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Effect of Green Marketing Practices on Business Performance: A Case of Medium and Large Scale Manufacturing Firms in Sidama National Regional State of Ethiopia.

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ABSTRACT

This paper examined the effect of green marketing practices on business performance. There has been relatively little research that examined the effect of green marketing practices on business performances in developing countries, particularly in sub-Saharan Africa. This paper attempted to research to bridge that gap with an Ethiopian perspective. A response collected through a survey questionnaire, from the sampled 301 managers of medium and large manufacturing firms in Ethiopia. The collected data were tested on the hypothesized relationship using the SEM analysis method with SPSS and AMOS version 23. The findings showed that green product, green processes, green packages, and green promotion exert a positive significant effect on business performance. On the other hand, green place exerts an insignificant effect on business performance. This research recommended that medium and large-scale manufacturing firms should implement green marketing practices to enhance their business performances. Also, it was recommended that future researchers should determine green marketing practices' effect on other categories of industries.

Keywords: *Green Product, Green Process, Green Package, Green Place, Green Promotion, Business performance*

1. INTRODUCTION

Several countries in the developing world and particularly Africa have shown a renewed interest and started to reintroduce industrial policy initiatives (Dinh et al., 2012). Similarly, the government of Ethiopia has shown improved interest in the industry sector and reintroduced industrial policy initiatives (Oqubay, 2015). The country`s emphasis given to the manufacturing sector can be reflected in its various development plans. The aims of these plans were poverty reduction and enhancing sustainable development (EDRI, 2018). In such plans, the government is exerting a concerted effort to uplift Ethiopia into a manufacturing powerhouse in

sub-Saharan Africa that will help it realize its ambition of reaching middle-income status with zero carbon emission by 2025 (EPC, 2016; Oqubay, 2018).

Nonetheless, the performance of manufacturing firms in Ethiopia has been disappointing (Oqubay, 2018; Lin et al., 2019). The growth performance of the manufacturing sector of Ethiopia has been sluggish when compared with even the rest of the developing countries. Jeremy et al., (2017) noted that Ethiopia's manufacturing industries show a low growth rate and have a high waste emissions growth rate. Similarly, Belay (2019) mentioned that the manufacturing industries, especially Medium and Large scale firms in Ethiopia are still in their infancy stage and far from being an engine of growth and structural change. Belay (2019) added that the Ethiopian manufacturing sector revealed low performance because of a lack of marketing knowledge and expertise and limited use of marketing strategies by the firms.

Green marketing is one of the important marketing strategies that business firms used to practice sustainable growth achievement (Eneizan et al., 2019; Ahmad et al., 2020). Among green marketing practices: green product, green process, green package, green place and green promotion were covered lion share. Available literature related to green marketing practices in manufacturing firms mainly focused on SMEs (Maziriri, 2020; Rianz et al., 2020; Alsheikh, 2020; Ahmad et al., 2020; Buswari et al., 2021). Others focus on service firms in the hospitality industries (Mahadi et al., 2017) and education (Tan et al., 2017). Also, it is essentially noted that most of the studies conducted on green marketing practices were carried out in Asia, Europe, the Middle East, and southern African countries (Maziriri, 2018; Ahmad, 2020; Rianz et al., 2020; Alsheikh,2020; Ahmad et al.,2021; Buswari et al., 2021). The existing literature on green marketing practices has not provided clear evidence about Ethiopia which is a country located in the northeastern part of Africa.

Although there are very few studies on green marketing in Ethiopia, the existing works mainly focus on the challenges of green marketing practices (Mignot, 2017; Belay, 2019). Jeremy et al., (2017) studied the association between innovation and green industrialization. Similarly, Oqubay (2018) conducted a study on the imperatives of manufacturing sector performance. Likewise, there are theoretical contributions made by many international scholars on green marketing practices and business performance. But, as the researchers' knowledge is concerned no research in the study area was conducted on the associated concepts of green marketing and business performance in the case of manufacturing industries.

Therefore, the main aim of the study was to determine the effect of green marketing practices on the business performance of medium and large manufacturing firms in Sidama National Regional State of Ethiopia. More specifically, the study strived to achieve the following objectives: (i) To examine the effect of green product on business performance; (ii) To analyze the effect of the green process on business performance; (iii) To determine the effect of green package on business performance; (iv) To examine the effect of green place on business performance; and (v) To determine the effect of green promotion on business performance.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Green Marketing Practice on Business Performance

Green marketing practices refer to an all-encompassing marketing activity in which goods and services are produced, distributed, consumed, and disposed of in an environmentally protective manner (Lazar, 2017). Hasiloglu and Kalburan (2018) mentioned that firms that adopt green marketing can enjoy different benefits; increased profitability, increased market share, increased employee commitment, and improved performance. In addition, Miryala and Mennakanti (2016) stated that green marketing practices prove to be healthy, save time, money, and also reduce waste.

Furthermore, Agarwal (2017) mentioned in his study that business companies that practice green marketing in their operation gain a higher market share and increase financial performance. Similarly, a study conducted by Maziriri (2018) stated that the implementation of green marketing practices provides different benefits for the organization; increasing the firm's business performance and increasing market share. More specifically, the relationship between some of the elements of green marketing practices and business performances were discussed as follows:

2.1.1 Green Product on Business Performance

Green products are those that help the environment by preventing, reducing, or eliminating negative effects on water, air, and soil (Eneizan et al., 2019). Moreover, different studies investigated the relationship between green products and business performance. W-H Goh (2019) investigated how green marketing mix strategies affected business performance. The results demonstrated that green products have a favorable effect on a company's ability to succeed. Similarly, Maziriri (2018) looked into how South African businesses fared when using green marketing. The outcome demonstrated that green innovative products had a positive

impact on business performance. Additionally, Agarwal (2017) studied the effect of green marketing on Indian businesses' financial performance. The conclusion was that green products have a favorable impact on businesses' financial success. Therefore, the following hypothesis is developed

H1: Green product has a significant effect on business performance

2.1.2 Green Process on Business Performance

The green process is the process related to energy-saving, pollution-prevention, waste recycling, or no toxicity, reuse, remanufactured material, and the use of cleaner technology (Alhadid & As'ad, 2014). Furthermore, Different studies investigated the impact of the green process on business performance. Maziriri (2018) investigated the impact of green marketing practices on competitive advantage and business performance. The result showed that green process innovation has a positive impact on business performance. Similarly, Singh et al. (2016) looked into the connection between green process innovation and business performance. The results revealed that green process innovation has a positive impact on business performance. Furthermore, according to Eneizan et al., (2019), green processes had a positive impact on the financial and non-financial performance of businesses. As a result, the following hypothesis is formulated:

H2: Green process has a significant effect on business performance

2.1.3 Green Package on Business Performance

Green packaging is a technique for storing goods that utilize less energy and have a low impact on the environment (Al-Ghandoor, 2013). Additionally, there have been studies done in the past that demonstrate the connection between green packaging and corporate performance. In southeast Spain, Wandosell et al. (2021) investigated the relationship between green packaging and business performance. The findings revealed that green packaging has a positive impact on business success. According to his research, Maziriri (2018) recommended that South African SMEs should utilize green packaging for their goods because he found that it improved business performance. Similarly, Auliandri et al., (2018) researched green packaging in Indonesia. The result revealed that a green packaging strategy enhances firms' performance. Therefore, the following hypothesis is developed

H3: Green package has a significant effect on business performance

2.1.4 Green Place on Business Performance

Green place refers to a management approach that focuses on supplying environmentally friendly goods from producers to customers while keeping environmental concerns in mind (Goh W-H, 2019). It is the process of selecting channels in such a way that environmental damage is minimized (Eneizan et al., 2019). Moreover, different studies investigated the relationship between green places and business performance. Goh, W-H (2019) examined the influence of green marketing mix strategies on the firms' performance in Malaysia. The finding revealed that green place has a positive correlation with firms' performance. Similarly, Kirunga &Kihara (2018) investigated the relationship between green distribution practices and firms' performance in Kenyan chemical manufacturing companies. The result showed that there is a positive link between green places and companies' performance. Assuming the preceding literature, the following hypothesis is developed

H4: The green place has a significant effect on business performance

2.1.5 Green Promotion on Business Performance

Green promotion campaigns are a powerful tool for educating stakeholders about a company's environmental efforts, commitments, and accomplishments (Arseculeratne &Yazdanifard, 2014). Promotion seeks to connect the firm with its customers and transfer its orientation and environmental image (W-H. Goh et al., 2019). Furthermore, there are previous studies that show the relationship between green promotion and business performance.

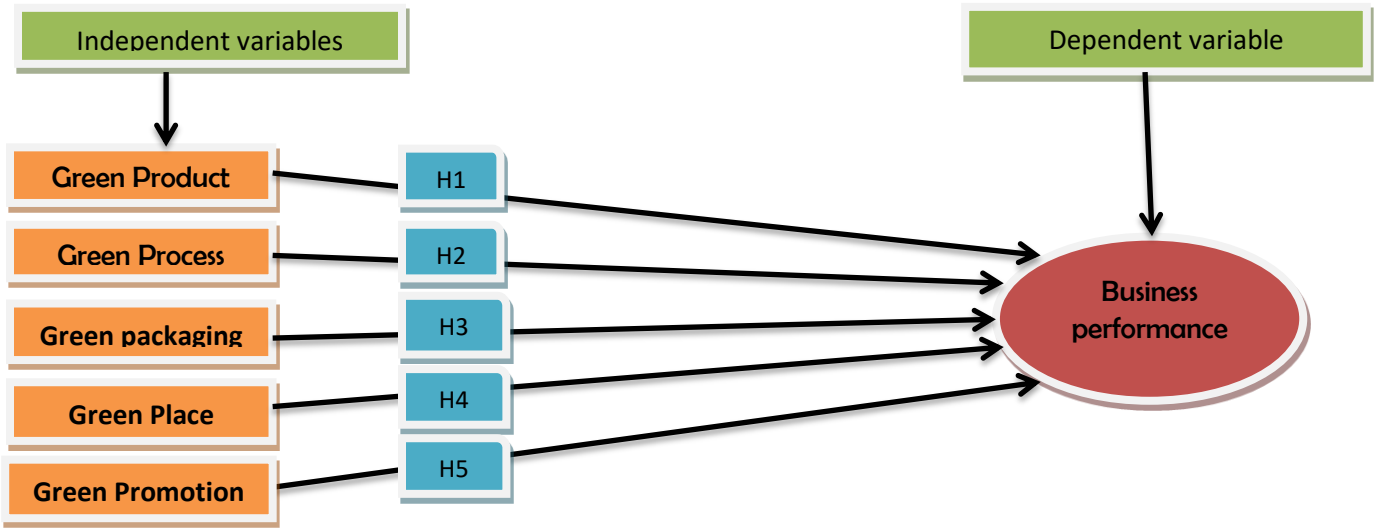
Enaizan et al. (2020) researched green marketing and sustainability and the result showed that green promotion improves the overall firms' performance. Similarly, W-H. Goh et al. (2019) suggested that green promotion has a positive correlation with firms' performance. In the same way, Vilkaite- Vaitone, and Skackauskiene (2019) researched green marketing orientation in Lithuania, and the result revealed that green promotion has a positive effect on firms' performance. Furthermore, Maziriri (2018) mentioned that advertising influences business performance and its ability to influence sales and profitability of the business. Thus, by assuming the above literature the following hypothesis is developed.

H5: Green promotion has a significant effect on business performance

2.2 Conceptual Framework

Conceptual framework describes the relationship between variables studied in the study (Sekaran &Bougie, 2016). It aids readers in comprehending the study`s theorized variable relationships. In this study, the conceptual framework model presented in figure 1 below suggests green product, green process, green package, green place and green promotion as independent variables and business performance as dependent variable. Several researchers have the same view point indicating that green marketing practices have effect on business performance (Agarwal 2017; Auliandri et al., 2018; Maziriri, 2018; Kirunga &Kihara, 2018; Eneizan et al., 2019; Goh, W-H., 2019; Enaizan et al., 2020; Wandosell et al., 2021)

Figure 1: Conceptual Framework model



Source: Developed for this study, 2022.

3. RESEARCH METHODOLOGY

This study employed an explanatory research design. Explanatory research is typically concerned with determining the relationship between two or more study variables (Malhotra, 2010). The study was conducted to determine the effect of green marketing practices on the business performance of medium and large-scale manufacturing firms in Ethiopia. The research design employed for this study was a cross-sectional survey design. When a lot of data from a broad population is needed at one time, a cross-sectional survey is utilized (Cooper & Schindler, 2014). The unit of analysis for this study is the medium and large-scale manufacturing firms in Ethiopia & this study dealt with each firm's manager's response as an individual data source.

The selection of the firms was derived by using the stratified sampling method that ensures all categories (sectors) of the medium and large-scale manufacturing firms were proportionally represented in the sample. For this study, 318 medium and large-scale manufacturing firms were selected as study samples by applying the Yamane formula from the population of 1546 firms. By considering the level of confidence of 95% and sampling error (margin of error) (5%=0.05).

$$no= N/1+N(e)^2$$

$$no= 1546/1+1546(0.05)^2 \cong 318$$

Where

no = sample size

N= population size= 1546

e^2= margin of error at 5%

This formula was preferred in this study because of its simplicity in usage, scientific and applicability in large populations (Yamane, 1967). A structured close-ended questionnaire was used to collect the data. All the items were measured using five-point Likert scale items presented 1= strongly disagree and 5= strongly agree. Some instrument items were adopted from items originally devised by Maziriri (2018) and modified for this study. To ensure an appropriate response rate the questionnaire was pretested by 40 medium and large-scale firms from the study area. This was done mainly to improve the overall look and content of the final data collection instrument. As a result, the questionnaire was revised in terms of readability, wording, and arrangement, and some of the items were omitted based on the feedback received from the pilot study.

Data were analyzed using factor analysis and structural equation modeling. Factor analysis was used to make data more palatable for structural equation modeling analysis and to reduce data to represent a set of variables by smaller numbers. The conceptual model-based hypotheses were put to the test using structural equation modeling (SEM). SEM can address research issues including complex causal linkages between unobserved variables with empirical data (Sung et al., 2018). To perform the SEM analysis, the two-stage approach recommended by Byrne (2013) was adopted.

In the first stage, the measurement model analysis was conducted by specifying the causal relationships between the observed variables and the underlying theoretical constructs. For this purpose, CFA using AMOS version 23 was employed. In the second stage, structural model

analysis was conducted by specifying the causal relationships between latent constructs and testing hypotheses. For this purpose path analysis using AMOS version, 23 was applied.

For this study, the cronbach alpha reliability test and composite reliability test was applied to measure internal reliability. In addition, the pilot survey was undertaken to ensure the reliability of the instrument. Furthermore, to test the validity of the constructs convergent validity and discriminant validity were used.

4. Findings and Discussion

After checking for missing values, a total number of 301 questionnaires were completed out of the initial sample of 318. Hence, this resulted in a response rate of 94.7 percent. Of the total questionnaire distributed, 17 were unusable as several items were not answered on the questionnaire. A response rate of 94.7 percent was considered acceptable for the study. This is supported by Malhotra (2010) who regarded a 50 percent response rate and above as acceptable in a social research survey. Therefore, the study response rate of 94.7 percent is considered high and acceptable in this study.

4.1 Measure of Reliability and Validity

In this study, to test the reliability of constructs Cronbach's alpha and composite reliability tests were used. Cronbach`s alpha and composite reliability tests are commonly used as indicators of internal consistency (Hair et al., 2017). Cronbach alpha coefficient should be surpassing 0.70 which is the threshold. Similarly, the composite reliability test (CR) value should exceed the threshold value of 0.70 (Oluwatayo, 2012). In this study, the Cronbach alpha coefficient value of constructs ranged from 0.804 to 0.991 which exceeded the 0.70 thresholds and was acceptable. In the same way, composite reliability values ranged from 0.921 to 0.989 which was above the 0.70 threshold. This showed all constructs of current studies have good internal consistency.

To test the validity of constructs convergent validity and discriminant validity were used. To check convergent validity, an inter-item correlation for all the scale items using confirmatory factor analysis was done. As a result showed, in the current study, the values ranged from 0.502 to 0.887 which is above 0.50 the threshold (Byrne, 2013). This indicated that there was a unidimensionality of items in the constructs. Furthermore, to check discriminant validity average variance extracted (AVE) was used. AVE values ranged from 0.611 to 0.722 which were above

the 0.5 thresholds (Oluwatayo, 2012; Byrne, 2013). This result provides evidence that the research scale is acceptable.

Table 1: Summary of reliability and validity analysis result

Research construct		Cronbach`s Test		CR	AVE
		Item-total	Alph value		
GPD	GPD2	0.746	0.865	0.966	0.672
	GPD3	0.694			
	GPD4	0.659			
	GPD5	0.841			
	GPD6	0.714			
GPR	GPR1	0.575	0.804	0.921	0.611
	GPR2	0.654			
	GPR3	0.673			
	GPR4	0.650			
GPA	GPA1	0.661	0.833	0.983	0.660
	GPA3	0.654			
	GPA4	0.754			
	GPA5	0.704			
GPL	GPL1	0.664	0.810	0.974	0.643
	GPL2	0.700			
	GPL3	0.782			
	GPL5	0.652			
GPM	GPM1	0.799	0.878	0.976	0.671
	GPM2	0.707			
	GPM4	0.702			
	GPM5	0.780			
	GPM6	0.690			
	GPM7	0.684			
	GPM8	0.502			
BP	BP1	0.807	0.991	0.989	0.722
	BP3	0.755			
	BP4	0.764			
	BP5	0.745			
	BP11	0.779			
	BP13	0.508			
	BP14	0.793			
	BP15	0.887			
	BP16	0.792			

Source: Own survey, 2022

For the current study Kaiser- Meyer-Olkin (KMO) test value was 0.890 which was greater than the 0.60 threshold indicating that the data was adequate for factor analysis (Sung et al., 2018). Also, Bartlett`s test was significant (P=0.000) as mentioned in table 2 indicating that the data

were suitable for factor analysis. All the commonalities values were greater than 0.60. The recommended threshold of commonalities greater than 0.6 which is considered the extracted components represents the variable very well (Byrne, 2013).

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.890
Bartlett's Test of Sphericity	Approx. Chi-Square	6659.152
	Df	406
	Sig.	.000

Principal components analysis explored the unidimensionality of each scale using an eigenvalue of 1.0 as the cutoff point (Byrne, 2013). Using SPSS, all constructs have been forced into six factors and rotated using the VARIMAX rotation method to assess their loadings. Accordingly, as the result of the current final study showed; all of the items' values ranged from 0.760 to 0.962 which is greater than 0.50 loads on their predicted construct that demonstrated a higher degree of association between the latent items and that constructs. The model includes 29 items describing 6 latent constructs: green product (GPD), green process (GPR), green package (GPA), green place (GPL), green promotion (GPM), and business performance (BP).

To evaluate the model fitness of the proposed model confirmatory factor analysis (CFA) was done. After the modification indices, a few items were deleted to obtain a model that better represents the data. As a result of the deletion, the new model fit summary table 3 shows the overall model fit of the proposed model. Chi-square (CMIN /χ^2=379.126, DF=352, CMIN/DF=1.077) indicated a good model fit (Sung et al., 2018). In addition, the fit statistics for this model indicated a good fit: GFI = .923; AGFI=.905; NFI = .945; CFI = .996; IFI = .996; TLI=.995; all of them are above the recommended threshold of 0.9 (Kline, 2010). The badness-of- fit was measured by RMSEA and the value was measured at 0.016, fulfilling the threshold value of less than 0.08. Also, the value of all constructs' squared multiple correlations was greater than zero (R^2>0.00). Thus, this can be confirmed that the Confirmatory Factor Analysis (CFA) model was acceptable.

Table 3: Model fit results (CFA)

S.no	Fit indices	Acceptable threshold	Result	Model fit verification
1	CMIN/DF	≤ 3	1.077	Good fit
2	GFI	≥0.9	0.923	Good fit
3	NFI	≥ 0.9	0.945	Good fit
4	TLI	≥ 0.9	0.995	Good fit
5	CFI	≥ 0.9	0.996	Good fit
6	IFI	≥ 0.9	0.996	Good fit
7	RMSEA	≤ 0.08	0.016	Good fit

Source: Own survey, 2022

After assessing & testing the measurement model& having found it satisfactory by using CFA. The next step in SEM analysis was to evaluate the structural model. It involved the statistical testing of hypothesized relationships between the constructs at a significance level of 0.05. The R2 analyses the variance shows the explanatory power of the model (Byrne, 2013). The findings of the final model showed that green marketing practices explain 93% of the variance in business performance. By running SEM analysis fit indices results were shown in table 4.

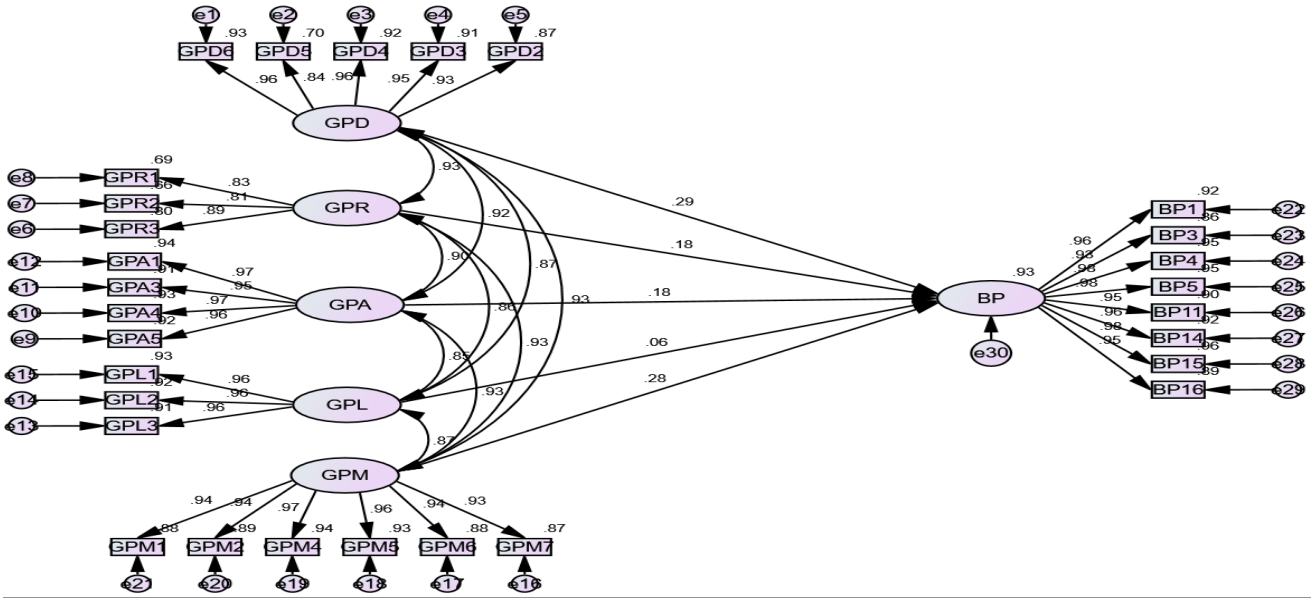
Table 4: Structural Model fit Results (SEM)

S.no	Fit indices	Acceptable threshold	Result	Model fit verification
1	CMIN/DF	≤ 3	1.228	Good fit
2	GFI	≥0.9	0.912	Good fit
3	NFI	≥ 0.9	0.975	Good fit
4	TLI	≥ 0.9	0.994	Good fit
5	CFI	≥ 0.9	0.995	Good fit
6	IFI	≥ 0.9	0.995	Good fit
7	RMSEA	≤ 0.08	0.028	Good fit

Source: Own survey, 2022

The results in table 4 dictated that the value CMIN /χ^2= 427.332, DF=348, CMIN/DF= 1.228 indicated an acceptable level of model fit (Sung et al., 2018). The incremental model fit: GFI= 0.912, NFI= 0.975, IFI= 0.995, TLI= 0.994, CFI= 0.995 all of them were above the recommended threshold of 0.90 (Kline, 2010). The badness-of-fit is measured by RMSEA and the value was 0.028 which fulfills the threshold value of less than 0.08. Based on the results, it can be concluded that the overall fit indices were acceptable. The final specified model showed all the paths as indicated in figure 2 below.

Figure 2: Structural model



Source: Own survey, 2022

HYPOTHESES TESTS

The above Figure 2 illustrated a final validated best-fit model with relevant hypotheses. Lines with arrows indicated hypothesized direct relationships among the different constructs (latent variables). This section provided the results of the preliminary formulated hypotheses developed out of the research hypotheses and objectives. The hypotheses were evaluated by examining standard regression coefficients and p-values. The direction and importance of the relationships are determined by the standard regression coefficient weights whereas the p-value indicates statistical significance at the level of 0.001, 0.01, and 0.05 respectively. Table 5 summarizes the results of the hypotheses tests and discussions presented hereafter.

Table 5: Hypothesized Relationships and Results

Hypotheses	Path/ proposed hypotheses relationship	Estimate	T-statistics	P-value	Accepted/ Rejected
H1	Green product ➡ Business performance	0.29	4.014	***	Accepted
H2	Green process ➡ Business performance	0.18	2.107	0.035	Accepted
H3	Green package ➡ Business performance	0.18	3.099	0.002	Accepted
H4	Green place ➡ Business performance	0.06	1.533	0.125	Rejected
H5	Green promotion ➡ Business performance	0.28	4.054	***	Accepted

* Significance level <0.05; ** significance level <0.01; *** significance level <0.001

H1: Green product has a significant effect on business performance

The results (refer to Table 5) revealed that green products have a positive significant effect on business performance. The standardized direct effect of a green product on business performance was 0.29 (p- value=0.000 <0.05). This means that when green product increases by 1 standard deviation, business performance increases by 0.29 standard deviation. In addition, the finding showed a t-statistics value of 4.014 indicating that green product has a positive effect on business performance. This study is in line with research conducted by Buswari (2021) which showed that green product has a significant effect on business performance. Thus, hypothesis H1 is accepted.

H2: Green process has a significant effect on business performance

The results (refer to Table 5) revealed that the green process has a positive significant effect on business performance. The standardized direct effect of the green process on business performance was 0.18 (p- value=0.035 <0.05). This means that when the green process increases by 1 standard deviation, business performance increases by 0.18 standard deviation. In addition, the finding showed the t-statistics value of 2.107 dictates that the green process has a positive effect on business performance. This study is in line with research conducted by Maziriri (2018) which showed that green process innovation has a significant effect on business performance. Thus, hypothesis H2 is accepted.

H3: Green package has a significant effect on business performance

The results (refer to Table 5) revealed that the green package has a positive significant effect on business performance. The standardized direct effect of a green package on business performance was 0.18 (p- value=0.002 <0.05). This means that when the green package increases by 1 standard deviation, business performance increases by 0.18 standard deviation. In addition, the finding showed the t-statistics value of 3.099 indicated that the green package has a positive effect on business performance. This study is in line with research conducted by Wandosell (2021) which showed that the green package has a significant effect on business performance. Therefore, hypothesis H3 is accepted.

H4: The green place has a significant effect on business performance

The results (refer to Table 5) revealed that green places have an insignificant effect on business performance. The standardized direct effect of green place on business performance was 0.06 (p-value=0.125 <0.05). This means that when green place increases by 1 standard deviation,

business performance increases by 0.06 standard deviation. In addition, the finding showed the t-statistics value of 1.533 showed that green place has no significant effect on business performance. This study is not in line with the research conducted by Goh, W-H (2019) which shows that green place has a significant effect on business performance. Thus, hypothesis H4 is rejected.

H5: Green promotion has a significant effect on business performance

The results (refer to Table 5) revealed that green promotion has a positive significant effect on business performance. The standardized direct effect of green promotion on business performance was 0.28 (p- value=0.000 <0.05). This means that when green promotion increases by 1 standard deviation, business performance increases by 0.28 standard deviations. In addition, the finding showed a t-statistics value of 4.054 evidence that green promotions have a positive effect on business performance. This study is in line with research conducted by Enaizan et al. (2020) which showed that green promotion has a significant effect on business performance. Therefore, hypothesis H5 is accepted.

5. Conclusions

This study concluded that green marketing practices undertaken by medium and large manufacturing firms affect business performance significantly. Among green marketing components: green products, green processes, green packaging, and green promotion affect business performance meaningfully. In turn implementation and improvement of green marketing, practices result in improved business performance. However, the study has also found that green place has an insignificant effect on business performance. Finally, it is important to enhance the implementation of green marketing practices to gain improved overall business performance in medium and large firms. The research also highlighted some research limitations and suggestions for future research.

6.1. Limitations and suggestions for future research

This research was not free from limitations. The results of this study were based on the data collected through questionnaires from medium and large manufacturing firms and only a quantitative approach was applied. Another limitation of the results of this study cannot be generalized to other manufacturing industries other than medium and large manufacturing firms. So that it was recommended that future research determine green marketing practices in other

categories of industries. Furthermore, this study didn`t consider the effect of mediating and moderating variables in the model; therefore, future studies can focus on determining the effect of mediating/moderating variables such as innovation, competitive advantage, government policy, etc.

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