Government Policy and Education Development on Msmes Performance at Mogadishu, Somalia

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Abstract. The purpose of the paper is to highlight the importance and influence of government policy and education development on the performance of MSMEs in remittance industry at Mogadishu, Somalia. The link to access the questionnaires were distributed via e-mail or WhatsApp to around 400 remittance business owners, however, only 258 responded to the survey. The data analysis was performed using SPSS, and AMOS software. Results from the analysis highlighted that government policy influences MSMEs performance, and education development in Mogadishu, Somalia. Educational development partially mediates the relationship between government policy and SMEs performance in Mogadishu, Somalia. Future studies should include more variables and data from other industries to validate the argument of this study that government policy has an influence on MSMEs performance in Mogadishu, Somalia. This study contributes to the literature related to MSMEs performance, and government policy. Government agency should take into consideration the influence of government policies on MSMEs performance, when making public policies related to MSMEs.

Keywords: Government Policy; Education Development; Performance; MSMEs; Somalia

1 Introduction

About 90% of micro, small and medium enterprises (MSMEs) worldwide provide more than 50% of employment, while about 40% of the national income is from registered MSMEs in most emerging economies (Brown, 2019; World Bank Group, 2016). In Somalia, the MSMEs sector has brought businesses at survivalist level, including informal to mainstream economy. As small businesses play an important role in the economy of Somalia country, the UNDP (United Nations Development Program) via the Economic Foundations bolster MSMEs to become future critical industries through innovation and small business grants (UNDP, 2017; UNDP 2015). Private sectors contribute to poverty eradication, and economic growth through investment, setting up infrastructure, employing work force, and producing products and services for communities and other businesses (Miyamoto and Chiofalo, 2017).

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The MSME sector in Africa consists of micro, small and medium sized business activities that contribute to the development of economy of the African region (IMF, 2019).

1.1 Problem Statement

Most MSMEs or businesses perish during the first five years (first phase) of establishing the business. Less businesses will perish during the second phase (between 5 and 10 years). However, about 5% to 10% of new companies that thrive, grow, and survive to maturity. MSMEs are the lifeblood of most economies, and finance plays a significant role in business success (Wolff, Pett, & Ring, 2015). However, MSMEs has been facing too many challenges that includes lack of education, skills, training, experience, funding, and other challenges (Gupta & Batra, 2016; Zimon, 2018). The remittance industry in Somalia is under close scrutinization due to higher chances of money laundering or support the terrorism activities because money can be transferred to places that do not have formal banking networks. As such, the UN Security Council has imposed a set of regulatory provision and strict measures to ensure the remittance industry in Somalia will be free from any money laundering or terrorism activities (Ibrahim, 2020). Hence, this study focuses on remittance industry and the impact of government policy on education development towards MSMEs performance in Mogadishu, Somalia.

1.2 Scope of the Study

This study focuses on the MSMEs from remittance industry located at Mogadishu, Somalia with access to the internet, and can be reached during the COVID 19 lockdown. Around 400 MSMEs identified and contacted via e-mail or social media with a hyper link to an on-line survey. The objectives of this study are:

a) To investigate the influence of government policy on education and MSMEs performance.
b) To determine whether educational development mediate the relationship between government policy and SMEs performance.

This research is aimed to answer the following questions:

a) What is the relationship between government policy on MSMEs performance?
b) What is the relationship between government policy on educational development?
c) What is the role of educational development in the relationship between government policy and MSMEs performance?

2 Literature Review

2.1 Somalia and Economic Activities

Somalia is a country that is located in Eastern Africa, the ethnic group in Somalia includes Somali, Bantu, and other non-Somali ethnic groups, and majority of the population are Muslim. The formal language is Somali, and the second language is Arab (Possenti 2015). The economy remains to grow from 2018 (2.8%) to 2019 (2.9%) (African Economic Outlook, 2020). MSMEs is considered as the main players in providing employment to the country (OECD, 2016). Somalia has an informal economy which is highly dependent on livestock, companies dealing with remittance or money transfer, and telecommunication. The United

Nations Development Program was introduced to help MSMEs to increase production and innovation by offering them small business grants (UNDP, 2016). Kenya, the neighbouring country, has about 40% of the citizens with bank accounts with formal financial institutions, and 58% of the population have access to mobile money. In Somalia, however, there are only 10% of the adult population with bank accounts in financial institutions, and 35% are using mobile money service (Wanambisi, & Bwisa, 2018).

2.2 Business Environment Affecting MSMEs

The success or failures of businesses highly dependent on the business environment that can be either the internal factor (elements inside the companies) or external factors (elements outside the companies). The growth of MSMEs depends on business environment changes (World Bank, 2016; Zhang, van Doorn, & Leeflang, 2018). The internal environment consists of elements controlled by the business owner or entrepreneur (Kolstad & Wiig, 2015). The internal environment such as management competency and skills are challenges to the business (Ahmad, & Ahmad, 2018; Radzi, Nor, & Ali, 2017), financial knowledge (Bradford et al., 2017; Schleifer & Nakagaki, 2018), business management, and technology management (Beck, 2015). The external environment consists of factors which are beyond the control of the entrepreneur such as competition (Gunasekaran, Rai and Griffin, 201), globalization (Warsame, Handuleh, & Patel, 2015), regulatory factors (Uzialko, 2017). However, in past research eight factors contributed to business failures of MSMEs which are poor sales strategies (Koufteros, Verghese, & Lucianettin, 2014), poor product testing (Schleifer & Nakagaki, 2018), immature growth or diversification (Beck, 2015), poor financial management and financial constraints, poor planning, poor management (Kolstad & Wiig, 2015), and failure to find a niche market (Koufteros, Verghese, & Lucianettin, 2014),

2.3 Remittance Enterprise in Somalia

Since 2001 the remittance companies in Somalia have been facing negative publicity, despite the positive contributions from the business to the communities. In year 2014 most financial institutions from United States, United Kingdom, Canada, and Australia had closed back accounts owned by Somalia remittance companies as the companies being perceived as performing money laundering activities that might relate to terrorism activities in the country (World Bank, 2016). Hence, in order to survive the remittance company had engaged with the public, media, local, national, and international authorities, regulators, and local and global market competitors (Overseas Development Institute, 2018; Stiles, 2019).

2.4 Government, MSMEs, and Government Policy

In a 2016 SMME Insight Report, the major challenges faced by MSMEs that lead to business failure are poor management, inefficient debt management, inadequate cash flow, volatility of the economy, increase in costs, financial problems, and legal requirements compliance. However, SAICA has improved MSMEs in handling these constraints through the provision of incubators, mentorship, and business tools (SAICA, 2016). The business incubators are equipped with office administrative support, workspace, shared technology, and business mentorship to entrepreneur membership. However, such support is only available to MSMEs located in South African metropolitan cities, and rural entrepreneurs were not provided the support. MSMEs in incubators or start-up phase normally fail within nine to ten

in the first two years of their operations. Out of twenty-seven (27) MSMEs in SEDA (Small Enterprise Development Agency) incubators with 84% to 97% of survival rate during the first two (2) years of their business operation. MSMEs play a role in job creation, and enhancement of living standards, and this has an overall impact on the economy. The informal economic sector in developing countries is now realized by governments and international agencies. However, this informal sector businesses encounter various obstacles that curb them from reaching their maximum potential. The Governments' main functions include creating employment and fostering economic growth. It may build trust via corruption elimination in the country. Industries evolved via technology development and continuous collaborations between industry players from the government and market. Industrial activities are created in national politics and institutional units. Therefore, government policy can have an impact on the nature of business activities in a country (Maimbo, & Melecky, 2016; Bailey, & Lenihan, 2015).

2.5 Education Development

The backbone of small business performance is education. According to Bradford et al. (2017) highlighted that most business training needed by MSMEs are financial, marketing, communication skills and others. Hence, both business owners and employees should be trained to produce high quality product to attract more demand from customers. Most entrepreneurs lack of technical skills, management skills, and business management skills that lead to business failure (Mashenene, Macha, & Donge, 2014). In addition, higher education institutions produce highly qualified and skilled human resources which is represented by employees in MSMEs (Darwish, 2014). With education, employees are able to apply their skills and knowledge to promote creative minds, innovativeness in technology transfer, necessary to induce competitiveness in economy (Darwish, 2014; O'Malley, 2016; Moeliodihardjon et al, 2012). Past studies on the role of higher education institutions in promoting development of SMEs have been conducted, for example by Darwish (2014) in Bahrain. Kassim, Damio, and Omar, (2020) conducted a study on how education institutions shape the entrepreneurial agenda in Malaysia. Malaysia has allocated a big budget for education when compared to other countries like Africa. The main objective of providing entrepreneurial education is to equip stakeholders with relevant knowledge, skills, attitudes, and exposure to promote MSMEs to graduates. The combination of entrepreneurship knowledge and expertise help to improvise entrepreneur technological capabilities in enhancing product quality. Hence, the role of education as a base for business productivity and competitiveness is undeniable.

2.6 MSMEs Performance

The performance of MSMEs can be quantified through their financial performance, liquidity/volatility, efficiency, production, costs, customers, shares, profits, and income (Anggadwita & Mustafid, 2014; Gupta & Batra, 2016; Sitharam, & Hoque, 2016; Zimon, 2018). These factors play a major role to trigger economic growth and development and sustain these in developing and developed countries.

2.7 The Vroom's Expectancy Theory

The Vroom's Expectancy theory is one of the motivation theories that is being used to explain an individual behaviour. The essence of the theory is to explain that people make choices based on estimates of how well the expected results of a given behaviour will match to the desired results. Although, the Vroom's Expectancy theory is used to help managers understand how people are motivated and what will trigger their motivation. Hence, this theory helps managers to enhance the connection between performance and outcomes, or reward with the performance (Mehboob & Othman, 2020). For example, using training to help employee improve their abilities, with the belief that added effort will lead to better performance. There are three main components which are expectancy, instrumentality, and valence. The expectancy is on the belief that effort will lead to intended performance or goals, hence for this study the expectancy is the government policy will contribute to performance of MSMEs. As for instrumentality, it is the belief that an individual will receive the desired outcome if the performance expectation is met. For this study, the instrumentality is the education development, with a belief that with adequate training and education given to entrepreneurs the MSMEs able to perform. The valence is referring to the value a person places on the outcome, as for this study is the MSMEs performance. Hence, Expectancy theory is best used to explain the whole study from the perspective of government effort or policy through education development towards MSMEs performance.

2.8. Government Policy, Education Development and MSMEs Performance

It is quite clear that MSMEs or SMEs serve as a tool to create employment in a country which will help reduce poverty. To achieve this, the government should implement policies which should be supportive of MSME and SME growth and development in the country. Furthermore, these policies should also support the workforce by upgrading its skills to improve business productivity and further boost the economy of the nation (OECD, 2015). Any changes on policies imposed by government have a significant influence on the success or failure of any education system in the country. It is notable that the government has been adjusting education policies by realigning the education primacies in meeting their expectation of the national and global needs. The endless education system reformation has caused turbulent changes in the education system and can have a double sword effect to the economy (Arar, Brooks, & Bogotch 2019; Darling-Hammond & Rothman 2018). The success of business depends on the entrepreneurs' quality, employees' educational background and experience. However, once the business grows and expands, the entrepreneurs and employees' knowledge, skills, expertise, and decision-making capabilities are central for business success (Kurosaki, 2019). Hence, the following hypothesis are forwarded, and Figure 1 depicts the relationship of the hypothesis:

H1: There is a positive and direct relationship between GP with MP.
H2: There is a positive and direct relationship between GP with ED.
H3: There is a positive and direct relationship between ED with MP.
H4: ED mediates the relationship between the GP and MP.

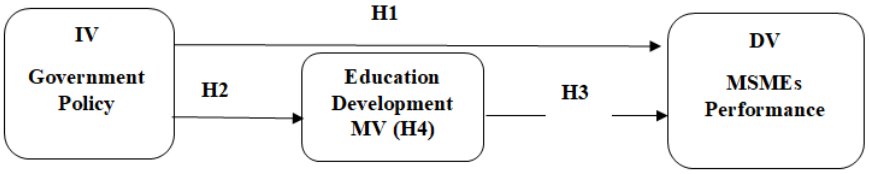

Fig. 1. Conceptual Model

3 Methodology

3.1 Sampling and Data Collection

The number of populations for a remittance company in Mogadishu is around 420 companies or outlets. Hence, Krejcie and Morgan table was used to identify the minimum number of respondents needed, which are 201 remittance companies to ensure the result can be used to make generalization for Somalia remittance companies. The questionnaires are using 5-point Likert scales with thirty (30) items and were distributed randomly via e-mail or WhatsApp's to around 400 potential respondents. About two (2) months were allocated for data collection and about 258 responded to the survey.

3.2 Variables

In this study, the IV is government policy, the DV is MSMEs business performance, and the mediating variables (MV) is education development in the relationship between the government policy with the MSMEs performance. The regression analysis was performed in examining whether there is full mediation or partial mediation on the roles of education development in the relationship between government policy and MSMEs performance.

3.3 Questionnaires Items Development

The questionnaire consists of two (2) parts. Part A is on personal information and company information such as such as age, gender, education background, marital status, number of years, number of employees, income, and annual profit. Part B is on factors which are Government Policy (10 items), Education Development (10 items), and MSMEs Performance (10 items). There are ten items on Government Policy which are property rights (Qadir, 2015), corruptions to property (Qadir, 2015), duties to property (UNDP, 2017), taxes to property (UNDP, 2017), rules and regulations (Ngcobo and Sukdeo, 2015), financial to property (World Bank, 2016), education to property (Ngcobo and Sukdeo, 2015), money transfer, constitutions and security (Ibrahim, 2018). As for education development, ten items were identified which are business training (World Bank, 2015), financial record (Bradford, et al., 2017), marketing products (Bardford et al, 2017), knowledge on business (Bradford et al, 2017), customer service (Mashenene, Macha, & Donge, 2020), business management (Bradford et al,2017), product quality (Bradford et al, 2017), communication (Bardford et al, 2017), language (Bradford et al, 2017), and management practices and principles (Bradford, et al, 2017). For MSMEs performance about ten items identified which are innovative performance (Hagedoorn & Zobel, 2015), marketing development (Hagedoorn & Zobel, 2015), long-term financial plan (Hagedoorn & Zobel, 2015), market position (Walker, Seuring, Sarkis, & Klassen, 2014), new service (Walker et al, 2014), information technology (Phillips et al, 2015), innovation strategy (Phillips et al, 2015), research and development (Phillips et al, 2015), vision and quality policy (Chapman, & Hyland, 1997), and training and education (Bakar, Islam, & Lee, 2015).

4 Results and Discussion

The first part of the analysis is using SPSS software for data screening, descriptive statistics, exploratory factor analysis were performed in SPSS. The second part of the analysis involve using SPSS SEM that are divided into two stages which are evaluation of measurement model, and structural equation modelling.

4.1 Respondent Profiles

This section discusses the respondents' background profiles as summarized and presented in Table 1. Most of the respondents are male (64%), married (56%), universities graduate (63%), and more than 25 years old (70%). In terms of the business or company profiles, about 50% of the respondents with less than 5 employees, and 50% with more than 5 employees, hence most of the remittance companies either micro or small size enterprises. Most of the companies has been in operation for less than 5 years (54%), and with annual profit of less than 5 million (62%).

Table 1. Respondent Profiles

Gender	**N**	**%**	**Marital Status**	**N**	**%**
Male	165	64	Single	113	44
Female	93	36	Married	145	56
Total	**258**	**100.0**	**Total**	**258**	**100.0**
Education Level	**N**	**%**	**Age**	**N**	**%**
High School			25 years old and below	78	30
College			26 to 30 years old	87	34
Universities	55	21	31 to 35 years old	36	14
	41	16	36 to 40 years old	16	6.2
	162	63	41 to 45 years old	16	6.2
			46 to 50 years old	15	5.8
			More than 50 years old	10	3.9
Total	**258**	**100**	**Total**	**258**	**100**
Monthly Income	**N**	**%**	**Number of Employees**	**N**	**%**
Below 35,400SOS =$61.59	82	32	Less than 5 employees	130	50
35,400SOS =$61.59 – 260,000SOS =$454.13	85	33	6 to 10 employees	60	23
261,000SOS =454.13 – 1,160,000SOS =$2,018.35	40	16	11 to 15 employees	30	12
More than 1,160,000SOS =$2,018.35			16 to 20 employees	19	7
	51	20	More than 20 employees	19	7
Total	**258**	**100**	**Total**	**258**	**100**
Years in Business	**N**	**%**	**Annual Profit**	**N**	**%**
Less than 5 years	139	54	Less than 5 million	159	62
6 to 10 years	57	22	6 to 10 million	50	19
11 to 15 years	34	13	10 to 15 million	28	11
16 to 20 years	17	7	14 to 20 million	11	4
More than 20 years	11	4	More than 20 million	10	4
Total	**258**	**100**	**Total**	**258**	**100**

4.2 Reliability Analysis

The reliability of the constructs is high because the Cronbach's Alpha score from 0.997 to 0.851 (Sekaran and Bougie, 2016). The government policy (GP) with 10 items and Cronbach's Alpha of 0.997, education development (ED) with 10 items and Cronbach's Alpha of 0.860, the financial development also with 10 items and Cronbach's Alpha of 0.878 and finally, the MSMEs performance (MP) with 10 items and Cronbach's Alpha of 0.851 (refer Table 2).

Table 2. Results from Reliability Analysis

Variable	Number of Items	Items Deleted	Total Items	Cronbach's Alpha
GP	10	0	10	0.997
ED	10	0	10	0.860
MP	10	0	10	0.851

4.3 Descriptive Statistic

The result of the analysis for items on Government Policy, Education Development, and MSMEs Performance as shown in section 4.3.1, 4.3.2, and 4.3.3.

4.3.1 Government Policy

The five most important items for government policy are policy on property rights (mean = 4.314; std. deviation = 1.108), policy on constitution to property (mean = 4.209; std. deviation = 1.011), policy on money transfer (mean = 4.186; std. deviation = 0.977), policy on education (mean = 4.182; std. deviation = 1.103), and policy on rules and regulations on tariff to property (mean = 4.174; std. deviation = 1.016) (refer Table 3).

Table 3. Results on Descriptive Analysis of Government Policy

Items on Government Policy	Mean	Std. Deviation	N
GP1: Policy on property rights protection.	4.314	1.108	258
GP2: Policy on corruptions.	4.112	1.150	258
GP3: Policy on duties.	4.147	1.022	258
GP4: Policy on taxes.	4.124	1.066	258
GP5: Policy on tariff.	4.174	1.016	258
GP6: Policy on financial.	4.128	1.107	258
GP7: Policy on education.	4.182	1.103	258
GP8: Policy on money transfer to property.	4.186	0.977	258
GP9: Policy on constitutions.	4.209	1.011	258
GP10: Policy on security to property.	4.128	1.034	258

4.3.2 Education Development

The five items agreed as the most important by respondents are business management training (mean = 4.410; std. deviation=0.790), training to produce high-quality products (mean =4.399; std. deviation= 0.798), training on marketing (mean=4.395; std. deviation=0.864), business training (mean=4.380; std. deviation= 0.918) and experience in management and practices (mean=4.368; std. deviation=0.837) (refer Table 4).

Table 4. Results on Descriptive Analysis of Education Development

Items on Education Development	Mean	Std. Deviation	N
ED1: Business training.	4.380	0.918	258
ED2: Financial records training.	4.295	0.894	258
ED3: Training on marketing products.	4.395	0.864	258
ED4: Getting adequate knowledge helps.	4.333	0.835	258
ED5: Training and Skills.	4.341	0.904	258
ED6: Business management training.	4.411	0.790	258
ED7: Training to produce high-quality products.	4.399	0.798	258
ED8: Communication skills training.	4.310	0.844	258
ED9: Language skills training.	4.341	0.882	258
ED10: Experience in management practices and principles.	4.368	0.837	258

4.3.3 MSMEs Performance

The five most important items on MSMEs performance are innovation strategy (mean= 4.353; std. deviation=0.931), innovative performance (mean=4.349; std. deviation= 0.838), improved market position (mean=4.341; std. deviation=0.842), new service (mean=4.326; std. deviation=0.809), and modern information technology (mean= 4.322; std. deviation= 0.809) (refer Table 5).

Table 5. Results on Descriptive Analysis of MSMEs Performance

Items on MSMEs Performance	Mean	Std. Deviation	N
MP1: Innovative performance.	4.349	0.838	258
MP2: Marketing development.	4.295	0.924	258
MP3: Long-term financial plan.	4.295	0.903	258
MP4: Improved market position.	4.341	0.842	258
MP5: New service.	4.326	0.892	258
MP6: Modern information technology.	4.322	0.809	258
MP7: Innovation Strategy.	4.353	0.931	258
MP8: Research and development.	4.264	0.950	258
MP9: Vision and quality policy.	4.229	0.977	258
MP10: Training and education.	4.256	0.911	258

4.4 Correlation Analysis

The results from the Pearson Correlation analysis shows that the highest mean is ED (mean= 4.3580; std. deviation= 0.5789), followed by MP (mean = 4.3027; std. deviation =0.5882), and GP (mean = 4.1705; std. deviation= 0.7633) (refer Table 6).

Table 6. Descriptive Statistics

	Mean	Std. Deviation	N
MP	4.303	0.588	258
GP	4.171	0.763	258
ED	4.358	0.579	258

The Pearson correlations results show that MP has positive and significant relationship with ED (*r=0.662**; p=0.000*), and GP (*r=0.500**; p=0.000*) (refer Table 7). The strongest relationship is between financial development and MSMEs performance.

Table 7. Results on the Correlation

		MP	GP	ED
MP	Pearson Correlation	1	0.500**	0.662**
	Sig. (2-tailed)		0.000	0.000
	N	258	258	258
GP	Pearson Correlation	0.500**	1	0.415**
	Sig. (2-tailed)	0.000		0.000
	N	258	258	258
ED	Pearson Correlation	0.662**	0.415**	1
	Sig. (2-tailed)	0.000	0.000	
	N	258	258	258

**. Correlation is significant at the 0.01 level (2-tailed).

4.5 Hypotheses Analysis

In testing convergent validity, which is the degree to which the theoretically related constructs are indeed related, the researcher estimated the Average Variance Extracted (AVE). As shown in Table 8, the ranges of AVE extracted for this study are between 0.584 and 0.743; this shows that all AVE values are above the suggested 0.50 level (Sekaran, & Bougie, 2016; Fornell, & Larcker, 1981). Hence, it can be concluded that convergent validity of the study's measurement model is confirmed. On the discriminant or divergent validity, which is used to confirm whether measurement that are not related are unrelated, the researcher compared the square root of the AVE on the diagonal to inter-factor correlations. Since, each value of MSV is significantly lower than individual value of AVE, indicating that the results of this study have demonstrated sufficient discriminant validity. The Composite Reliability (CR) are above the minimum threshold of 0.70 (Hair, Gabriel, & Patel, 2014). The validity and reliability using Average Variance Extracted (AVE), Mean Shared Variance (MSVs), and Construct Reliability (CR) are summarized in Table 8. In addition, the regression weights were performed and confirm that the measurements are indeed valid and further analyses can be performed.

Table 8. Model Validity Measures

	CR	AVE	MSV	MaxR(H)	Gov. Policy	Educ. Dev.	MSMEs Performance
GP	0.867	0.584	0.319	0.871	0.764		
ED	0.841	0.732	0.650	0.847	0.471***	0.856	
MP	0.814	0.623	0.567	0.818	0.529***	0.705***	0.790

There is a positive and direct relationship between government policy and MSMEs performance. As mentioned, seven items were used to measure government policy, while six items were used to measure MSMEs'. These items were used in building the relationship between dependent variable (DV) and independent variables (IV). The result of analysis performed is reported in Table 9. Specifically, government policy is positively and significantly related to MSMEs' performance (β =0.504, $p < 0.05$).

Table 9. Regression Weights of the Relationship between Government Policy and MSMEs' Performance

			Estimate	S.E.	C.R.	P
MSMEs_Performance	<---	Government_Policy	0.504	0.042	12.138	***

When testing the mediating effect on the relationship between two variables, one of the precondition assumptions is that the relationship between such two variables is significant. Since the relationship between government policy and MSMEs' performance is significant. The relationship between government policy and MSMEs' performance is positive and significant; this result is the same after introducing education development as mediating variables (refer Table 10 and Table 11). This suggests that education development partially mediate the relationship between government policy and MSMEs' performance (H4). These results are presented in Table 10 and Table 11.

Table 10. Testing the Mediating Roles of Education Development between Government Policy and MSMEs' Performance

Variable	Hypothesized Path	Beta	P Value	95% CI Bootstrap BC		Mediation Effect
				LB	UB	
Government Policy	Direct Model GP→MSMEs	0.102	0.000	0.003	0.112	Partially Mediated
	Mediated Model GP→MSMEs		0.000			
	Standardized Indirect Effects		0.000			
	Mediated Model GP→MSMEs		0.000			
	Standardized Indirect Effects		0.000			

Note: GP = Government Policy, MSMEs = MSMEs' Performance.

In addition, the findings also show that education development (H2) positively and significantly contributed to the MSMEs' performance in Mogadishu, Somalia (β =0.237, p < 0.05). The full results of the analysis performed after incorporating education development into the model as mediating variables as shown in Table 11. The hypothesis is accepted.

Table 11. Full Results of Structural Model When Education Development Introduced as Mediating Variables

			Estimate	S.E.	C.R.	P
ED	<---	GP	0.419	0.041	10.105	***
MP	<---	ED	0.237	0.040	5.853	***
MP	<---	GP	0.102	0.039	2.639	0.008

Table 12 summarised all four hypotheses, whereby H1, H2, and H3 supported from the analysis, and finding from analysis on mediation for H4 it was found that ED partially mediated the relationship between GP and MP. The result suggests a satisfactory construct validity and discriminant validity. Government policy is positively and significantly related to MSMEs' performance (MP) (β =0.504, p < 0.05) (H1), and it explains 36% of total variations in MSMEs' performance (MP) in Mogadishu, Somalia. The result indicated that government policy (GP) is positively and significantly related to education development (ED) (β =0.419, p < 0.05) (H2), and education development (ED) is positively and significantly related to MSMEs' performance (MP) (β =0.237, p < 0.05) (H3). In addition, from the analysis it highlighted that education development partially mediates the relationship between government policy and MSMEs' performance (MP) (H4).

Table 12. Summary of Hypotheses

Hypothesis	Results
H1: There is a positive and direct relationship between GP with MP.	Supported
H2: There is a positive and direct relationship between GP with ED.	Supported
H3: There is a positive and direct relationship between ED with MP.	Supported
H4: ED mediates the relationship between the GP and MP.	Supported (Partial mediation)

5 Conclusion

As conclusion the first objective already addressed whereby the government policy has a direct influence on education policy and MSMEs performance. Hence, the Somalia government should always ensure that the implemented or proposed policy will enhance the performance of the MSMEs, this finding similar with other studies (Park, Lee, & Kim, 2020; Zulu-Chisanga, Chabala, & Mandawa-Bray, 2020). In addition, this finding supports the results of previous studies, such as Takashi (2019), and Darling-Hammond and Rothman (2018), where it was previously disclosed that government policies indeed influence educational development. The second objectives also addressed whereby the education policy partially mediates the relationship between government policy and MSMEs performance. Hence, there is still direct and significant relationship between government policy and MSMEs performance, although the mediator exists in the relationship. Hence, government policy not only important toward education policy but it also ensure the education policy enhance the MSMEs performance of remittance business in Mogadishu, Somalia.

Limitation and Study Forward

Some of the limitations includes using limited variable to measure the relationship with MSMEs performance, hence more factors should be added in for future studies. In addition, this study only focuses on Mogadishu, Somalia, hence more important cities in Somalia should be included to ensure the results reflective of the whole country.

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