

Chapter 4

Effect of Green Supply Chain Management Practice on Firm Performance With Mediation of Green Innovation in Ethiopia

Shashi Kant

 <https://orcid.org/0000-0003-4722-5736>

Bule Hora University, Ethiopia

Metasebia Adula

 <https://orcid.org/0000-0001-5732-2850>

Bule Hora University, Ethiopia

Gezew Megersa Alemu

 <https://orcid.org/0009-0007-5221-1917>

Bule Hora University, Ethiopia

ABSTRACT

This study aimed to investigate, via experimentation, the relationship among green supply chain practices and corporate sustainability, with a particular emphasis on the mediating function of green innovation. The relevant 384 respondents were selected from the targeted SMEs using standard random sampling techniques. Using the structural equation model (SEM) and AMOS software, this study investigated the link among green innovation and its mediating impact. The SEM results further

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supported the notion that green supply chain strategies have a direct influence on green innovation. The results demonstrate that enhanced firm performance is a direct result of growing green innovation. The standardized coefficient of 0.683 approaches statistical significance at $p < .01$ (0.009). The results imply that a greater degree of firm performance was achieved through partial mediation of green innovation. Therefore, policy makers, institutions, non-governmental organizations, and other interested parties should concentrate on providing MSEs with green innovation.

INTRODUCTION

Ethiopia, an East African economy that is expanding quickly, has had notable economic progress in recent years. However, because supply chain operations and industrial activities sometimes come at the price of sustainable norms, this expansion has also raised worries about the environment. Given this, implementing green supply chain management (GSCM) has become an essential tactic for Ethiopian businesses looking to strike a balance among environmental stewardship and economic development (Zhu & Sarkis, 2004; Chekole et al., 2020). The idea behind green supply chain management (GSCM) is to include environmental considerations into conventional supply chain management procedures. This includes tasks like reverse logistics, green manufacturing, green distribution, and green procurement (Srivastava, 2022). Research has indicated a favorable correlation among Green Supply Chain Management (GSCM) practices and several indicators of a company's success, such as financial, operational, and environmental results (Diabat & Govindan, 2023; Zhu & Sarkis, 2023). But little is known about the mechanics underpinning this association, especially when it comes to emerging nations like Ethiopia.

Green innovation is one possible mediating element that is receiving more and more attention. The creation and use of new or enhanced goods, services, or procedures that lessen or do away with adverse environmental effects is referred to as “green innovation” (Chen et al., 2022). Although there has been much study on the relationship among GSCM and green innovation, particularly in the Ethiopian context, there is still a crucial research vacuum regarding the precise role that green innovation plays in mediating the GSCM-firm performance link. By examining the impact of GSCM practices on business performance and emphasizing the mediating function of green innovation in the Ethiopian manufacturing sector, this chapter seeks to close this gap. The project will present empirical proof of the processes by which GSCM practices result in increased company performance, providing practitioners and policymakers in Ethiopia with important new information. The results will guide the creation of focused plans and initiatives to encourage the uptake of green

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