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Factors Affecting the Performance of MSEs with the Mediating Role of Institutional support Evidenced from Samara-Logia city Administration – Ethiopia

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ABSTRACT:

Purpose: The purpose of this study is to examine the factors that influence the performance of micro and small enterprises (MSEs) in Samara-Logia city administration, Afar Region. Unlike previous research that mainly focused on enterprise suitability, this study seeks to fill a gap in the literature by highlighting the mediating role of institutional support in shaping enterprise outcomes.

Method: To achieve this objective, the study employed an explanatory research design. Data were collected through a five-point Likert scale questionnaire administered to 212 enterprises, selected using stratified and simple random sampling techniques. The analysis was conducted using structural equation modeling with Smart PLS 4.0, ensuring the reliability and validity of the results while confirming the absence of collinearity issues.

Findings: The findings reveal that managerial skills, technology, infrastructure, finance, and social factors all exert a positive and significant influence on the performance of MSEs. Importantly, these factors affect performance both directly and indirectly through the mediating role of institutional support. The model explains 69.9% of the variance in MSE performance, underscoring the robustness of the results.

Implication: Based on these findings, the study recommends that policymakers, support institutions, and MSE owners should prioritize strengthening managerial skills, expanding access to finance, improving infrastructure, enhancing technological adoption, and leveraging social networks. At the same time, strong institutional support systems must be ensured, as these combined efforts are critical to improving the performance and sustainability of MSEs.

Originality: The originality of this study lies in its focus on institutional support as a mediating factor, which has been largely overlooked in prior research. By integrating this dimension into the analysis, the study provides a more comprehensive understanding of how various success factors interact to shape MSE performance, thereby contributing new insights to the existing body of knowledge.

Keywords: Performance of MSEs, Managerial skills, access to finance, political-legal, technological, infrastructural and marketing factors.

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