

The Impact of the Emerging Marketing Mix Elements on Performance of Microfinance in Ethiopia

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Abstract

Financial inclusion is the act of guaranteeing that every individual, particularly those who are underserved and marginalised, are provided with inexpensive and suitable financial services. To this regard, the purpose of this study is to examine the influence of emerging marketing mix techniques on the performance of microfinance institutions and present a viable strategy for Ethiopian microfinance institutions as well as African MFIs. This study employs a descriptive survey and structural equation modelling to begin identifying and explaining the characteristics of variables of interest in the scenario and using a convenience sampling technique and the sample size was 329.

The study conducted path analyses based on the research assumptions. The finding revealed that 38.2% of the variance in operational efficiency is accounted for by People and policy. People, policy, and operational efficiency had a positive and significant impact on financial performance. Moreover the, results indicating that programme, policy, and operational efficiency explain 57.2% of the variance in social performance. Subsequently, the aforementioned data was utilised to examine the indirect impacts of the marketing mix on both financial and social outcomes. This study revealed that people and policy are the most important factors in achieving an organization's goals. The organisations can increase the value of their employees and better prepare them to service their customers. The management of MFIs should create a good policy from the perspective of meeting customer needs, attracting new employees, and retaining existing employees, comparing it to the policies of competitors, and modifying or revising it as necessary.

This study investigates and tests the impact of emerging marketing mix factors on financial and social performance of microfinance institutions in Ethiopia, as well as Africa MFIs and its findings confirm that modern marketing mix people, policy, and program, are important variables to explain financial and social performance.

Keywords: marketing mix, people, process, policy, program, performance, financial, social

Introduction

Microfinance encompasses a range of financial endeavours that specifically target individuals lacking access to traditional banking services. Its primary objective is to extend financial assistance to individuals with low incomes, impoverished circumstances, and self-employment. According to Otero (1999) and Armendáriz and Labie (2011), Microfinance is a comprehensive set of financial services, including loans, savings, payment systems, and insurance, that aims to facilitate the economic development and self-reliance of individuals who do not have access to traditional banking services. The beginnings of modern microfinance may be traced back to three key historical developments: the cooperative movement of the nineteenth century, the rural finance experience following World War II, and the emergence of the microenterprise development sector in the 1970s. Microfinance has the remarkable capability to accomplish all of these objectives (Stanley J. et. al, 2009). The official microfinance organisation emerged initially by targeting a limited number of impoverished women and a modest capital investment. Over the past three to four decades, this institution has experienced significant growth, extending its reach to millions of individuals living in poverty across the globe.

Moreover, the microfinance sector has implemented several marketing methods as part of a company's comprehensive approach to engaging potential consumers and persuading them to become patrons of their offerings. The document encompasses the value propositions of the organisation, essential brand message, statistics pertaining to target consumer demographics, and other overarching components.

Currently, the microfinance industry and its marketing has attracted researchers, policymakers, businesspeople, and others from various backgrounds. For example, each country has used it as a tool for poverty alleviation programs, researchers have seen it as a source of new insights to add to the academic world, and businessmen have seen it as a good market opportunity to profit. As a result, it plays an important role from multiple perspectives, and its significance and acceptance are unquestionable.

1.2 Microfinance Institutions in Ethiopia

Since 1996 Ethiopian government declared a regulatory framework proclamation No. 40/1996 to license and supervises the microfinance institutions under the supervision of the country's central bank. Afterwards, the National Bank of Ethiopia has been working to create an enabling environment for existing and newly established microfinance institutions through providing various directives and proclamations for instances; Requirements for Licensing and Renewal of Microfinance Business Directives No. MFI/23/2013, mobile and agent banking service directive no. FIS/01/2012, interest rates applicable to microfinance institutions directive no. MFI/29/2017, and others rules and regulations in placed (Yohannes, n.d.).

Ethiopian MFIs have grown significantly in the last sixteen years, from 2005 to 2021. Thus; microfinance institutions registered with the National Bank of Ethiopia twenty six to thirty nine, the number of active borrowers 1.21 million to 4.67 million, loan portfolio volume 1.5 billion to 69.3 billion, and savings deposited birr 501 million to birr 52.4 billion increased (AEMFI, 2021; Amha, 2007). Moreover; NBE (2021): by the end of 2020/21, Ethiopian micro finance sector reached with total capital and total assets increasing by 43.4 and 13.8 percent respectively to Birr 27.9 Billion and 105 billion. Furthermore, MFIs' deposit mobilization and credit expanded dramatically. Their deposit increased 17.2 percent year on year to Birr 52.4 billion, while their outstanding credit increased 6.7 percent to Birr 69.3 billion.

2. Literature Review

2.1 The origins of the Marketing mix

The investigation of the marketing mix's evolutionary trajectory is worthy of consideration. The marketing mix model has been widely acknowledged as a fundamental concept in the field of marketing since its emergence in the 1950s and 1960s. Nevertheless, the invention and ongoing utilization of frameworks have sparked extensive deliberation and contention within academic circles. Scholars and individuals in the field of marketing tend to adhere to the notion that the genesis of the marketing mix may be attributed to the 4Ps. In contrast, the marketing mix is derived from the singular P of microeconomic theory, specifically pricing (Chong, 2003). However, in the 1940s and 1950s, there was a significant scholarly discourse about the correlation between specific price points and the combinations of products. In a study conducted by Culliton (1948) at the Harvard Business School, an examination of marketing costs among manufacturers led to the characterization of business executives as individuals who possess decision-making abilities and creative skills. Culliton described these executives as "mixers of ingredients," who engage in various approaches to their work. This includes following pre-existing recipes, developing their own recipes in real-time, modifying recipes based on the available ingredients, and occasionally experimenting with or introducing novel ingredients that have not been previously explored (Culliton, 1948; Borden, 1964). The idea that business executives combined different aspects in order to more successfully sell their goods is made abundantly evident in this instance. Neil H. Borden was so taken with Culliton's term that he included it immediately into his concept of the "marketing mix." The phrase "mixer of ingredients" (Borden, 1964). In addition, Borden (1964) listed the first twelve components of the marketing mix as being the following: product planning, price, branding, channels of distribution, personnel selling, advertising, promotions, packaging, display, servicing, physical handling, and fact collection and analysis.

However, Borden was of the view that his list was not conclusive and he postulated that other people could have alternative points of view. McCarthy (1965) regrouped Borden's 12 aspects into product, pricing, placement, and promotion, creating the most enduring marketing mix structure.

2.2 Extensions of marketing mix

Booms and Bitner (1981) acknowledge the distinct characteristics of services and illustrate the importance of contextual factors (physical evidence) in shaping customer evaluations of service quality. In conjunction with the conventional "4Ps" framework in marketing, the inclusion of "participants" (including both employees and customers) and "service delivery method" are integrated as supplementary constituents. In summary, the significant growth of marketing beyond a focus on product sales has led to a growing worry regarding the applicability of the traditional marketing mix, commonly known as the 4Ps, to the realm of services. According to Rafiq and Ahemed (1995), the Booms and Bitner's 7Ps marketing mix has been identified as the most important alternative framework thus far.

Table 2.1 Booms and Bitter's extensions for the marketing mix elements

Mix component	Descriptions
People (participants)	This comprises clients, staff, and vendors. Numerous communities are involved in the marketing connection.
Physical evidence	These are the tangible components of the product or service offering.
Process	These are the assembly or flow activities that facilitate the marketing mix's fulfillment.

According to Booms and Bitter (1981), the utilisation of their supplementary 3ps was originally intended to be limited to the domain of service marketing. The successful implementation of the "7 Ps" of the marketing mix for services may be observed in the financial and banking sectors, even in light of the distinctive characteristics exhibited by specific data services and banking products. The emergence and evolution of the marketing mix within the banking sector were shaped by various factors. These factors encompassed the recognition of the significance of marketing science within the banking

industry, the intensification of competition in mature banking markets, necessitating direct competition for market shares as the sole avenue for sustained growth, the expansion and diversification of banking products in response to the escalating demands of increasingly sophisticated customers, and the acknowledgment of the importance of marketing science within the banking sector.

2.3 The emerging Marketing mix elements

In today's era of holistic marketing, the traditional marketing mix model does not work for all businesses. Philip Kotler, (2016a) proposed the Modern marketing 4Ps that to reflect the holistic marketing concept and more representative set that encompasses contemporary marketing realities such as people, processes, programs, and performance. These new four Ps actually apply to all company disciplines, and by thinking in this way, managers can better align themselves with the rest of the organization. Moreover, the other element is policy as a marketing mix decision variable. Policies are typically adopted by a company's governance board. It helps senior management make decisions based on the relative merits of many factors. Policies that aid objective decision making, on the other hand, are often practical in nature and can be objectively tested, such as password policies. A policy perspective implicitly or explicitly analyses whether current practises are adequate (Malhotra, 2011).

2.3.1. People

The notion of internal marketing and the recognition of the crucial role of individuals in marketing are reflected by scholars such as Philip Kotler (2016b) and Judd (1987). The purpose of establishing enduring and strong relationships with persons and groups that have a direct or indirect influence on a company's marketing efforts is gaining significance in the field of marketing (Booms B.H and M.J, 1981; Johnson, 1986). Relationship marketing is a marketing approach that prioritises the establishment of enduring, mutually advantageous alliances with key stakeholders, with the aim of acquiring and retaining their patronage. The four primary constituents in relationship marketing encompass customers, employees, marketing partners (including channels, suppliers, distributors, dealers, and agencies), and members of the financial community. The primary stakeholders in a business organisation are customers, with employees and marketing partners (including owners, investors, and analysts) following suit in terms of importance. Marketers has the task of promoting prosperity among all these groups and upholding a fair allocation of benefits to all significant players. It is necessary to have a grasp of their strengths and resources, as well as their requirements, ambitions, and desires, in order to create effective relationships with them. In line with this, Valarie A. Zeithaml, (2003), the firm's workers, the customer, and other customers in the service environment are all human actors who play a role in service delivery and impact the buyer's impressions. For example, the way these individuals dress, their professional look, and their attitudes and actions all have an impact on how customers perceive the services. Every company has one or more people who are directly responsible for interacting with prospects and customers. This group of individuals is known as the sales force (Garyl L. et.al., 1999). The field of service marketing places significant importance on the involvement of employees, namely those who directly interact with customers, as a crucial element in the provision of superior service and the enhancement of customer satisfaction (Bahman, S. P., Nazari, 2013). Peter Drucker, a renowned management scholar, offered a notable insight pertaining to individuals, stating that the term "your people" might encompass both one's workforce and customers, or potentially both parties simultaneously. It is imperative to consider both elements in conjunction. In alternative terms, when an organisation prioritises the well-being of its personnel, commonly referred to as employees, there is a tendency for them to exhibit heightened dedication towards ensuring the satisfaction of customers. According to Cohen (2013), the principle mentioned has consistently had significant importance in the field of marketing.

2.3.2. Process

The procedures within marketing management demonstrate the manifestation of innovation, discipline, and structure. It is imperative for marketers to refrain from engaging in ad hoc planning and decision-making practices. Instead, they should prioritize the incorporation of innovative marketing ideas and concepts into all aspects of their work. This includes the establishment of mutually advantageous long-term relationships and the generation of groundbreaking insights, products, services, and marketing activities through creative means. The service delivery and operational systems encompass the mechanisms, procedures, and sequence of actions involved in providing the service. According to Valarie A. Zeithaml (2003), there exists a methodology that can aid in the process of designing, developing, and implementing service management as a core competency and strategic asset within an organization (Whetton, 2011).

2.3.3 Programs

The program encompasses all consumer-oriented initiatives conducted by the organisation. The concept incorporates the conventional four Ps of marketing, together with a range of marketing activities that were not easily accommodated within the confines of the traditional marketing framework. Irrespective of their online or offline nature, as well as their conventional or nonconventional characteristics, it is imperative to integrate these activities in a manner that results in a synergistic effect, surpassing the cumulative impact of their individual components, and successfully attaining numerous business objectives. In his work published in 1985, Wind proposed a comprehensive marketing approach that encompasses a synergistic blend of eleven elements. These elements include the traditional four Ps of marketing, namely

product, price, place, and promotion, as well as additional components such as positioning, marketing segment portfolios, product portfolios by segment and distribution, product portfolios by segment and country, mode of entry, politically influenced marketing instruments (such as negotiations), public relations, and public affairs. This program aims to integrate these various aspects into a cohesive and effective marketing strategy.

2.3.4 POLICY

Policies encompass a set of regulations, principles, guidelines, or frameworks that are established or formulated by an organization with the aim of attaining enduring objectives. Typically, these are presented in a textual form that is readily available for reference. Policies are developed with the purpose of providing guidance and exerting influence over the key decisions made inside an organization, while also ensuring that all activities remain within a predefined set of parameters (Howlett, 2009; Office, n.d., Wali & Rashidi, 2018). Typically, a governance board inside a company adopts policies. It assists senior management in making decisions based on the relative merits of a variety of elements. In contrast, policies that aid objective decision making are typically practical in nature and can be tested objectively, such as password policies. A policy perspective implicitly or directly evaluates whether current practices are what they need to be (Malhotra, 2011). Sheth, J.N., & Sisodia, (2006) note that despite all of the positive consequences that have developed as a result of the defining role and practice of marketing, there have also been some negative consequences. Marketing, as defined by the American Marketing Association (AMA), pertains to the organisational function and series of processes that centre around the creation, communication, and provision of value to customers. Additionally, it involves the management of customer relationships in a manner that is advantageous to both the organisation and its stakeholders (Malhotra, 2011). Hence, policy in the realm of microfinance operations refers to the articulated declaration of purpose that directs the establishment of collaborations and the progression of the developmental procedure.

2.4. Performance of Microfinance institutions

Performance, within the framework of holistic marketing, is defined as the comprehensive evaluation of potential outcome measures that have both financial and nonfinancial consequences. These consequences include not only profitability, but also the impact on brand and customer equity. Furthermore, performance extends beyond the boundaries of the company itself, encompassing considerations of social responsibility, legal compliance, ethical behaviour, and environmental sustainability.

2.4.1 Operational performance

Due to heightened efforts in reaching out to clients, a significant proportion of microfinance institutions (MFIs) experienced improvements in their productivity metrics, namely in terms of the number of borrowers per staff member and borrowers per loan officer. According to Amha (2007), the portfolio quality of numerous MFIs was enhanced and sustained as a consequence of heightened outreach efforts. The loan to deposits ratio (LDR) is a metric that measures the proportion of the gross loan portfolio to total deposits. It provides insight into a bank's ability to meet the withdrawal requests of its members while using deposits for loan funding (Towo, 2022).

2.4.2 Social performance

The poverty level of clients is measured by outreach. Apparently, determining a client's poverty level is costly and necessitates the use of sophisticated indicators. However, because better-off clients are less interested in smaller loans, the average loan/GNI can be used as a rough proxy to gauge outreach depth and thus client poverty status (Rosenberg 2009).

Zeller et al. (2003) identified many social performance measures for microfinance institutions (MFIs), including outreach to marginalised and economically disadvantaged individuals, customization of services and products to cater to specific client needs, consideration of the social and political capital possessed by customers, and the demonstration of institutional social responsibility. According to the study conducted by Wassie et al. (2019), The utilisation of average loan size as an indicator of poverty has been subject to scrutiny within the scholarly literature. Future study should aim to combine household-level data with data at the level of Microfinance Institutions (MFIs) in order to examine the actual effects of MFIs on clients' poverty and welfare. This can be achieved by employing direct metrics of poverty and welfare, such as consumption expenditure. (Toindepi, 2017), the study undertaken in Zimbabwe found overwhelming evidence of "microfinance takeover" by a new MFI breed motivated primarily by profit and capital market needs. The study findings revealed that the prioritization of financial performance with minimal regard for social performance. Have a limited focus on poverty targeting, either geographically, individually, or through pro-poor approach.

Moreover, Thrikawala et al., (2013), many MFIs are only concerned with improving their output, such as the number of borrowers served, the number of jobs created, the average loan, outstanding, and depth of outreach, but not with improving their outcomes, such as measuring the impact on client income and the impact on client education and social status.

MFIs are obliged to show proof of social effectiveness in areas such as housing, health, and client empowerment. There is no proof that any of the above-mentioned social interactions or contacts occurred as a result of MFI activity.

Therefore, the social performance indicators for MFIs are whether or not they have the goal of reaching socially excluded populations or the poor; geographic outreach, which indicates that the institution is offering financial services in a region

where banking systems are absent or to people who have been rejected by the banks; special attention for disabled and marginalized people (inclusiveness); and whether or not the MFI agrees to provide loans with "social" group collateral rather than property collateral.

2.4.3 Financial Performance

According to Kinde (2012), According to the study, the financial viability of microfinance institutions in Ethiopia is determined by factors such as the extent of their outreach, the depth of their outreach, their dependency ratio, and their cost per borrower. Nevertheless, it can be observed that the impact of microfinance capital structure and staff productivity on the financial sustainability of MFIs in Ethiopia is minimal during the studied years. The financial performance of microfinance institutions (MFIs) is positively impacted by factors such as the quantity of loan officers, the productivity of loan officers, and the overall productivity of employees. According to Abrar (2019), the lending interest rate is subject to significant influence from the financing interest rate (IF) as well as financial performance indicators such as return on assets (ROA), return on equity (ROE), and operating cash flow to sales (OSS). The data presented in this study provide confirmation that microfinance institutions (MFIs) tend to impose elevated interest rates on their lending operations when they secure costly financing. Microfinance institutions (MFIs) strategically set high interest rates in order to enhance their long-term viability and financial stability, as evidenced by scholarly research.

(Mishra, 2013), ROE (Return on Equity), ROA (Return on Assets), and Net Profit Margin are the three financial metrics that measure profitability. the study revealed that in public sector banks, the relationship between growth or profit-oriented strategy and ROA is more significant.

Hence Ethiopia's microfinance sector has expanded dramatically over the last sixteen years since 2005 in terms of the number of microfinance institutions and multiple corners. On other hand 80% of the adult population is served by quib and Idir; informal moneylending is expensive but widely used (Enterprise, 2017). Despite the fact that they can more readily trace an incremental route based on deliberate business expansion strategies with a clear business rationale, banks and MFIs have been unduly cautious and slow to roll out agent networks. However, In the country all the banking service providers concentrated in capital of Ethiopia and its area, the provision of financial services to pastoralist areas that currently have little or no access to microfinance services. Therefore, the effort to provide people with accessible, affordable, diverse, and productive financial services cannot be realized without the formulation and implementation of a marketing mix strategy.

Moreover, previous studies used the 4Ps Marketing Mix (Adewale, 2013; Jasmani & Sunarsi, 2020; Ofunya Afande & Mathenge Paul Maina, 2015) and the target sectors were manufacturing, non-financial, SMES, and different countries (Agnes, 2009; Kaburui, 2017; Mohammed, 2019).

The study conducted in a single microfinance market, such as Bangladesh (the MFI hub), could be regarded as evidence of the positive influence of females on boards and female staff on various dimensions of MFI efficiencies highlighted (Mia et al., 2022). However, Majority of prior studies conducted in traditional 4Ps and 7Ps but not modern marketing mix. It means that the modern marketing mix derived from holistic marketing concept and it included the traditional and marketing activities like marketing performance, digital services, policy, legal issues, social responsibilities and it follow the compressive approach rather than inward-looking aspects. The other thing is there are limited empirical evidences of the modern marketing mix, moreover it was not carried out in Country. The policy element as marketing mix and its influence was not discussed well in earlier studies. Methodologically, the studies were not used the structural equation modeling & mediation analysis for modern marketing mix and its influence on MFIs performance as well as geographically, the studies conducted in country Ethiopia was insignificant in number.

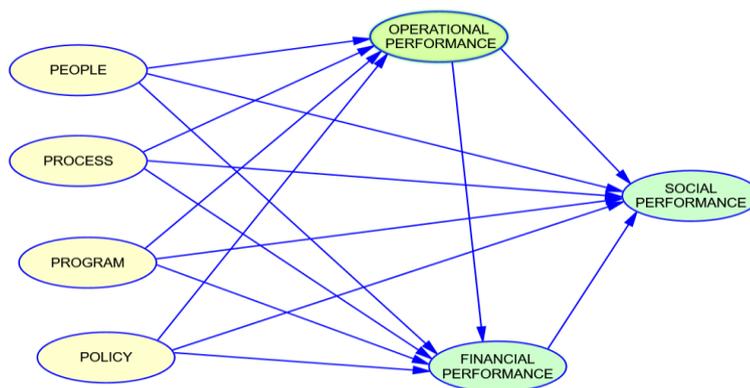
To sum up according to previous studies; there is also a relationship between the service marketing mix and performance (Ahmad, et al., 2013 ; Akroush, 2011; Aremu, M. A., & Bamiduro, 2012 ; (Jandaghi, G., Amiri, A. N., Amini, A., & Darani, 2011)). however, The results of these investigations, differ (Akroush, 2011 ; Aremu, M. A., & Bamiduro, 2012). The literature's inconclusiveness opens the door to more research in the topic of service marketing mix.

Therefore, assessing the influence of Marketing mix elements on performance of micro finances is very vital to revisit its existing marketing strategies which will contribute empirically with theoretical evidence to improve country's performance

2.5. Conceptual framework

The conceptual framework of the study provides a brief overview of the study after examining the prior research on the following subjects and identifying the gaps. The study will further establish the relationship between the constructs in the marketing mix strategy and performance of microfinance Institution in Ethiopia, using this framework.

Figure 2.1 Conceptual framework



Source: Author'crafted diagram using IBM SPSS AMOS V23.

Following the identification of gaps and the creation of a concise study outline, the objectives were formulated to provide appropriate parameters for this research endeavour.

2.6. Research Objectives

1. To assess the role of the emerging marketing mix elements on operational performance
2. To examine the influence of the emerging marketing mix elemnts on financial performance of MFIs.
3. To assess the operational efficiency on financial performance of Microfinance.
4. To assess the financial performance on social performance of Microfinance.

2.7. Hypothesis of the study

The general goal of this research is to examine the impact of marketing mix elements on the performance of microfinance institutions in Ethiopia by analyzing operational and financial performance. The set of hypotheses developed to test the effect of marketing mix strategy and female participation on MFI performance.

The following are twenty three sets of broad and specific testable hypothesis of marketing mix strategy related with performance.

- H₁ There is positive relationship between People and operational performance of MFIs.
- H₂ There is positive relationship between Process and operational performance.
- H₃ There is positive relationship between Program and operational performance
- H₄ There is positive relationship between Policy and operational performance of MFIs.
- H₅ There is positive relationship between People and financial performance of MFIs.
- H₆ There is positive relationship between Process and financial performance of MFIs.
- H₇ There is positive relationship between Program and financial performance of MFIs.
- H₈ There is positive relationship between Policy and financial performance of MFIs.
- H₉ There is positive relationship between operational performance and financial performance of MFIs.
- H₁₀ There is positive relationship between People and social performance of MFIs.
- H₁₁ There are positive relationship between Process and social performance of MFIs.
- H₁₂ There is positive relationship between Program and social performance of MFIs.
- H₁₃ There is positive relationship between Policy and social performance of MFIs.
- H₁₄ There is positive relationship between operational performance and social performance of MFIs.
- H₁₅. There is positive relationship between financial performance and social performance of MFIs.

3 Methodology

This study is more of a descriptive survey and structural equation modeling type of research design, which begins to see and be able to describe the characteristics of variables of interest in the situation, the relationships between four exogenous and three endogenous variables, and is analytically based on quantitative approaches to data from primary and secondary sources. Therefore, this design can assist the study by clearly explaining and describing the effects of modern marketing mix elements on the performance of microfinance institutions in the study area. To this respect, the study designed a non-

probability sampling technique called convenience sampling, in which the questionnaire will be conducted in seven Microfinance Institutions and their branches and headquarters located at Arba Minch town, Wolaita Sodo, Bodit, Birbir, Hawassa, and Addis Ababa. In this regard, the combination of the specific questions of the questionnaire is given and completed based on a five-point Likert scale, followed by conducting questionnaires in selected microfinance institutions in Ethiopia.

Based on this, the population of this study is composed of senior employees, branch managers, district managers, frontline employees with customer service workers, and field workers. And the data was collected directly from the total population of 8487 employees of 428 branches/headquarter/districts and seven selected microfinance institutions in Ethiopia. The researcher employed the sample size used Yamane's (1967) simplified formula to calculate sample size. Based on this the distributions of sample size was 382 across the MFIs were proportionally selected based on their employees size.

4. Data Analysis and Results

4.1 Discriptive statistics

The first step in analyzing data for structural equation modeling is to determine whether or not the data is normally distributed. Skewness and kurtosis are two important characteristics that help us determine the data distribution (Kim, 2013). Skewness is a factor that represents the data's symmetry or lack thereof. The greater the skewness value, the less symmetrical the data. In contrast, kurtosis determines whether a distribution has long or short tails. A distribution with a large number of outliers has a long tail. A distribution with a short tail has fewer outliers. For structural equation modeling, the acceptable range for skewness is between +3 and -3, and for kurtosis, it is between -10 and +10. As shown in the following table, the skewness and kurtosis of the model's latent constructs are within the acceptable range.

4.2 Confirmatory Factor Analysis

Confirmatory Factor Analysis is a technique for verifying whether the measured variables and constructs agree with the obtained data (Devakumar & Barani, 2016; Huit et al., 2018).

The measurement model was tested using AMOS through the implementation of confirmatory factor analysis.

Figure 4.1 CFA initial path diagram

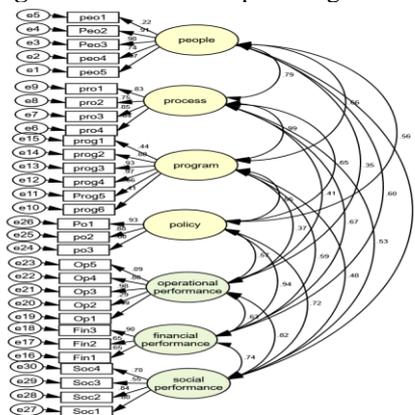
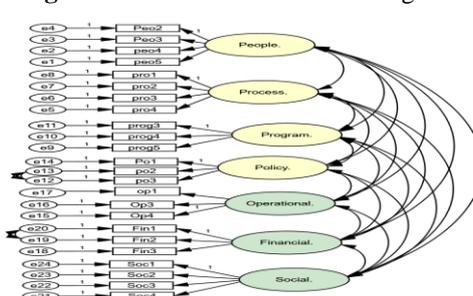


Figure 4.2 Revised CFA model diagram



During the confirmatory fac of the factor loadings for e

loadings for each construct, a total of six measurement items (Peo1, prog1, prog2, prog5, op2, op5) were excluded due to low factor loading. This analysis was based on a sample size of 329 participants. According to Hair (1995), in order to determine if an item loads on any factor, a minimum value of +0.30 or -0.30 is necessary. The factor loadings in each construct, as determined by confirmatory factor analysis, are presented in Table 4.2. The loading of all items within each construct is statistically significant and aligns with their respective constructs. The range of factor loadings for each construct is presented below. The study findings indicate that there were significant improvements observed across several

This study conducted an analysis doing an analysis of the factor

metrics. Specifically, the scores for people increased from .67 to .905, the scores for process improved from .748 to .847, the scores for program rose from .657 to .974, the scores for policy increased from .743 to .971, the scores for operational performance improved from .489 to .981, the scores for financial performance rose from .549 to .925, and the scores for social performance increased from .549 to .839. Following the confirmation of factor loading, this study proceeded to utilize the measurement items that exhibited satisfactory factor loadings for each construct in order to conduct further analysis.

according to Hair, J.F. et al, (2010), a minimum of four model-fitting tests must be examined, as shown in Table 4.1. As suggested by Hu, L. T., & Bentler, (1999) the cutoff points were taken into account and contrasted with the default model value; the results indicate that the measurement model is well-suited. The model fit metrics (CFIN/df, GFI, SRMR, and RMSEA) were utilized to evaluate the model's overall goodness of fit, and all values were within their respective common acceptance levels (Bentler, 1990; Ullman, 2001) seven-factor model (people, process, program, policy, operational performance, financial performance, and social performance) resulted in excellent data fits: CMIN/df, GFI, CFI, SRMR, and RMSEA.

Table 4.11 model fit for CFA

Fit indices	Recommended value	Sources	Obtained value
P value	Insignificant	Bagozzi, R. and Yi, (1988)	.000
CMIN/df	3-5	(Byrne, 2016)), Less tha 2(Ullman, 2001) to 5 (Schumacker, R. E., & Lomax, 2004)	3.73
GFI	>0.9	Hair et al (2010), Byrne, (2016)	0.93
TLI	>0.9	Bentler, 1990	0.91
CFI	>0.9	Bentler, 1990	0.908
SRMR	<0.08	Hu, L. T., & Bentler, (1999)	0.79
RMSEA	<0.08	Hu and Bentler(1990)	0.89

4.2.1. Validity and Reliability

Both Cronbach's alpha and composite reliability were employed to assess the level of consistency of the construct. The study's findings indicated that the Cronbach alpha coefficients for all of the constructs examined exceeded the recommended threshold of 0.70, as specified by Nunnally and Berntein (1994). The reliability of the composite variable exhibited a range of values between 0.759 and 0.898, surpassing the established threshold of 0.70. According to Hair et al. (2010), Hence, the assessment of construct dependability was conducted for each individual construct during the duration of the study (Table 4.6).

To assess the convergent validity of the scale items, it was necessary to employ the average variance extracted (AVE) value, as proposed by Fornell and Larcker (1981). The computed average variance values for all constructions consistently exceeded the threshold value of 0.50. Similarly, the value of CR exceeded the necessary threshold to a large extent. It can be inferred that all of the constructs were deemed valid. Consequently, the scales employed in this specific study demonstrate the necessary convergent validity, as indicated in Annex table 4.6.

Discriminant validity, as defined by Fornell and Larcker (1981), is established when the square root of the average variance extracted (AVE) for a particular construct exceeds its correlation with other constructs examined in the study. Recently, there has been growing scepticism over the Fornell and Larcker criterion, prompting the emergence of the HTMT ratio as a novel approach to assess discriminant validity. As a result, the HTMT ratio is gaining popularity in academic circles. The study does not fully exhibit discriminant validity according to the Fornell and Larcker criterion. Nevertheless, upon assessment utilising the HTMT ratio, it was observed that all ratios fell below the prescribed threshold of 0.85 (Henseler, J. & Sarstedt, 2015). Hence, the study successfully established discriminant validity. The results pertaining to discriminant validity are presented in Table 4.2 provided below.

Table 4.2 Discriminate Validity

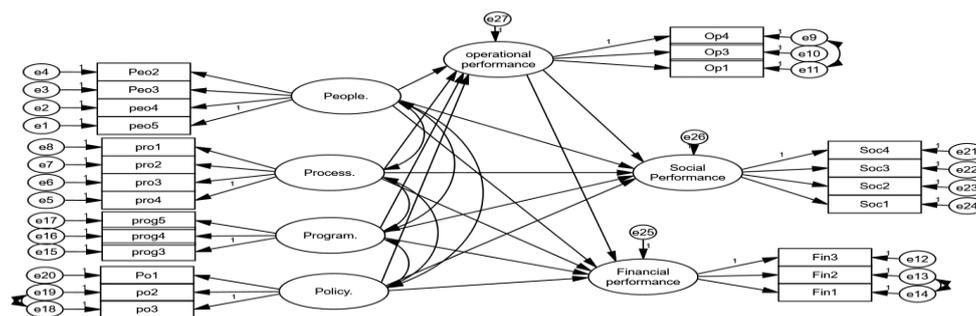
	people	process	program	policy	operational	financial	social
people	0.812404						
process	0.791254	0.820366					
program	0.670855	0.81326	0.866025				
policy	0.525023	0.606649	0.524966	0.856154			
operational	0.349454	0.416502	0.36963	0.533082	0.811788		
financial	0.634005	0.58985	0.520754	0.705582	0.561015	0.723878	
social	0.801468		0.517432	0.678353	0.715246	0.666711	0.731437

4.3 Structural model assessment

Using the SPSS AMOS V.23.statistical software program, this study examined the fit of the proposed structural model and the research hypotheses. The results of the model fit between the suggested structural model and the recommended level of each index are at acceptable range and good fit to proceed the next step.

This study also conducted path analyses based on the research hypotheses.

Figure 4. 2 Structural equation model diagrams modified.



Source: calculated own data using IBM SPSS AMOS Software,2023

The squared multiple correlation was 0.382 for operational efficiency, this shows that 38.2% variance in operational efficiency is accounted by People and policy. The study assessed the effect of marketing mix people, process, program, and policy on operational efficiency. The impact of people on operational efficiency was positive and significant ($b=0.125, t=2.033, p<.05$), supporting H_1 . The impact of marketing mix process on operational efficiency was negative and insignificant ($b=-.031, t=-.279, p=0.780$) not supporting H_2 .

Table 4.3 Hypothesized relationships and its decision

Hy.	Hypothesized relationship	St. Est.	t - Value	P - v.	decision
H ₁	Operational Performance <--- People	.131	2.033	.042	Supported
H ₂	Operational Performance <--- Process	-.031	-.279	.780	Not Supported
H ₃	Operational Performance <--- Program	.131	1.297	.195	Not Supported
H ₄	Operational Performance <--- Policy	.470	8.534	***	Supported
H ₅	financial performance<--- people	.125	2.614	.009	Supported
H ₆	financial performance <--- process	.000	.004	.997	Not Supported
H ₇	financial performance <--- Program	.094	1.259	.208	Not Supported
H ₈	Financial performance <--- Policy	.391	8.645	***	Supported
H ₉	Financial performance<---operational	.364	8.894	***	Supported
H ₁₀	Social performance <--- people	-.071	-1.299	.194	Not Supported
H ₁₁	Social performance <--- Process	-.045	-.476	.634	Not Supported
H ₁₂	Social performance <--- program	.178	2.111	.035	Supported
H ₁₃	Social performance <---policy	.322	5.723	***	Supported
H ₁₄	Social performance <--- operational	.499	9.736	***	Supported
H ₁₅	Social performance <--- Financial	-0.28	.466	.641	Not Supported

Note: * significant at the 0.05 level ($p < 0.05$); ** significant at the 0.01 level ($p < 0.01$).

The impact of marketing mix program on operational efficiency was positive but insignificant ($b=.131, t=1.297, p=0.195$) not supporting H_3 . Policy on operational efficiency was positive and significant ($b=0.470, t= 8.645, p=0.000$) supporting H_4 .

The squared multiple correlation was 0.66 for financial performance, this shows that 66% variance in financial performance is accounted by People, policy, and operational efficiency. The study assessed the effect of marketing mix people, process, program, policy, and operational efficiency on financial performance. The impact of people on financial performance was positive and significant ($b=0.125, t= 2.614, p=0.009$) supporting H_5 . The impact of marketing mix process on financial performance was positive but insignificant ($b=0.000, t=.004, p=0.997$) not supporting H_6 . The impact of marketing mix program on financial performance was positive but insignificant ($b=.094, t=.1.259, p=0.208$) not supporting H_7 . Policy on financial performance was positive and significant ($b=0.391, t= 8.645, p=0.000$) supporting H_8 . The impact of Operational efficiency on financial performance was positive and significant ($b=.364, t= 8.894, p=0.00$) supporting H_9 .

The squared multiple correlation was 0.572 for Social performance, this shows that 57.2% variance in social performance is accounted by Program, policy, and operational efficiency. However the marketing mix people, process, and financial performance have no impact on social performance of microfinance institutions in Ethiopia. The impact of people on social performance was negative and insignificant ($b-.071, t=-1.299, p=.194$) not supporting H_{10} . Moreover, the impact of process on social performance was negative and insignificant ($b-.045, t=-.476, p=.634$) not supporting H_{11} . The impact of marketing mix program on social performance was positive and significant ($b=.178, t=2.111, p<0.05$), supporting H_{12} . The impact of marketing mix policy on social performance was positive and significant ($b=.322, t=5.723, p<0.001$),

supporting H₁₃. the effect of operational efficiency on social performance was positive and significant ($b=0.499$, $t=9.736$, $p<0.001$), supporting H₁₄. Finally the impact of financial performance on social performance was positive but insignificant ($b= -.029$, $t=.466$, $p=.641$). not supporting H¹⁵.

5. Summary, Conclusion, Limitation and the Way Forward

5.1 Summary and Conclusion

The overall goal of this study is to assess the influence of modern marketing mix strategy on performance of micro finance to deliver proper strategy for Ethiopian micro finance Institutions. In order to that the summary of the discussion is stated as follows. The old marketing mix strategy does not work for any organisations discipline in today's world of holistic marketing. However; the Modern marketing 4Ps as a more representative set that incorporates contemporary marketing realities such as people, processes, programmes, and performance. These new four Ps actually apply to all company disciplines, in addition to that one element (policy) added in this study and the marketing performance element serve as mediator and included in operational performance.

The analysis' inferential component examined all potential variables along three dimensions: operational efficiency, financial performance, and social performance, with the goal of demonstrating the extent to which modern marketing mix methods have an impact. The results of the model fit between the suggested structural model and the recommended level of each index are presented well and the study also conducted path analyses based on the research hypotheses.

Firstly, the squared multiple correlation was 0.382 for operational efficiency, this shows that 38.2% variance in operational efficiency is accounted by People and policy. However, the impact of marketing mix process and program on operational efficiency was insignificant. Secondly, Financial performance's squared multiple correlation was 0.66; this indicates that people, policy, and operational efficiency account for 66% of the variance in financial performance. People had a positive and significant impact on financial performance ($b = 0.125$, $t = 2.614$, $p = 0.009$); policies had a similar positive and significant impact ($b = 0.391$, $t = 8.645$, $p = 0.000$); and operational efficiency had a similar positive and significant impact ($b = .364$, $t = 8.894$, $p = 0.00$). The marketing mix, including its processes and programmes, had a positive but insignificant impact on financial performance in comparison.

Thirdly, the squared multiple correlation for social performance was 0.572, indicating that programme, policy, and operational efficiency explain for 57.2% of the variance in social performance. The marketing mix's effects on people, processes, and financial performance, however, have no impact on the social performance of Ethiopia's microfinance organisations. People's influence on social performance was negative and insignificant. Additionally, the effect of process on social performance was poor and insignificant. On the other hand, there was a positive and significant effect of the marketing mix program, policy, and operational performance on social performance. Finally, although insignificant but positive, the effect of financial performance on social performance.

In conclusion, this study effectively examined a total of 15 predetermined hypotheses and provided comprehensive data regarding their investigation. The findings revealed that 8 of these hypotheses were validated, indicating a direct relationship. The direct relationship results show that the squared multiple correlation for operational efficiency was 0.382, indicating that People and policy account for 38.2% of the variance in operational efficiency. However, the marketing mix process and programme had little impact on operational efficiency. The squared multiple correlation of financial performance was 0.66, indicating that people, policy, and operational efficiency account for 66% of the variance in financial performance. The squared multiple correlation for social performance was 0.572, indicating that programme, policy, and operational efficiency explain 57.2% of social performance variance. Indeed, factors of the marketing mix such as people and policy have a significant impact on the financial and social performance of microfinance banks; the following programme has solely impacted the social performance.

5.2 The study implications

5.2.1. Theoretical implications

The present study further validates the notion that the components of the marketing mix serve as substantial indicators of both the financial and social performance of a business. The study's theoretical conclusions have broader applicability beyond its specific setting, making it relevant to other institutions that share similar operational and structural characteristics. The outcomes of this study can provide valuable insights for organisations aiming to enhance their organisational performance by using suitable marketing mix strategies.

5.2.2. Practical implications

The findings of the study have a number of practical implications for microfinance organisations and managers at various levels. To begin, organisations can add more value to their staff and better prepare them to serve their customers. Institutions must pay attention by equipping their personnel and proficient (workers with the expertise to answer consumer inquiries), responsiveness (readiness and willingness to help customers). Making clients feel honest in their transactions and aware of the benefits of a well-dressed (professional appearance) personality, friendly relationship (providing customers personalised and these practises may eventually lead to improved organisational financial and social performance. The other point is that the management of MFIs should make a good policy from the point of view of

meeting customer needs, attracting new employees, and retaining existing employees, comparing it with competitor's policies, and modifying or revising it timely when it needs changes. Finally, this kind of practise may lead to and contribute to the performance of MFIs.

5.3. Research limitations and directions for future research

The conclusions of this research are constrained by certain constraints, which offer opportunities for future investigation. Firstly, our sample size was selected considering the restrictions the scholar has in resources and time to gather and administer the essential data. Secondly, the treatment of policy as a component of the marketing mix, within the context of the contemporary marketing mix strategy, and it as new variable there was no sufficient evidences and its impacts were inadequately discussed and does not supported in previous studies. Therefore, it will be needed further studies to strengthening the evidence.

Finally, while some researchers argue that perceptual measurements of performance, particularly in the realm of finance, exhibit a significant correlation with more objective metrics, it is important to acknowledge that they are still susceptible to inherent biases, individual preferences, and perceptual distortions of the respondents. Despite the use of Likert scales to assess the marketing mix and operational, financial, and social performance in order to mitigate biases, a potential avenue for future research could be including quantitative/numeric or objective data to measure performance characteristics, as well as doing a comparative analysis of the findings from the current study. The exploration of the phenomenon and the examination of the moderating effects of contextual variables might contribute to a deeper understanding.

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Annex Table. 4. 4 discriptive statistics of latent constructs

Indicators	Mean	Median	Std. Deviation	Skewness	Kurtosis
peo1	3.6246	4	1.11788	-0.449	-0.540
Peo2	3.8723	4	0.95419	-0.505	-0.384
Peo3	3.9301	4	0.93930	-0.637	-0.226
peo4	3.4529	4	1.10641	-0.315	-0.796
peo5	3.6292	4	1.15658	-0.621	-0.426
pro1	3.6991	4	1.13590	-0.481	-0.514
pro2	3.0821	3	1.15133	-0.222	-0.675
pro3	3.3587	3	1.10111	-0.030	-0.893
pro4	3.3040	3	1.11476	-0.157	-0.720
Prod	2.6657	3	0.66080	0.170	-0.403
Price	3.2310	3	0.90467	-0.100	-0.388
promo	3.2340	3	0.90220	-0.103	-0.369
Place	3.2249	3	0.90956	-0.118	-0.348

Phyev	3.1672	3	0.96241	0.155	-0.278
Digital	2.0374	2	0.85581	0.608	-0.149
Po1	3.7356	4	1.06209	-0.623	-0.151
po2	3.6565	4	1.09069	-0.590	-0.348
po3	3.7386	4	1.06714	-0.644	-0.158
Op1	3.7508	4	1.04117	-0.514	-0.317
Op2	3.5015	4	1.07103	-0.326	-0.563
Op3	4.1550	4	1.00774	-1.250	1.162
Op4	3.8571	4	1.06823	-0.754	0.024
Op5	3.0426	3	1.65960	0.065	-1.691
Fin1	3.6596	4	1.20450	-0.637	-0.466
Fin2	3.4924	4	1.04507	-0.512	-0.131
Fin3	3.7340	4	1.04616	-0.565	-0.241
Soc1	4.0243	4	1.12049	-1.095	0.477
Soc2	4.1459	4	1.01061	-1.045	0.331
Soc3	3.3009	3	1.19859	-0.234	-0.837
Soc4	3.6596	4	1.17892	-0.639	-0.411

Annex Table 4.6 Loading, reliability, and convergent validity

Items	Loading	Cronbach alpha	Composite Reliability	AVE
People		0.870	0.884	0.660
Peo5	0.67			
peo4	0.744			
Peo3	0.904			
Peo2	0.905			
Process		0.888	0.892	0.673
pro4	0.847			
pro3	0.847			
pro2	0.748			
pro1	0.836			
Program		0.878	0.898	0.750
prog5	0.657			
prog4	0.974			
prog3	0.932			
Policy		0.908	0.891	0.733
po3	0.743			
po2	0.839			
Po1	0.971			
Operational performance		0.714	0.844	0.659
Op4	0.881			
Op3	0.981			
Op1	0.489			
Financial Performance		0.809	0.759	0.524
Fin3	0.925			
Fin2	0.607			
Fin1	0.59			
Social performance		0.806	0.818	0.535
Soc4	0.694			
Soc3	0.549			
Soc2	0.839			
Soc1	0.808			

Source: Authors own, 2023 using AMOS V23