

Assessing Effect of Marketing Practice on The Business Performance of Micro and Small Enterprise (MSE) in Shashammenne Town

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Abstract

The main aim of this study is assessment of the effect of marketing practice on the business performance of micro and small MSE in shashemanne town, Ethiopia. Both qualitative and quantitative were used. The target population includes MSEs, workers, manager and owners of robe town micro and small scale enterprise office. The sample size includes 10 government official from the sector leading organization and 319 from the Mse employees. The model summary indicate the $R^2= 51.9$ percent means that the total variation in the dependent variable (business performance is explained or caused by 51.9 percent of the change in all independent variables: MS, MC, AM, MMS and INF in connection with business performance of SME. The major finding of the study indicate that marketing skill or hesitant to analyze existing business opportunities, managerial capacity are very critical for the them, poor infrastructure, problem of proximity to buyers and the following recommendation was forwarded based on the finding, MSEs are seen as an essential springboard for growth, job creation and social progress, solving shortage of local supply needs, provide training facilities and promote experience sharing programs, increase the capacity, knowledge and skill of the operators, experience sharing from successful enterprises

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1. Introduction

The Micro and Small Enterprises (MSEs) sector is identified as a tool in bringing about economic transition by efficiently using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology (Wolde & Geta, 2015). The sector is also described as the national home of entrepreneurship; they are the primary vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations (Katua, 2014). In cities and towns of Ethiopia, Micro and Small Enterprise (MSEs) and informal sector in general are the predominant income generating activities; they have a significant contribution to local economic development and used as the basic means of survival (Elias, 2005). The World Bank's Committee of Donor Agencies for Small Enterprises Development (Donor Committee) in 2001 identified the most important interventions to enable MSEs to improve their performance. The government of Ethiopia outlined MSEs development strategy in 2004 GC and set up Federal Micro and Small Enterprise Development Agency (FeMSEDA). The regional states also developed MSE promotion strategies based on their context, and in tandem with the federal MSEs development strategy. The states structured Regional Micro and Small Enterprises Development Agencies (ReMSEDA) to facilitate implementation of the strategies. (Gebrehiwot and Wolday, 2004) In Ethiopia, it is widely recognized that, the government and donors have supported Micro and Small Enterprise (MSE) in a variety of ways, which include both financial and non-financial service, they have understood that non-financial service currently known as business development services (BDS), is among the important factors that can improve the performance of MSE operators in the country (Gebrehiwot and Wolday, 2004).

2. Literature Review

In Ethiopia, MSE is one of the sector given recognition in the country economic development plan, and believed that it serves as vehicles reducing poverty and unemployment at urban center and as it reinforce the economic development. MSEs may offer the best products (services or physical object), but without marketing none of potential customers would know about it and sales may crash and they may have to close. Marketing practices have been found by several scholars to have great impact on business performance (Blankson & Stokes, 2002; Ellis, 2005; Blankson & Omar, 2002; Jayawarna, J. et al., 2014) and to ensure business survival in most industries. The business activities and marketing practices of micro and small enterprises according to Blankson and Omar (2002) argued that even though most of the economies are dominated by micro and small scale businesses, marketing is vital and a very important practices to their business performance and survival of the business. Moorman and Rust (1999), explicitly argued that marketing activities or practices are very crucial and essential for many businesses as it ensure the connection between the prospective customers and the organization as a whole. As noted by Ellis (2005); Moorman and Rust (1999) stated that, in developing economies, marketing practices when implemented well improves businesses performance of MSEs. Ethiopian government has developed support service

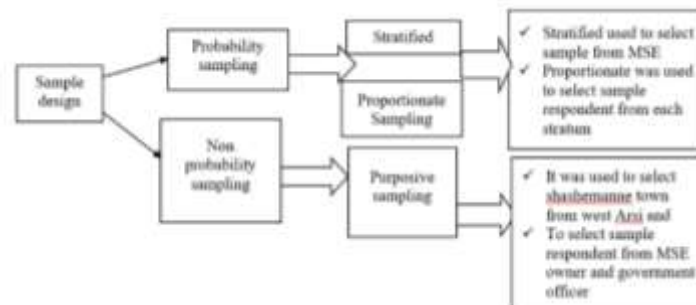


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programs to enhance the growth and profitability of these enterprises in all over the country (Mulate, et al., 2006). However, no study were focus on assessing the effect of marketing practice on business performance of MSEs and studies such as Bereket (2010) and Tekle (2014) are directed to roles of micro and small enterprises in employment creation and contribution of Micro and Small Enterprises to Local Economic Development respectively. As the matter of fact, lack of awareness of concerned bodies about marketing practice on business performance of MSEs would undoubtedly need to take measures against problems. These would obviously hinder marketing practice efficiency and resulted in failure of these enterprises. Hence, the development of MSEs' marketing abilities and marketing knowledge within the MSE sector is essential and this study therefore, seeks to investigate into effect of marketing practices of micro and small scale firms and its impact on their business performance in shashemanne town.

3. Research Methods

To identify effect of marketing practice on the business performance of MSEs in shashemanne town, descriptive research design was applied. Because, these design concerned with describing the characteristics of particular individual or group in sample. Primary and secondary source of data was used to meet the objective of the study. The source of Primary data for study was collected from micro and small scale enterprises and manager of the MSE through the use of schedule and structured interview and the secondary data were collected from different sources such as, websites, books, brochures, magazine, newsletter, journals, and article. The target population for this study includes MSEs, workers, manager and owners of robe town micro and small scale enterprise office.



The sample size of the study 319 from the employee of MSE and 10 from the government official. Data was collected from Mses Owner, employees and government officer of MSEs of shashemanne town through the use of structured interviews and schedules which are designed in English and translated to Amharic and Afan oromo to get required data. The quantitative data was analyzed by descriptive statistics instruments such as frequency distribution, mean and charts. The inferential analysis of the survey data and variables for the study was apply in collaboration with some important tests such as validity and reliability of data. The correlation and multiple regression analysis between variables are included, because it helps to show association or relationship between variables.



4. Results

Table 1. Gender of Respondents

Characteristics	Frequency	Percentage	
Gender of the respondent	Male	180	56.25
	Female	140	43.75
	Total	320	100
Age	20 -29	40	12.5
	30 – 39	50	15.625
	40 – 49	120	37.5
	50 – 59	65	20.32
	60 and above	45	14.06
	Total	320	100
Educational background	Certificate	60	18.75
	Diploma	84	26.25
	Degree	156	48.75
	Master	20	6.25
	Total	320	100
Marital status	Married	150	46.785
	Single	100	31.25
	Widow	50	15.625
	Divorced	20	6.25
		320	100
Income per year	Under 20000Br	42	13.125
	20001 - 40000	100	31.25
	40,001-80,000br	165	51.5625
	Over 80,001br	13	4.0625
		320	100

Table 1 showed that male respondents represent 56.25 Percent, and the rest 43.75 percent were females. This implies that the government needs to encourage female participant through increasing the awareness on the benefit of participating in SMEs activity and increasing their role in the country's economic development. As far as age of respondents is concerned, 37.5 percent are in the range of 40 -49 years. As the result of the study shows most of the participants are between the age of 30 -49 years. Thus, encouraging the youngest people who are more productive and creative, it is possible to bring sustainability in the SMEs in our country. Ansah (2015:15) added in his study that, age between 30-39, were so powerful in marketing the product because at these ages they were not afraid of taking risks in their businesses because they were added more attractive ideas to their product. 156 (48.75 percent) were in the possession of Degrees. Thus form the above result the researcher conclude that encouraging more educated professional to participate in SMEs help develop the sector and make the sector more productive, therefore, promoting the benefit of the sector help to attract more educated individual and this can push as to change the attitude of the community towards the SMEs. As it was



depicted in the above Table 1 most the respondent are married with the percent of 46.78 and followed by single. Thus from the above finding we can conclude that most of the participants of the MSE participant are married and single individual; this can help them to more success full in their work. Table 1 indicate that most of MSE obtain income of 40001 – 80000 per year (51.56%). As we can understand from the above finding the income they obtain per year is need to be improve by give training and technical support for the MSE to support they get more income from their work and support the economic change in the country economy.

Descriptive analysis of factor in marketing practice of Mse Marketing Skill

Hence, responses for questions asked to identify whether MSEs analyze existing business opportunities, perform market segmentation and identify the target market that can be best served by their business were retrieved and analyzed in the following manner (Table 2).

Table 2. Marketing Skill

	Item	Frequency	Mean	STD
1	Analyzing existing business opportunities'	320	2.55	1.50
2	Identifying the target Market	320	2.6	1.47
3	Market Segmentation	320	2.56	1.45
4	collecting properly marketing information	320	2.65	1.50

Source: Own survey, 2020

Accordingly, as shown in table above, analyzing existing business opportunities with the mean value (2.55), identifying the target Market (2.6), Market Segmentation based on the selected variable (**2.56**) and collecting properly marketing information (**2.65**). The mean score of all marketing skill factors are below mean value indicating that managers have low Marketing skill or hesitant to analyze existing business opportunities, segment their market and identify their target market that can be best served. Thus, marketing skill is very critical for good performance of the small and medium enterprise for the success and to stay in competition in current stiff and hazardous competition. As described by Murphy (2006, 13-14) Marketing skill of MSE determines in the long term, whether the business will succeed or go under. According to Van Scheers (2012) the lack of marketing skills has a negative impact on the success of small businesses.

Managerial Capacity

Table 3 below clearly shows that MSE's managerial capacity to developing annual Marketing plan for their business has mean score of 2.66, capacity to developing strategic marketing plan for their business has a mean score of 2.57, developing marketing strategy for business has mean score of 2.51, and developing evaluation and control programs for business has mean score of 2.69, all lowest. This indicate that regardless their educational competency, managerial capacity of owners/managers of MSEs is unfavorable or most managers/ owners of the enterprises are hesitant in planning, implementing and controlling their market.



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Table 3. Managerial Capacity

Items	Frequency	Mean	STD
Lack of Developing annual Marketing plan for your business	320	2.66	1.38
Lack of Developing strategic marketing plan your business	320	2.57	1.30
Lack of marketing strategy for business	320	2.50	1.45
Poor evaluation and control programs for business	320	2.50	1.30

Source: Own Analysis, 2021

Infrastructure

Regarding the infrastructural factors shown in Table 4, Power interruption with standard mean 3.24, insufficient power supply with mean score 3.2 and inadequacy of water supply with standard mean of 3.39 and poor road availability to their place work are exert more challenges to undertake their activity and to compete with the competitor in the market place. Thus the marketing manager of the SME needs to select appropriate place where they are able to sell their product and bit the competition. Hence infrastructure is the backbone for the success of any business holder, since they can produce and deliver their product through this infrastructure.

Table 4. About Infrastructure

Factors	Frequency	Mean	SD
Power interruption	320	3.25	1.23
Insufficient power supply	320	3.45	1.2
Inadequate water supply	320	3.3	1.3
Poor road availability	320	3.56	1.21

Market Access

Access to market can be related to location and transportation facilities where large buyers can participate in buying. transportation facilities have a vital contribution for being finding new markets at new places and importing cheaper raw materials from where it widely available which resulted in using cheaper raw materials for reducing costs of production which in turn decrease the price for products and then increase market demand and revenue of enterprises. In addition to transportation facilities, location of the business can play a central role in marketing of MSEs. Those MSEs located in urban and nearer to urban or commercial areas are more likely to survive than their counters in rural areas. Those that operate in commercial districts or on road sides typically show greater growth rates than those that are based on their home, although it can vary at the country level (Liedlholm, 2002).

Table 5. Access to market

No	Items	Frequency	Mean	SD
1	There is insufficient and quick transportation service to reach market	320	3.65	1.32
2	Lack fast communication system to access market information	320	3.87	1.21



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3	For our product we lack to the market with few effort	320	3.65	1.12
4	There is poor alternative market to sell our product	320	3.54	1.11

According to Sgustafson (2012), economic growth in developing countries is often constrained by a lack of access to regional and global markets. Without reliable access to fair, transparent markets, the poor in developing countries stand little chance of escaping poverty and hunger. Furthermore, Enterprises can provide quicker delivery to buyers if they are closer to buyers than are producers. However, there are various constraints to market access of which some are Poor infrastructure, location of the business itself, problem of proximity to buyers. Clough (2011) stated that location of the business can play a role in their customer reach. If a business located on a main route people from other towns may purchase their products and recommend them to other people further away. For businesses located in rural areas there are not always as many institutions and commercial businesses close by compared to those in more urban areas or commercial centers and they may rely on local households as their main source of customers.

Relationship between Marketing Mix and Business Performance

The study finally sought to determine the extent of the relationship between marketing mix and business performance. The findings from the analysis showed a positive and a moderated relationship between marketing mix and customer acquisition and retention as a business performance again there was a significant relationship generally between marketing mix, sales turnover and overall profitability. However, these findings generally support studies advocating for the use of marketing mix to improve business performance (Jayawarna et al., 2014). Starting with the relationship between marketing mix and business performance, this found that marketing mix significantly affects customer acquisition and retention.

Table 6. Marketing Mix Strategies Of MSE

	Likert scale Items	Freq	mean	STD
1	Product (Good and Service)			
	Lack of Offering a broad product line	320	3.45	
	Lack of Developing product that have a broad market appeal	320	3.56	
	Lack of Regularly introduce new product to the market	320	3.32	
	products are not well branded	320	3.68	
2	Pricing of the product			
	High costs of local supply (Raw material) have been influencing pricing of product or services in your business.	320	3.52	
	Lack of fixing our prices based on events in the market prices are not favorably compared to our competitors	320	3.35	
		320	3.67	
3	Promotion efforts			
	Lack of promoting products are sufficiently promoted through Bazar	320	3.45	
	Lack of promoting products are sufficiently through exhibition	320	3.64	
	Lack of Periodic sales promotional activities	320	3.33	



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	Lack of doing personal selling	320	3.69
	Lack of giving discount on bulk purchase to increase sales	320	3.53
4	Placement		
	Lack of Marketing linkage between your enterprise and other MSEs	320	3.65
	Lack of sufficiently liked with markets such as, whole sales or retail business firms	320	3.45
	Lack of Enough market access to sell your product/service	320	3.325
	Provided with a place (shade) for selling your product/service.	320	3.45

Source; own analysis

Table above clearly shows that MSE's there is lack of offering a broad product line with mean value of (3.45), lack of developing product that have a broad market appeal (3.56), lack of introducing regularly new product to the market to compete with the competitor (3.32) and lack of well branded product (3.68) are which are by the study from the response of the sample respondent. Kotler and Armstrong (2004) note that product development is the strategy for company growth by offering modified or new products to the current market segment in the small business sector, Ogundele (2007) notes that a well-organized product development program might even enable a firm to copy other attractive innovations quickly and profitably, because of the simple and dynamic structure of small business organizations.

Price

Also the table indicate that the presence of high cost of local have been influencing pricing of product or service in your business with mean value (3.52), Lack of fix our prices based on events in the market (3.35) and Lack of attaching prices that are favorably compared to our competitors. The finding indicates that the price that most of Mse attached to their product is not deeply compared to the competitor price. According to Anderson (2005), apart from low price points, this requires minimum marginal costs, making product usage and servicing requirement easily so that non-experts can convey them and also using locally owned shop managers and other entrepreneurs for the distribution. Repackaging and recovery of cost can help make the product affordable so that the upfront cost of access is reduced for customers and potential consumers with little or no disposable income to purchase. This possibly can be done by the small scale businesses through charging a small upfront payment and some credit facilities, instead of selling the product outright. Again, most of these businesses in the food processing sector do take certain conditions and factors into account before pricing their products. Some of these factors that affect the prices of the various products are the availability of the raw materials needed for production, credit facilities and the cost involved in the storage of the products. All these play a part in the pricing of the products.

Promotion

With the relation to the promotion, the result of the study show that there are Lack of promoting products are sufficiently promoted through Bazar with mean value of (3.45), Lack of promoting products are sufficiently through exhibition (3.64), Lack of Periodic sales promotional activities (3.33), Lack of doing personal selling (3.69) and Lack of giving discount on bulk purchase to increase sales (3.53). As businesses



set-up and other small scale businesses grows, it must expand its markets (Ogundele et al. 2013), sales promotions and other special initiatives can provide the exposure that the business product needs to develop in the new market and to increase sales in new markets (Meredith et al, 1991).

Business Performance

	Item	Frequency	Mean	STD
Sales Turnover				
	Lack of achieving our sales objectives	320 1.23	3.53	
	Lack of assessing the opportunity cost associated with sales	320 1.21	3.63	
	Our sales margin keep increasing as compared to our competitors	320 1.13	3.70	
	Our sales improves year after year	320 1.11	3.523	
	We use our sales turnover to forecast future demands	320 1.123	3.92	
Overall Profitability				
	low profitable compared to our competitors	320 1.21	2.5	
	Lack of satisfaction with our business profit	320 1.25	2.4	
	poor profit on all our product we sold to our customer	320 1.31	2.52	

The tables above indicate that the micro and small scale enterprise they Lack of achieving our sales objectives of their goal, Lack of assessing the opportunity cost associated with sales which are result from knowledge and training offered by the supporting sector, oor change on sales margin when as compared to our competitors, Little sales improvement year after year, and poor sales turnover to forecast future demands. The result indicates that low profitable compared to our competitors, Lack of satisfaction with our business profit and poor profit on our entire product we sold to our customer. This is because of the factor which are list in analysis part of the study and because of lack of knowledge and weak training offered to the sector.

Regression Analysis

In regression analysis, this is measured by Adjusted R Square, R^2 . The dependent variable for this study is Business performance of MSE whereas the five independent variables are marketing skill (MS), managerial capacity (MC), infrastructure (I), access to market (MA) and marketing mix strategy (MMS) with regard of business performance of micro and small scale enterprise in shashemane city. The regression result explores the necessary indicators of the marketing efficiency by using the variables identified in the model. As indicated in the previous chapter model summary part, the appropriate indicators of the variable used to identify the marketing efficiency of the MSEs are explored.



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Test for multicollinearity

Variables	Collinearity statistics	
	Tolerance	VIF
Marketing skill	0.385	2.451
Marketing capacity	0.451	1.182
Access to market	0.863	1.563
Marketing mix strategies	0.732	1.451
Infrastructure	0.812	1.341

If the tolerance value is less than some cutoff value, usually .20, the independent variable should be dropped from the analysis due to multicollinearity. VIF may be used in line of tolerance as VIF is simply the reciprocal of tolerance. The rule of thumb is that $VIF > 4.0$ when multicollinearity is a problem (Garson, 2012). Therefore, table above shows the tolerance values for all independent variables more than .20. Turning to VIF method, since all values of the independent variables are much less than 4.0 (i.e., 2.451 for MS, 1.182 for MC, 1.563 for AM, 1.451 for MMS and 1.341 for INF), multicollinearity is not again a problem. So, in both measures, there is no need to drop out a variable from the model.

Result of regression analysis

Table 7. model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721 ^a	.5198	.52	.40054

a. Predictors: (Constant), MS, MC, AM, MMS, INF

Source: own survey, 2021

From Table 7 above, “R” has a score of .721. It is a multiple correlation coefficient between dependent and independent variables of the study. “R” represents the value of the multiple correlation coefficients between the predictors and the outcome (Field, 2005). Here, the table indicates $R^2 = .617$. R square is the correlation between the dependent and independent variable values of the research. R^2 is also called the squared multiple correlation coefficient or the coefficient of determination since $(R)^2 = (.721)^2 = .5198$, which is rounds .519. So, table above with $R^2 = .5198$ means that the total variation in the dependent variable (business performance is explained or caused by 51.9 percent of the change in all independent variables: MS, MC, AM, MMS and INF in connection with business performance of SME. In other words, 48.1 percent of the variation in Business performance cannot be explained by these independent variables. So, there are other factors that are not incorporated in the model to explain business performance of SME in shashemanne town.



Table 8. Coefficients' Table on Multiple Regression of the Research Model

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	2.504	.375		7.748	.000
	MS	.312	.052	.332	5.687	.000
	MC	.134	.038	.301	6.777	.000
	AM	.166	.071	.083	3.215	.000
	MMS	.152	.033	.222	4.529	.000
	INF	.213	.023	.253	4.536	.000

a. Dependent Variable: BP

Source: own survey, 2021

Table above shows that, all the independent variables have statistically significant relationship with the dependent variable since their p-value is below the alpha level which is 0.05. Considering the standardized beta coefficients, the strongest predictor of the dependent variable (Business performance) is marketing skill with 0.312 value, managerial capacity with .134 value, access to market with .166 value, marketing mix strategy with .152 value and infrastructure with .213 value. All independent variables have positive relationship with the dependent variable.

Hypothesis Testing

Independent Variable	Coefficients		P – value (sign)
	Unstandardized	Standardized	
	B	B	
MS	.312	.052	.000
MC	.134	.038	.000
AM	.166	.071	.000
MMS	.152	.033	.000
INF	.213	.023	.000

Hypothesis 1:

Table of Beta value shows that marketing skill has significant effect on business performance with a value of .052. Since the p value is less than 0.05 or even strictly $p < .01$, the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) marketing skill has significant effect on the business performance of MSE.

Hypothesis 2:

The beta value of managerial capacity has significant effect on business performance of MSE with the value of .038. Since the p value is less than 0.05 (at $p = .01$), the value is significant. Thus, reject the null hypothesis (H1o) and accept



the alternative hypothesis (H1a) managerial capacity has significant effect on the business performance of MSE.

Hypothesis 3:

The beta value of Access to market has significant effect on business performance with the value of .071. Since the p value is less than 0.05 or $p < .01$, the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) access to market has a significant effect on the business performance of MSE.

Hypothesis 4:

The beta value of marketing mix strategy has significant effect on business performance of MSE with the value of .033. Since the p value is less than 0.05 or $p < .01$, the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) marketing mix strategy has significant effect on the business performance of MSE.

Hypothesis 5:

The beta value of availability of good infrastructure has significant effect on business performance of MSE with the value of .023. Since the p value is less than 0.05 or $p < .01$, the value is significant. Thus, reject the null hypothesis (H1o) and accept the alternative hypothesis (H1a) availability of good infrastructure has no significant effect on the business performance of MSE

Therefore, it is possible to infer that MS, MC, AM, MMS and INF have significant effect business performance of MSE

5. Conclusion and Suggestion

Conclusion

The study implies most the participant of the Mse are male, thus, the government needs to encourage female participant through increasing the awareness on the benefit of participating in SMEs activity and increasing their role in the country's economic development. The mean score of all marketing skill factors are below mean value indicating that managers have low Marketing skill or hesitant to analyze existing business opportunities, segment their market and identify their target market that can be best served. Thus, marketing skill is very critical for good performance of the small and medium enterprise for the success and to stay in competition in current stiff and hazardous competition. For the businesses product is very important to the survival of the business because all the other component of the marketing mix have been stands to the side of price, the promotion and distribution are all possible and done only when there is a product and it is the initial or starting point of the business growth. Therefore the business sector needs to produce good quality product which will make them to compete with the larger organization produce similar product.



Recommendation

Employment opportunity; in all successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress. The small business sector is also seen as an important force to generate employment and more equitable income distribution, activate competition, exploit niche markets, and enhance productivity and technical change and, through the combination of all of these measures, to stimulate economic development. Starting to new business without having sufficient technical skills resulted in marketing inefficiency of MSEs and failure of businesses within in few years. Hence, owners of MSEs should get sufficient training and experience sharing before entering to new business. It is also advised that shortage of local supply needs to be solved through solving related problems such as constraints at supply sources, transportation facilities and road infrastructure. In other ways strengthening capacity of existing suppliers, establishing new micro and small enterprise suppliers and then creating market linkage with the underlying enterprises can also be a solution needing attention. Efficiency in marketing is unthinkable without strong management capacities of owners or managers. Therefore, to enable the MSEs compete successfully in the market, the MSEs Development office of the town is advised to provide training facilities and promote experience sharing programs and provision of counseling services to owners or managers of the enterprises. Providing selling and display places in areas close to working area. Working places/shades occupied by previews MSEs should be identified and transferred to new ones. To make MSEs competitive and profitable, increase the capacity, knowledge and skill of the operators, experience sharing from successful enterprises, and provision of advice and consultancy, continuous capacity building initiatives and accessibility of relevant technologies should be availed by the government.

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