility, variety, creativity, the opportunity to use one's skills and abilities, and sufficient feedback on the effectiveness of one's efforts. Extrinsic rewards, on the other hand, come from the work environment, such as promotions, private office space, and the social climate.

The company's reward strategy specifies what an organization intends to do with rewards in the next few years and how it plans to implement it. This leads to the creation of a reward system comprised of interconnected processes and practices that work together to ensure that reward management benefits the organization and its employees. This is considered a strategic approach to reward, where reward and corporate strategy are integrated, and the organization plans ahead to make the plans happen.

Specifically, the HR strategy stems from the business strategy and is concerned with key areas such as resourcing, skills acquisition and development, performance and quality management, rewards,

and employee relations. The goal is to make initiatives in each of these areas mutually supportive.

While many managers are intrigued by team-based awards, others are hesitant to apply them due to their complexity and potential negative influence on individual performance. Organizational incentives can include the potential for higher earnings and productivity, comprehensive training that streamlines important business processes, and good communication between employees and management (Larson, 2003).

Intrinsic rewards, such as responsibility, performance, and the task itself, may have a longer-term and deeper impact on employee motivation compared to extrinsic, monetary rewards (Armstrong, 2007). Intrinsic rewards satisfy the internal factors or motivators of the employee, leading to a sense of satisfaction and commitment to their work.

Non-monetary compensation, such as recognition, advancement, working conditions, and appreciation, may also have a significant impact on employee performance (Oroh, Lapian, & Pandowo, 2014).

3. Methodology

The study employed both quantitative and qualitative research approaches to analyze the effect of reward strategy on employee performance at Bank of Abyssinia. The quantitative approach used a Likert scale questionnaire to collect data from managers and employees, while the qualitative approach gathered data on the effectiveness of the organization and managers' perceptions of reward strategy issues. The study used an explanatory research design to examine the relationship between the independent variables (financial and non-financial rewards) and the dependent variable (employee performance). A census method was used to collect data from all 108 permanent employees with at least 2 years of experience across 7 bank branches in western Addis Ababa. Both primary and secondary data were analyzed using descriptive and inferential statistics such as frequencies, means, correlations, and multiple linear regression.

4. Results and Discussion

The survey data provides a detailed demographic profile of the respondents. The majority were male (65.7%) and between the ages of 26-35 (33.33%). Most were married (66.7%) and held bachelor's degrees (69.4%). In terms of their positions at the bank, the vast majority were officers (93.5%), and the majority had over 5 years of service (62%), followed by 4-5 years (32.4%) and 2-4 years (5.6%). This background information on the characteristics of the survey participants helps to provide useful context for interpreting the subsequent analysis of the data.

The model summary and ANOVA results provide a comprehensive assessment of the regression model and its predictive power. The multiple correlation coefficient (R) of 0.887 indicates a strong positive correlation between the set of independent variables (Recognition, Salarr, bonus, educational fee, training opportunity, decision making, , career advancement opportunity, and job secuirity) and the dependent variable (employee performance).

The R-squared (R Square) value of 0.787 further suggests that the independent variables in the model are able to explain 78.7% of the variation in the dependent variable. The adjusted R-squared value of 0.767 demonstrates that the model has good explanatory power and can be generalized to

the population. Additionally, the low standard error of the estimate (0.42053) implies a relatively small amount of residual variation in the dependent variable.

The ANOVA results provide strong statistical support for the overall model fit. The F-statistic of 40.245 and the corresponding p-value of less than 0.001 indicate that the regression model is statistically significant, meaning that at least one of the independent variables is a significant predictor of the dependent variable (EP). This provides confidence in the model's ability to accurately predict the outcome variable based on the set of independent variables.

Table 1: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.887[a]	.787	.767	.42053
a. Predictors: (Constant), R, S, B, EF, TO, DM, BEC, CAO, JS				

Table 2: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.055	9	7.117	40.245	.000[b]
	Residual	17.331	98	.177		
	Total	81.385	107			
a. Dependent Variable: EP						
b. Predictors: (Constant), R, S, B, EF, TO, DM, BEC, CAO, JS						

The regression results presented in the Coefficients table provide a detailed understanding of the relationships between the independent variables and the dependent variable, EP. The analysis shows that several of the independent variables have a statistically significant positive impact on EP. Salary, with an unstandardized coefficient of 0.153 and a standardized coefficient (Beta) of 0.173, indicates that a one-unit increase in Salary is associated with a 0.153 increase in EP, holding all other variables constant. Bonus, with an unstandardized coefficient of 0.238 and a Beta of 0.268, has a relatively strong positive influence, such that a one-unit increase in Bonus is linked to a 0.238 increase in EP. Education Fee, with an unstandardized coefficient of 0.149 and a Beta of 0.225, also has a moderate positive impact on EP. Similarly, Medical Benefits, Career Advancement, Training Opportunity, and Job Security all

demonstrate statistically significant positive relationships with the dependent variable. The standardized coefficients for these variables indicate their relative importance in predicting EP, with Training Opportunity having the largest standardized effect (Beta = 0.695). In contrast, Decision Making and Recognition do not have a statistically significant impact on EP when the other variables are accounted for, as evidenced by their insignificant p-values. Moreover, the regression results suggest that Salary, Bonus, Education Fee, and several other employment-related factors are key predictors of EP, providing valuable insights for understanding and potentially improving employee performance.

Table 3 Regression Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.972	.282		6.989	.000
	Salary	.153	.056	.173	2.733	.007
	Bonus	.238	.064	.268	3.708	.000
	Education fee	.149	.044	.225	3.373	.001
	Medical benefits	.130	.059	.212	2.195	.031
	Career advancement	.168	.068	.225	2.479	.015
	Training opportunity	.537	.059	.695	9.128	.000
	Decision making	.017	.085	.016	.204	.839
	Job security	.450	.083	.572	5.445	.000
	Recognition	.032	.056	.041	.567	.572
a. Dependent Variable: EP						

Source: SPSS Output 2023

5. Conclusion and recommendations

The regression model's strong explanatory power, as demonstrated by the high R-squared value of 0.787, has significant implications for understanding and enhancing employee performance within the organization. This finding suggests that the independent variables included in the model can collectively explain a substantial 78.7% of the variation in the dependent variable, Employee Performance (EP). The statistical significance of the overall model, as evidenced by the F-statistic of 40.245 and the corresponding p-value of less than 0.001, further reinforces the validity and reliability of the regression analysis. This indicates that the model as a whole is a robust predictor of EP

and can provide valuable insights to guide organizational decision-making.

The regression coefficients reveal the relative importance of the independent variables in influencing EP. Salary, Bonus, and Education Fee emerge as the most influential factors, with standardized coefficients (Betas) of 0.173, 0.268, and 0.225, respectively. This implies that investments in competitive compensation packages, including salary increases and performance-based bonuses, as well as educational assistance programs, can yield significant improvements in employee performance. Beyond financial incentives, the analysis also highlights the crucial role of non-financial factors in predicting EP. Variables such as Medical Benefits, Career Advancement opportunities, Training Opportunities, and Job Security all demonstrate substantial positive impacts, with standardized coefficients ranging from 0.212 to 0.695. This underscores the importance of creating a holistic and supportive work environment that addresses both monetary and non-monetary aspects of employee well-being and development.

Interestingly, the regression results indicate that decision making and 3ecognition do not have a statistically significant impact on EP when the other variables are accounted for. This finding suggests that while these factors may be important in their own right, their influence on employee performance may be overshadowed by the more dominant predictors identified in the model. Furthermore, the insights gained from this comprehensive regression analysis provide a robust foundation for the organization to prioritize and implement strategic interventions aimed at enhancing employee performance. By focusing on the key drivers of EP, the organization can optimize its resource allocation and HR practices to foster a more productive and engaged workforce, ultimately contributing to improved organizational outcomes.

Recommendations:

Based on the findings, we recommend the following actions to enhance employee performance:

- Salary and Bonus Structure: Implement competitive and fair compensation packages, including regular salary increases and performance-based bonus structures, to attract and retain high-performing employees.
- Educational Assistance: Provide educational fee reimbursement or tuition assistance programs to encourage employees to pursue professional development and acquire new skills, which can directly contribute to improved performance.
- Benefits and Opportunities: Enhance employee benefits, such as comprehensive medical coverage, and create clear career advancement pathways and training opportunities to foster a supportive and engaging work environment.
- Job Security: Ensure stable employment conditions and job security to boost employee confidence and commitment, which can positively influence their performance.
- Performance Management: Reevaluate the decision-making processes and recognition systems to ensure they are aligned with the key factors that drive employee performance.

Conflict of Interests

The authors declare that there's no conflict of interest concerning to the publication of this article

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