

WERABE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

**THE EFFECT OF MICROFINANCE SERVICES ON WOMEN'S
ECONOMIC EMPOWERMENT IN HALABA KULITO TOWN**

**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING
AND FINANCE IN PARTIAL FULFILLMENT FOR THE AWARD OF
MASTER OF SCIENCE DEGREE IN ACCOUNTING AND FINANCE**

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DECLARATION

I, the under signed MSc student at WRU department of Accounting and Finance, declared that this research paper is my original work and it has not been presented or is not being presented as part of an Accounting and Finance study or any other purpose at any university or any research institution.

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APPROVAL SHEET

This thesis work has been evaluated by us, the undersigned, as a major advisor, a co advisor and examiners. We recognized that the proposed study is an original research problem that is relevant for the specialization area of the student as well as methodologically well thought-out and feasible. Therefore, we approved the thesis as a well-developed and well written thesis that can be used by the student for conducting his MSc thesis work successfully.

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ACRONYMS

AEMFI	Association of the Ethiopian Microfinance Institutions
CCE	Commercial code of Ethiopia
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Group
CSA	Central Statistics Agency
EBDSN	Ethiopian Business Development Service Network
ESPS	European Social and Political Studies
ETB	Ethiopian Birr
GDP	Gross Domestic Product
GOE	Government of Ethiopia
HDI	Human Development Index
IDA	International Development Association
MDGs	Millennium Development Goals
MF	Microfinance
MFIs	Micro-Finance Institutions
NBE	National Bank of Ethiopia
NDP	National Development Program
NGO	Non-Governmental Organization
S.C	Share Company
SDGs	Sustainable Development Goals
SHG	Self Help Group
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
USD	United States Dollar

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ABSTRACT

This study was conducted to investigate the effect of microfinance services on women's economic empowerment in Halaba Kulito Town. To address the objectives of the study, the study was utilized explanatory and descriptive research design. To achieve the study goal, both primary and secondary data was used. Both descriptive statistics and inferential statistics were employed for this study. Inferential statistics such as, correlation analysis and regressions was applied so as to see the relationship between independent variables and dependent variable. Correlation analysis revealed that a significant positive connection is observed between women's economic empowerment and independent variables (Loan Service Financial Literacy Service, Networking and saving service). Moreover, to investigate the relationship between dependent variable and independent variables, multiple linear regression analysis was utilized. Multiple linear regression model result showed that, four independent variables such as Loan Service Financial Literacy Service, Networking and saving service have significant effect on women's economic empowerment. To further enhance women's economic empowerment in Halaba Kulito Town, it is recommended that microfinance institutions expand access to loan services, strengthen financial literacy training, foster networking opportunities among women, and promote flexible, women-focused savings products.

Key Words: *Loan Service, Financial Literacy Service, Networking and saving service*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The role of Microfinance Institutions (MFIs) in women's empowerment across the globe has received increasing policy and academic attention. Women make up half of the world's population and contribute significantly to all areas of development, especially in developing regions. However, research has shown that they often face unfair treatment at home and in society (Salia, Hussain, Tingbani, & Kolade, 2018). When women lack power or resources, their ability to contribute to economic growth is diminished (United Nations, 2018).

Microfinance reduces poverty by providing access to capital for low-income individuals, enabling them to start or expand small businesses and generate income. It offers savings facilities, allowing people to securely save money and protect themselves from economic shocks. Additionally, microfinance helps smooth income, ensuring that individuals can manage their cash flow more effectively. These financial services empower people to improve their livelihoods, reduce their vulnerability to poverty, and enhance their economic stability and self-sufficiency.

Microfinance institutions (MFIs) contribute significantly to women's empowerment in least developed countries like Ethiopia by providing women with access to financial resources that they would otherwise lack. This access enables women to start and grow their own businesses, increasing their income and economic independence. Additionally, MFIs often offer financial literacy and business training, which equip women with valuable skills and knowledge. By involving women in financial decision-making and economic activities, MFIs help enhance their social status, boost their confidence, and enable them to contribute more effectively to their families and communities. This empowerment leads to improved gender equality and overall societal development.

Giving small amounts of money to women has been seen as an effective way for them to earn income and improve their family life because it gives them more say at home (Murshid, 2016). Access to microfinance also helps reduce violence against women at home (Zippay,

2016). The World Bank (2015) states that when women control money, it promotes gender equality and brings real changes. The United Nations (2018) supports this view, arguing that financial support for women enables them to better care for their families and build a better future for everyone. Consequently, microfinance is regarded as a powerful tool for enhancing women's economic situations, decision-making abilities, skill development, family growth, rights awareness, self-worth, and social standing (Ertugrul, 2020). Many microfinance groups, therefore, focus on supporting women directly or through Self Help Groups (SHGs), along with other kinds of support.

In Africa and other developing countries, MFIs play a significant role in providing income for small businesses (United Nations, 2019). In Ethiopia, following the establishment of microfinance institutions in July 1996, various MFIs were officially registered and began offering microfinance services. Microfinance programs specifically target women in Ethiopia as part of small-scale financial systems, and by 2001, women constituted over a third of the total number of customers in small-scale financial institutions in the country (Mirchandani, 2018). Therefore, empirical research is needed to understand the impact of microfinance programs on empowering women and the obstacles they face. This study aims to examine how microfinance services contribute to women's empowerment in the case of Kulito Town, Halaba Zone, Ethiopia.

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1.2 Statement of the Problem

The active participation of women, on par with men, in decision-making and political involvement is crucial for achieving equality, sustainable development, peace, and democracy. Including women's perspectives and experiences in decision-making processes is essential. Despite this, women face various obstacles to their socio-economic and political participation globally (Kumar, 2018). Women from all socio-political backgrounds worldwide find themselves underrepresented in parliament and distant from decision-making roles. The Millennium Development Goals acknowledge that women's empowerment is their fundamental right and should extend to all areas of social, economic, and political affairs. Gender equality and women's empowerment are at the heart of this. Efforts have been made through conventions, protocols, and international agreements to increase women's participation in politics and achieve gender mainstreaming. However, these strategies have not yet proven effective in achieving gender parity in top government positions (United Nations, 2018).

Ethiopian women, who constitute around 50% of the population and are the majority of the unemployed, are the most affected by poverty (SADC, 2019). The lack of basic public services like health, education, and infrastructure in the areas where most Ethiopian women reside leads to significant health challenges for them and their children, including disease, malnutrition, and illiteracy (SADC, 2019). While microfinance is acknowledged as a poverty alleviation strategy in various countries, there is limited evidence of its impact on women in Ethiopia (World Bank, 2015).

In Ethiopia, following the establishment of microfinance institutions in July 1996, various MFIs were officially registered and began offering services. Recent statistics indicate that women constitute about 60% of the clients of MFIs in Ethiopia, reflecting a higher participation rate compared to men (National Bank of Ethiopia, 2022). However, the demand for microfinance services among women still exceeds the supply, indicating a significant unmet need (Mirchandani, 2018). Many of the research conducted in Ethiopia has focused on the role of microfinance in the capital city and the country as whole (Engeda, 2016 and Kumar, 2018). However, the impact of microfinance in small towns and its effect on women have received little attention from researchers. Additionally, studies conducted by Engeda (2016) involving the effect of microfinance on women have been evaluated with many indicators such as socio-economic and political empowerment, this study was focused on the

effect of microfinance on women economic empowerment only. There is a lack of empirical research specifically focusing on the impact of microfinance services on women's empowerment in Halaba Kulito Town. While there is existing literature on the broader topic of microfinance and women's empowerment, there is a gap in the literature that specifically examines this relationship within the context of Halaba Kulito Town. Existing studies may not have explored the unique socio-economic and cultural factors present in this specific location that could influence the effectiveness of microfinance services in empowering women.

Existing theoretical literature on microfinance and women's empowerment may provide a foundation for understanding the potential mechanisms through which microfinance services can empower women. The literature was discuss concepts such as financial inclusion, access to credit, entrepreneurship development, and social capital as key factors that contribute to women's empowerment through microfinance. However, there may be a need to further explore how these theoretical frameworks apply to the specific context of Halaba Kulito Town and whether there are additional factors that need to be considered in this setting.

The Effect of Microfinance Services on Women's Empowerment in Halaba Kulito Town highlights a specific research gap in the existing literature. This study was aimed to address the lack of empirical evidence on the effect of microfinance services on women's empowerment in this particular location. By conducting a focused study in Halaba Kulito Town, researchers was filled this gap by providing insights into the effectiveness of microfinance services in empowering women in this specific context. Therefore, this study aims to fill these gaps by investigating the effect of microfinance services on women's economic empowerment in the case of Kulito Town, Halaba Zone, Ethiopia.

1.3. Research Hypothesis

H1 saving services has a significant and positive effect on women's economic empowerment

H2: Loan service as a significant and positive effect on women's economic empowerment.

H3: financial literacy has a significant and positive effect on women's economic empowerment.

H4: Networking has a significant and positive effect on women's economic empowerment..

1.4. The Objective of the Study

1.4.1. General Objective of the Study

The general objective of this study is to estimate the impact of microfinance services on women's economic empowerment in the case of Kulito Town, Halaba Zone, Ethiopia.

1.4.2. Specific Objective of the Study

To examine the effect of saving services on women's economic empowerment

To investigate the effect of Loan service on women's economic empowerment

To assess the effect financial literacy on women's economic empowerment

To investigate the effect of Networking on women's economic empowerment

1.5. Significance of the Study

This research paper looks into whether loans from Microfinance Institutions (MFIs) to poor women are important for improving their economic status. The study offers a chance for readers to gain a deeper insight into how these institutions work for poor women from various angles.

The findings of this study will help the government, policy developers, and financial institutions create policies that support women's empowerment. This research will also serve as a useful resource for other researchers. Additionally, it aims to point out what the Halaba Kulito town Microfinance institution is doing well and not so well when it comes to empowering women.

1.6. Scope of the Study

The research was conducted within Halaba Kulito Town in the Halaba Zone of central Ethiopia. It was focused on finding out how microfinance services have affected the women's economic empowerment in Kulito Town, Ethiopia. The study won't cover other types of empowerment like social or cultural. The independent variables included under this study will be , Saving services, Loan service, Financial literacy, Networking and Repayment schedule only. To provide clear results, it was compared data from people who was used

these services and those who do not. Unfortunately, there's no information about the socioeconomic status of these women before the Microfinance institution was set up. Therefore, a specific method called multiple linear regression model was used. The study was gather data at one point in time in 2024.

1.7. Organization of the Study

The paper is divided into five main sections. The first part introduces the background and explains why this research is important, along with what it covers. The second section critically examines literature related to the topic to give a deeper understanding. The third part details how the research was conducted, including where the data came from, how it was collected, who participated in the survey, and what methods were used for analysis. The fourth section was discussesed the findings of the study. Lastly, the fifth section offers conclusions and recommendations based on what was discovered. References and tools used for collecting information will be listed at the end of the paper.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical Literature Review

2.1.1. The Concept of Women's Economic Empowerment

Empowerment entails the ability to make and act upon one's own choices, better manage resources, and augment the capability to make key life decisions (World Bank, 2017). Within social work, empowerment represents a process through which individuals, families, and communities gain strength in their economic and political standing to improve their living conditions. The conversation is increasingly turned toward engaging those in poverty in their own developmental processes (Völker & Doneys, 2020).

The notion of empowerment is increasingly pivotal in the dialogues of international development organizations. Its buzz has not missed the domain of global development. It steadily emerged as an influential topic in the international discussion on gender equality and development in the 1990s. Gender empowerment correlates tightly with freeing women – a fundamental human right deemed critical for nurturing a more secure and wealthy global community (Alsop et al., 2009).

The World Bank (2017) posits that empowering women entails forging an environment conducive to their decision-making and maximizing their talents. It's about women gaining the knowledge to manage resources, claim their rights to make life choices independently, and build autonomy to confront and overturn subservience.

As per Kabeer (1999), empowering women can be achieved by bolstering their sense of self-value, their liberty of choice, and ability to shape both personal change and societal transformation. The essence of empowering women lies in endowing them with clout over decision-making concerning assets, institutions, and policies that impact their lives (Donnell et al., 2020). Within feminist theory on empowerment, it is understood as encompassing three core elements: economic empowerment, social empowerment, and political empowerment (Mayoux, 2020).

It has been recognized by UNIFEM (2016) that enhancing women's economic standing is a highly effective tactic for alleviating poverty. This enhancement boosts the performance of female-centric enterprises and other income avenues. Women's economic elevation revolves around advancing ownership rights over assets and honing skills in negotiation and impactful participation in day-to-day decision-making processes (Edengenet, 2016). Sida (2015) articulates that the essence of women's economic empowerment lies in endowing them with increased authority over financial assets and autonomy in making decisions that influence their personal and communal realms. This is facilitated through ensuring women's unhindered access to critical economic resources, their participation in the related spheres, and ultimately, their empowerment. An economically empowered woman is one who possesses the capability to achieve economic growth and the autonomy to make financial decisions. According to Mayoux (2020), microfinance institutions are critical in advancing this cause. Traditional commercial banks tend to exclude low-income individuals due to the steep transaction costs associated with extending microloans and savings options. Further compounding this exclusion is the lack of collateral possessed by most poor people, which renders them perceived as high-risk borrowers by lenders (Mayoux, 2020).

Microfinance institutions cater to individuals who are typically overlooked by conventional financial entities, thus being recognized as instrumental in promoting gender equality, financial stability, as well as broader goals such as economic assertiveness, enhanced quality of life, and political and social fortification for women (Gebisa & Dassa, 2019; Niaz & Iqbal, 2019). Ideally, microfinance would furnish economically disadvantaged women with access to financial services allowing them to bypass capital constraints while participating in revenue-generating ventures (Niaz & Iqbal, 2019). Hence, there is a substantial focus on ensuring these institutions provide tangible economic benefits for women (Karlan et al., 2017). Yet reservations remain; concerns about loan repayment expectations and high-interest demands foster hesitancy among potential recipients. This reluctance is aggravated by a general lack of awareness, accessibility issues, and inability to produce collateral, leading to less than optimal engagement of rural women with microfinance institutions (MFIs). As an alternative or complement, they tend to gravitate towards local lending and savings collectives (Moharram, 2020).

Microfinance service expansion acknowledges the challenges faced by underprivileged households concerning securing startup loans for business ventures and assorted economic

endeavors. These services are also intended to better their spending power, decision-making liberty over life choices, and welfare overall (Imai et al., 2010; Harriss-White, 2010). Over the last thirty years globally, an unprecedented surge of microfinance institutions has occurred serving those previously barred from formal financial services (Aterido et al., 2013; Mullineux & Murinde, 2014; Zins & Weill, 2016). Facilitating access to financial services empowers impoverished women to partake in productive activities (Corrado & Corrado, 2017; Kersten et al., 2017; Murdoch & Armendáriz, 2005; Quartey et al., 2017) while also resulting in advantageous ancillary effects throughout communities (Akotey & Adjasi, 2016; Hermes & Lensink, 2007). Enhanced accessibility to microfinance credit bolsters investment in businesses, both extant and nascent, and bolsters socioeconomic upliftment for the target households and individuals (Banerjee, 2013, p. 504; Chin & Nor, 2016, p. 283; Kersten et al., 2017, p. 337). Female entrepreneurs in Ethiopia manage their business ventures amidst challenging conditions, facing obstacles related to operational premises, markets, and financial access. Additionally, they find limited availability of non-financial aid (IFC, 2014, p. 37), as well as deficient market information and innovative technology usage (Gupta & Mirchandani, 2018, p. 228). Such challenges are connected to a spectrum of factors encompassing institutional, economic societal aspects as well as legislation and policy support from within and outside government institutions (Leitch et al., 2018, p. 107). UNDP (2008, p. 3) cited that laws against discrimination uphold the interests of the impoverished along with offering financial and non-financial services to female business owners. This kind of assistance is critical in covering gaps in operational capital, business management expertise, issues regarding operational space and selling points as well as the use of technology and information procurement. Policy measures in this domain are imperative. Extant scholarly work outlines varying interpretations of microfinance, disparities based on gender, business entities and services essential for business growth. Providing adequate microfinance services along with business development aids underpins women's empowerment across economic, social and political sectors within developing nations (Gupta & Mirchandani, 2018, p. 237; Omondi & Jagongo, 2018, p. 31).

Microfinance serves as an important tool for development by extending financial products and amenities such as diminutive loans, deposits for savings, micro-leasing options, micro-insurance provisions and facilities for money transfer that aid those living in poverty or operating very small enterprises; it is particularly prevalent in developing countries where small and medium enterprises lack alternative financial resources. Microfinance represents an

array of banking operations centered on disbursing small-scale loans (often unsecured) and receiving minimal savings deposits. Additionally Rhyne (2011) noted that the essence of microfinance lies in delivering financial services to low-income self-employed individuals or those marginalized to elevate their income levels and overall quality of life. These services span savings accounts setup, loan facilities supply, insurance options, payment processing facilities, remittance facilitation, and roles involving social mediation.

2.1.2. Measuring Women's Economic Empowerment

The multifaceted nature of women's economic empowerment encompasses various elements and is influenced by the surrounding context. Programs dedicated to enhancing the financial independence of women adopt distinct strategies reflective of their specific circumstances. It is impracticable to apply a one-size-fits-all approach when it comes to indicators for monitoring empowerment, as these must align with the unique requirements of diverse programs and settings (Golla et al., 2011).

Scholars have attempted to gauge the financial autonomy of women using a myriad of indicators. To capture the essence of women's economic strength, Lombardini et al. (2017), Solomon & Sharma (2021), and Huis et al. (2017) have posited that measurement should incorporate personal, relationship-based, and contextual factors. In the same vein, Mahmud et al. (2012) propose that indices like self-worth, autonomy in movement, participation in decision-making processes, and control over financial resources effectively reflect economic empowerment among women. Keep in mind that initiatives aimed at increasing women's financial power can embark on numerous trajectories. Tailor-made indicators based on unique project traits serve as better tools to assess how these initiatives impact female economic empowerment (Golla et al., 2011).

2.1.3. Targeting women under Microfinance

Microfinance institutions predominantly serve women, as they aim to allocate smaller sums of money specifically to enhance women's financial accessibility. This strategy is aimed at fostering female empowerment and curtailing poverty that disproportionately affects women. The subsequent segments elucidate the rationale behind prioritizing women when addressing low income.

A pivotal reason for directing microfinance efforts towards women is the drive to fortify their autonomy. Getaneh (2010) posits that in situations where a woman relies solely on her spouse's earnings, a marital dissolution could spell devastating repercussions for her. Such dependency may coerce a woman to conform to her husband's demands to preserve the marriage, thereby entrenching unequal power dynamics within the domestic sphere. Microfinance assigns economic control to women, countering these imbalances and propelling gender parity.

An additional factor accounting for the surge in female microfinance beneficiaries concerns loan repayment reliability. Women consistently exhibit a superior repayment track record compared to their male counterparts within microfinancing frameworks (Cheston and Kuhn, 2002). Furthermore, women tend to allocate their finances and resources more efficiently towards family health, sustenance, and necessities. Thomas (1990), as cited by Kahn (2011), demonstrates that allocating financial control to women correlates with improved nutrition and overall household well-being in Brazil — amplifying women's bargaining power and sparking a multiplier effect enhancing familial prosperity (Getaneh, 2010).

Another incentive for targeting women through microfinance initiatives is their entrepreneurial versatility — often operating businesses from home, they present fewer challenges regarding oversight and assessment of their ventures. This thesis is examined by Goetz and Gupta (1996), who suggest that women's tendency towards safeguarding investments and choosing less risky enterprises bolsters their reliability as clients. Moreover, the spotlight on female clientele reflects both the high loan reimbursement rates among women and the goal of stimulating their economic ventures. Augmenting women's participation in microfinance services is anticipated to significantly boost their economic self-sufficiency allowing them to make informed choices concerning savings utilization and leveraging credit for starting or expanding small-scale enterprises, thereby increasing revenues they manage directly (Mayoux, 2005).

2.1.4. The Social Impact of Micro-finance

Beyond the financial ramifications, the influence of Microfinance institutions on societal transformation is also evident (Kabeer 2005). It is anticipated that introducing modest amounts of capital will facilitate social progress, as women working collectively can attain what might be impossible to do solo. The tactics deployed by microfinance entities afford the

underprivileged a chance to affiliate with any political faction regardless of their socioeconomic status (Kabeer, 2005). This presents an opportunity to associate with peers who have similar backgrounds and to exchange insights. These endeavors are widely believed to bolster both individual and communal empowerment.

Programs offering minimal credit have often led to enhanced mobility and more robust networks among previously isolated individuals because borrowers foster unity through engaging with credit societies and community development initiatives. Studies indicate that credit accessibility bolsters women's agency by elevating their autonomy and influence within the family unit (Cheston and Kuhn, 2002; Mayoux, 1995). It's been posited that a woman's access to financial indebtedness could potentially liberate her from oppressive marital contexts (Mayoux, 2001), diminish domestic abuse risks, and augment self-worth (Cheston and Kuhn 2002). Furthermore, microfinance participants are likely to attain more influence over reproductive choices compared to non-participants. This encompasses making decisions about fertility rights including abortion, contraceptive use, childbearing preferences, and determining the matrimonial age for daughters. Also, group-based loan initiatives for women have purportedly improved their capacities in making substantive household decisions compared to initiatives targeting individual women (Edgenet, 2016).

A study by the International Labor Organization (2003) on female entrepreneurs in Ethiopia uncovered that the majority exercised independent control over their business-generated income and pertinent business decisions. Additional research stipulated that when faced with intricate dilemmas or decisions needing their spouse's endorsement—like pledging shared property or selling major assets—many of these businesswomen typically decided alongside their partners.

2.1.5. Challenges Encountered by Women in the Context of Limited Financial services

Despite a growth trend in the population of women incurring debts and Microfinance advocates championing economic initiatives as a means for fostering female empowerment with little income (Noreen, 2011; Mayoux, 1999), some detractors cast doubt on this view, asserting that debt by itself cannot effectively tackle the challenges confronting women unless there are additional investments in personal development. Research has illuminated numerous obstacles women grapple with when securing and utilizing loans. Some hurdles are attributable to personal competencies while others are linked to their environmental context.

Oxaal and Baden (1997) suggest that prioritizing the empowerment of women should precede the aid and assistance from external entities such as Microfinance institutions to augment this empowerment process. They advocate that development organizations should refrain from assuming ownership of the empowerment process for women (Oxaal and Baden, 1997).

There exist several obstacles that women face when they seek to access and utilize credit; one primary issue is their lack of knowledge and experience in dealing with financial lending institutions. Cheston and Kuhn (2002) acknowledge that women struggle to obtain information, utilize social media, and other essential resources critical for business and health success.

This may stem from their limited freedom of movement as imposed by societal expectations that dictate their role in domestic care. This is intimately connected with cultural aspects of a woman's empowerment or disempowerment being deeply entrenched within the culture she resides in.

Fletschner and Kenney (2011) noted that societal norms and familial roles significantly impact women's economic activities, available technology, network opportunities, locations they are permitted to visit, and essentially, how far they can transcend beyond their given financial resources. When these cultural practices are rigorously enforced, they constrict women's movement, thereby undermining their access to critical credit information, training opportunities, financial institutions, and markets. Such restrictions directly impede women's economic engagement and entrepreneurial capabilities. Kabeer (2005) points out that societal values and cultural beliefs play a pivotal role in fostering equality; thus, any effort towards upliftment should start with a shift in cultural norms (Kabeer, 2005). Men in patriarchal societies have historically asserted their dominance as heads of families. Moreover, not only do some men seek to control their partner's earnings, but others use the pretext of women earning independently as an excuse to abstain from contributing to household expenses, subsequently placing the onus of financial responsibility on the women. "Some women hand over their loans to their spouses. In the studies conducted by Mayoux and Kasynathan (2002), it was revealed that numerous women functioned merely as conduits for their husbands by obtaining loans only to hand over the entire sum borrowed directly with minimal or no personal benefit.

Oxaal and Baden (1997) argue that various programs directed at assisting women often escalate their responsibilities without proportionately increasing their control over resources or decision-making capabilities. Goetz and Gupta in 1996 discovered that amongst women who received three particular microloans in Bangladesh, a staggering 63 percent exercised little or no authority over how these funds were utilized. For instance, during dialogues with women's collectives it surfaced that out of 25 members, each had transferred the entirety of her loaned amount over to her husband merely to secure enough money for her weekly loan repayments.

2.1.6. Theory of microfinance

Research by Nawaz et al. (2012) indicates that microcredit positively influences the economic betterment and empowerment of families, contributes to political empowerment, and elevates women's status at every level. According to their theoretical framework, there's a significant positive correlation between reduced expenditure and empowerment across four facets: economic, personal, familial, and political, aligning with the initial hypothesis of the research. In a similar vein, Sulaiman et al. (2012) explored the connection between impoverished financial conditions and female empowerment in Pakistan. Using factors such as advanced education, gainful employment, and women's assets proportion; they concluded that a direct and positive link exists between financial scarcity and enhancing women's societal status. Microfinance plays a pivotal role in fostering female independence, encouraging entrepreneurship, and enabling women to attain fiscal autonomy. Although women make up half of the population, traditional customs, religious constraints, and entrenched practices have historically hindered their active engagement in economic ventures. Nonetheless, substantive progress has been made due to the transformative power of modest financial investments in Pakistan.

Furthermore, CIDA (2002) recognized that microcredit schemes bolster rural women by enlarging their familial involvement through successful collaboration with peers, augmented self-worth, and an elevated social standing. Access to financial loans empowers them to partake actively in household budget decisions and hones their business insight while enhancing their sense of security.

Sangeeta and Meenu (2011) found that limited earnings provide an influential mechanism for improving women's status in society and serve as a remedy against sexual harassment.

Microfinance initiatives have been successful in strengthening women by enabling access to credit that advances family development. Their research also revealed an effective savings trend among women; however, considerable obstacles existed regarding how financial assistance was extended to them. It was emphasized that making economic participatory opportunities available to a larger number of women could significantly drive female empowerment initiatives forward. Jain and Jain (2012) highlighted the pivotal role substantial capital has in growth dynamics and promoting gender equality based on its direct connection with alleviating poverty and advancing female empowerment. Women's central role in any economy or society is underscored by the efficacy of microfinance loans which fostered empowerment leading to rural women casting votes independently from their spouses' influence. The increased attendance and participation of these women in community meetings like Gram Sabah were noted as well as their confidence in voicing opinions within familial and community circles became evident. Their newfound openness extended to engaging with banking institutions, government officials, and private sector representatives regarding their issues.

2.1.7. Microfinance in Ethiopia

Post-1991, under the new governmental leadership, substantial strides have been undertaken to overhaul the nation's financial sector. With Proclamation No. 84/94 coming into effect, native private investors gained the opportunity to engage in sectors like banking and insurance, which were once monopolized by state entities. However, Seifu (2002, cited in Mulugeta 2014) observed that the policy shift did not completely mitigate the financial handicaps faced by economically active but impoverished demographics across Ethiopia's urban and rural territories.

Ethiopia laid down its legal groundwork for microfinance operations upon enacting Proclamation No. 40/1996, which stipulated licensing requirements and oversight for microfinance institutions (MFIs) in 1996. Under this statute, MFIs formed per official guidelines can extend credit up to 5,000 birr to groups who offer collective assurances or individuals who belong to membership programs with limited loan options available for non-members based on physical collateral or other securities (National Bank of Ethiopia, 2012/13). Additionally, Proclamation No. 40/96 further articulating provisions for improved delivery of financial services to impoverished constituencies. Consequent to the declaration, Ethiopia's minor finance sector introduced a new mandate in May 2002, focused on refining

regulatory constraints concerning loan amounts (maximum of 5000 birr), payback durations (up to one year), and credit underwriting (inclusive of social security requirements).

State-backed entities, which include both commercial and developmental financiers, have extended their services to agrarian families by facilitating the acquisition of farming supplies and tools. The initiative to provide funding took wings in 1999, based on insights from the Ethiopian economy's 1999/2000 periodical by the Ethiopian economic association, Volume I. Nonetheless, the genesis was in 1990 with the inception of urban credit provisions at a national scope following a treaty between Ethiopia's government and the International Development Association (IDA). This lending scheme unfurled since 1994 across 59 locations within regions such as Amhara, Tigray, Oromia, and Southern Nations, Nationalities, and Peoples Region, disbursing up to 17.3 million birr until late 1997. The Ethiopian state contributed a fifth of these funds with the remainder sponsored by IDA for over 34,000 recipients—65% being female—as reported by Ethiopian Microfinance Institutions in 2002. The program boasted a commendable payback rate of 92% for fiscal year 1996/97 showcasing effective credit use among distinct collectives and Microfinance Institutions (MFIs). On average, loan issuances ranged from 50 to 5000 birr per client with an expectation to utilize within one week and commence monthly repayments as described by Worku in 2000. However, Wolday in 2002 critiqued that Ethiopian MFIs offer a narrow selection of loan products with uniform characteristics to their clients using "service delivery" rather than "demand-driven" approaches. According to Haftu (sourced by Mulugeta in 2014), there is an ongoing effort among Ethiopian MFIs to innovate beyond established methods like those of Grameen by experimenting with group sizes and other operational tactics.

In line with the Ethiopian national bank's annual briefing for the fiscal year 2018/19, there were 38 operational MFIs within the nation showing promising results. Their collective revenues and assets swelled by 20.3% and 24.1%, accumulating to totals of approximately 16.6 billion and 83.3 billion birr respectively. Deposit growth and loan disbursement capacity within these Microfinance institutions surged substantially as well. Compared to the prior fiscal year (2017/18), deposits elevated by an impressive 26.1% reaching a sum of over 41.9 billion birr with credit outputs expanding by an eye-opening 58.7%. Lastly, mandated reports pointed out that major institutions including Amhara, Dedebit, Oromia, Omo, and Addis Credit and Savings dominated multiple facets;

In her 2011 research entitled "a minor role in empowering rural women in Bahawalpur City," Sara Noreen investigates the factors that contribute to the empowerment of rural women. Through the use of an empowerment index comprising five key indicators — decisions regarding child health, educational choices, daily purchases, selection of a child's spouse, and instances of loan usage by herself, alongside her husband, or solely by her husband — she reveals that the empowerment of rural women in Bahawalpur could be significantly enhanced by boosting their income through microfinance programs offering loans without the need for collateral. Her analysis also examines social and economic factors affecting women's empowerment. Noreen's findings indicate a need for improvement in women's empowerment at the domestic level, pointing out that age, male education level, marital status, infertility issues, paternal assets, and loan access play more crucial roles in this than other variables.

In another study from 2011 titled "Women Empowerment in Oman: Study based on Women Empowerment Index," Thresiamma Varghese employed the Women Empowerment Index to assess factors such as indoor decision-making capacity, economic decision-making ability, and freedom of movement. The results showed progress in empowering Omani women; however domestic roles still significantly influence their overall empowerment.

Ismail Tareque and Golam Mostofa's 2011 research focused on "Women Empowerment or Autonomy: A Comparative View in Bangladesh Context," utilizes an Empowerment Index covering areas like economic and family decision-making abilities as well as physical autonomy within Bangladesh. Their findings indicate that while women's empowerment stands at a moderate level, their autonomy is considerably low. Moreover, they discovered an inverse relationship with education where increased education correlates with declining independence but contributes somewhat to empowerment. Critical elements such as age, urban or rural residency, educational attainment, religion, and media exposure are identified as key influences on both women's empowerment and autonomy.

The Ethiopian Society of Population Studies in 2008 analyzed gender inequality and the empowerment of women using three measurement approaches. The study included indirect empowerment indicators like education and job status; specific indicators like participation in domestic decision-making; and conclusive evidence indicators focusing on attitudes towards violence against women and spousal sexual relations refusal rights. Their results highlight a deficiency in female agency both directly and regarding impactful decision-making within the family structure concerning local economic initiatives and health-related issues. Enhanced

educational opportunities, active engagement in leadership roles, urban living, superior familial financial circumstances, greater media access, and the maturity of women are all key elements that contribute to the advancement of women within the household. In-depth examination of data pertaining to the empowerment of women – particularly concerning self-worth and autonomy – reveals that women's proficiency in these areas is profoundly low. The majority of women throughout the nation still tolerate violence against them for various reasons and hold the belief that they are not entitled to deny or challenge their partners, even when sexual intercourse poses health risks. Those with better education, engaged in leadership roles, residing in cities, enjoying a superior economic status at home, and with unfettered access to media wield more influence in society. The investigation highlighted noticeable differences across regions, attributable to cultural disparities and developmental dynamics. Contradicting this notion, Hossain's 1984 research (as cited by Haimanot in 2007) contends that women participating in Bangladeshi Microfinance who accept loans tend to approach investments with caution, often opting for ventures that are common, less lucrative and carry higher risk. The literature review exposes two conflicting viewpoints: small monetary injections can foster female empowerment while others argue low income can stunt it. Such divergent outcomes typically arise due to psychological dilemmas, methodological shortcomings, incomplete or biased data sets, alongside socio-economic and cultural variances (Hirut, 2004).

2.2. Empirical Literature Review

Research has consistently shown a link between the rise of women's empowerment and the activities of MFIs across various countries. Specifically, Thophilus & Paul (2019) explored how being part of Microfinance Institutions (MFIs) affected the autonomy of rural women in Ghana, noting improvements in their decision-making abilities, confidence in speaking publicly, and engagement in economic ventures. They did, however, limit their scope to decision-making elements rather than broader economic empowerment factors such as asset ownership and management.

Meanwhile, Maganga's (2021) work in Malawi and Eriksson and colleagues' (2021) research in Rwanda shed light on how involvement with these village savings and loan groups can enhance the strength of women. These studies show that MFIs participation lessens vulnerability and can act as a vital financial backing. Nevertheless, these inquiries utilized a descriptive approach and drew from a sample solely composed of MFI members.

Further insights came from Mark and others' (2019) work in South Sudan and Simfors & Nilsson's (2017) study in Kenya, which both examined village savings and loan associations' influence on women's financial independence. Their findings indicate that MFIs had a favorable influence on women's access to family assets, control over household finances, savings, and income generation. But given that these were qualitative studies involving only MFI members, the lack of a comparative group might affect the accuracy of the impact assessment.

In addition, Lambongang et al. (2020) conducted an empirical analysis in Ghana to evaluate how participation in village savings and credit associations impacted household economics. According to their findings, households involved in MFIs demonstrated superior financial outcomes by approximately GH 457.239 when compared to those not partaking. However, this conclusion was reached through linear regression with MFI participation as a solitary independent variable – failing to account for potential pre-existing differences between MFI participants and non-participants — casting doubt on the robustness of the results.

In her 2015 study in Ethiopia's Fedis District within the Oromia region, Martha investigated the impact of Microfinance Institution (MFI) engagement on the empowerment of rural women. Her findings suggest enhancements in these women's savings and borrowing behaviors, fostering their participation in gainful activities and augmenting their access to the financial resources offered by local savings and loan groups. Her research centered on the influence that these groups have on women's overall empowerment. Nonetheless, capturing the entirety of women's empowerment—which spans economic, political, social, and psychological dimensions—in a singular investigation poses challenges, potentially diminishing the study's credibility. Moreover, with a limited sample of 90 participants from village savings and loan associations coupled with reliance on descriptive statistics for evaluation, the absence of a control group and a robust impact assessment method casts doubts on whether the observed outcomes can be accurately attributed to the program.

Edengenet's (2016) research in the Southern Nations, Nationalities, and Peoples' Region near Lake Abaya investigated the effect of MFIs on female economic empowerment. The study focused on 60 women affiliated with MFIs, using descriptive analytics for data examination. The findings revealed that the vast majority of participants reported an increased contribution to household expenses and a reduced reliance on family support due to heightened responsibilities. Nearly half of the women could autonomously decide their Income

Generating Activity (IGA), and a significant proportion had control over their loan amounts with MFIs. Additionally, three-quarters of the participants were involved in some form of formal or informal organization. While the study highlighted substantial benefits of MFIs in terms of economic empowerment, the methodology—comparing women's conditions before and after joining an MFI—raises concerns about attributing improvements in economic empowerment solely to their interactions with MFIs.

In a related study led by Wosene (2014) focusing on West Harergie region of Ethiopia, the impact of micro finance institutions (MFIs) on the socio-economic empowerment of women was scrutinized. Employing qualitative methods and engaging with 35 MFI members for data collection revealed that MFIs substantially bolstered social capital among women as well as led to increased school attendance by their children, greater participation in household decision-making processes, enhanced family unity, improved savings habits, expanded social connections, heightened self-confidence and hope for a more prosperous future. Nevertheless, this inquiry adopted a qualitative framework centering on a limited cohort which does not present a quantitative dimension. For a comprehensive assessment of women's economic empowerment accurate quantifiable data is imperative hence the study's findings remain inconclusive.

2.3. Summary of Literature and Research Gap

Collectively, prior investigations into village savings and credit association impacts on Ethiopian women's empowerment utilized descriptive statistics and sampled exclusively from MFI affiliates. Similar methodologies have been applied in studying these associations' effects on female economic advantages using either qualitative approaches or descriptive analysis. However, employing an impact evaluation methodology is advocated for analyzing MFI influences on female economic enhancement because it yields measurable outcomes. Conducting such assessments quantitatively enables precise estimation of program impacts. Hence there is a need for comparisons using a PSM model to analyze the effects of village savings and credit associations on female economic empowerment thoroughly. A juxtaposition between participants and non-participants is also imperative in evaluating MFIs' influence on this aspect of women's lives.

2.4. Conceptual Framework

The conceptual framework presented herein illustrates the interplay between the independent and dependent variables.

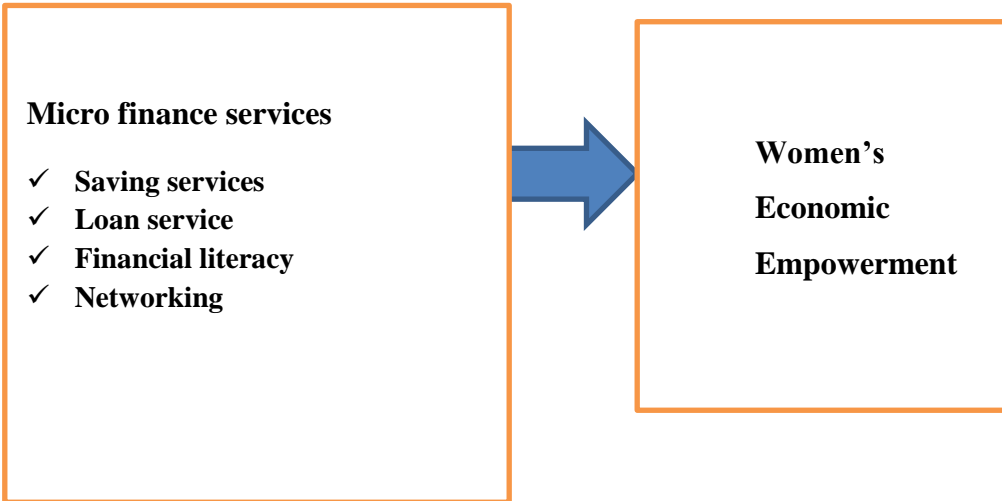


Figure 1 Conceptualframe Work

Source: Maganga's(2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes the various aspects of the research methodology that was used in this research. This include the research design, population, and sampling design, sample size and the sampling technique, research instruments, the data collection procedure, plan for data analysis, and Ethical Considerations.

3.2. Research Design

Research design is a strategy for collecting, measuring, and analyzing information, often employed to ensure a research study effectively addresses the problem at hand. This particular investigation will utilize both Descriptive and Explanatory research designs. As defined by Lavrakas (2008), Descriptive research designs are non-experimental modalities utilized across various fields to amass extensive quantitative data from a sample that reflects the larger study group. On the other hand, Explanatory research delves into understanding the causes and consequences within collected data, seeking out patterns and trends not previously examined. This study, specifically, was integrated these two research methodologies.

3.3. Research Approach

Undertaking research typically involves one of three methodological approaches: the mixed method, Qualitative method, or Quantitative method (References: Creswell, 2009; Creswell & Plano Clark, 2007). This particular analysis was employed a quantitative approach to investigate how microfinance services contribute to enhancing women's empowerment level. Data collection will be executed through surveys and structured interviews.

3.4. Target Population

The study targets female clients who are beneficiaries of the Microfinance Institution in Halaba Kulito town with a minimum of two years of engagement with the institution. These

individuals are presumed to hold valuable insights into the utility of microfinance services due to their experience level. A report from Kulito town's microfinance center (2024) indicates there are 1,500 clients in total, with 400 being female participants was the focus of this study.

3.5. Sampling Technique

To reach the objectives set for this analysis, a sample of women was chosen via a simple random sampling technique, ensuring each participant has an equal probability to be included in the sample group. This selection process was based on client lists sourced from the Kulito Town microfinance establishment.

3.6. Sample Size Determination

The size of the sample for this investigation has been determined using Yamane's (1973) formula based on information from Kulito Town's microfinance center report (2024), which notes that out of 1,500 clients, 400 are women with memberships lasting longer than two years—these constitute our study's participants. The formula used is as follows:

$$n = \frac{N}{(1 + Ne^2)}$$
$$200 = \frac{400}{(1 + 400(0.05)^2)}$$

Where n is the sample size (women selected as the respondent),

N is the total population (total MFI women client=400) and

e² is the probability of error (e=0.05).

3.7. Data Type and Source

It is imperative for solid research to adopt appropriate data gathering techniques. There was an emphasis on procuring primary data for the study. This information was gathered straight from women via methods like focus groups, surveys, or panels specifically organized for this

research to elicit their perspectives on defined topics. The use of questionnaires is central to obtaining such primary data from a sample reflective of the population of interest. Issuing written questionnaires is one of the most prominent ways of acquiring primary data since it allows participants to offer their insights via written responses. The survey technique is prized for its quickness, affordability, practicality, and ability to accurately delineate features of the target population. Moreover, it is highly effective in compiling voluminous amounts of data across wide-ranging respondents while ensuring vital questions are addressed.

3.8. Method of Data Analysis

In this study was utilized both inferential and descriptive statistical techniques for analyzing the collected data. For conducting regression analyses, Stata software version 24 was employed.

3.8.1. Descriptive Statistics

Descriptive statistics was used to provide an insightful comprehension of both participants engaged with MFIs and those who aren't. By using descriptive statistical methods such as standard deviation, chi-square tests, t-tests, percentages, and frequency measures can assist in comparing various sample segments to paint a more detailed picture of their distinctions and commonalities

3.9. Model Specification

A multiple linear regression model was used to show the effect microfinance services on Women's empowerment. OLS (ordinary least square) will be used for the reason that least squared regression provides a best method for measuring accuracy. The equation of regression on this study is generally build around two sets of variables, namely dependent variable (Women's empowerment) and independent variable is micro finance services (Saving services ,Loan amount, Financial literacy and Networking).

$$WE = \beta_0 + \beta_1 \text{ Saving ser} + \beta_2 \text{ Loanam} + \beta_3 \text{ Financiallit} + \beta_4 \text{ Network} + e_i$$

Where:

Saving ser = Saving services

β_0 =constant term

loanam = Loan amount

Financiallit = Financial literacy

Network = Networking

e_i =error term

$\beta_1, \beta_2, \beta_3, \beta_4$ coefficients of the independent variables of the study

3.10. Instrument, reliability and Accuracy

The strength and consistency of research findings rely on the development of a robust research framework, proper selection of methods and samples, and meticulous execution of the research. In this study, which utilized a quantitative research approach, validity and reliability issues was be tackled by designing precise questionnaires and sampling techniques.

3.10.1. Accuracy

To minimize measurement errors, it's essential to establish attributes of the measurement that inspire confidence. The first attribute is accuracy, which determines if an instrument truly measures what it intends to measure. It also refers to how well an empirical measure accurately represents the concept being examined.

3.10.2. Consistency

To ensure the consistency of the instrument in this particular study, the researcher examined its reliability using Cronbach's Alpha (α). Cronbach's Coefficient (α) is computed to assess the internal coherence of a measurement scale's reliability. This coefficient works well as an indicator of internal consistency for instruments without rigid marking schemes, such as those utilizing rating scales in questionnaires.

3.10.3. Reliability

Reliability is the extent to which the measuring instrument yields consistent and accurate results when the characteristic being measured remains constant. One means of increasing the reliability of the instrument is the inclusion of more items in the questionnaire. In this study, the researcher ensured that there were enough items per construct. In order to determine the reliability of the questionnaire in the study, Cronbach alpha will be computed for each of the five main variables. Research items with a Cronbach's Alpha value of at least 0.7 was considered as having been measured consistently and acceptable, while those with values below 0.7 is unreliable. See below figure for detail

under this study the overall Cronbach's Alpha was 0.773 which is greater than 0.7, since it is reliable

Variables	Cronbach's Alpha	N of Items
Saving Service	0.86	7
Loan Service	0.611	5
Financial literacy service	0.945	4
Networking	0.827	4
Women Economic Empowerment	0.798	4
Overall Reliability	0.773	26

Source: own survey, 2025

4. RESULTS AND DISCUSSION

In this chapter, the effect of microfinance services on women's empowerment in Halaba Kulito town was presented. The initial section offered an overview of the demographic features of the respondents. The second section presented a descriptive analysis. This analysis utilized mean and standard deviation values calculated for each variable, with findings displayed through tables and graphs. The second inferential analysis included correlation and regression. Out of the total of 200 questionnaires that were distributed to the selected sample of respondents, 167 (83.5%) properly filled questionnaires were collected and used for the analysis. 33 (16.5%) respondents were unwilling to take and fill the questionnaires. The data collected from the target population was analyzed using SPSS version 21.

4.1. Demographic Characteristics of Respondents

4.1.1. Age of respondents

Table 1 revealed that 16 (9.6 %) of the respondents were in the age range of 18-20 years and 151 (90.4%) of the respondents were in the age group of 25-35 years. Respondents aged between 25-35 years old comprised majority and respondents with age range of 18-20 years comprised the smallest portion.

Table 1: Age of respondents

Age of respondents	Frequency	Percent
18-20	16	9.6
25-35	151	90.4
Total	167	100.0

Source: own Survey, 2024

4.1.2. Educational status of respondents

As shown in below table 2, out of 167 respondents, 7 (4.2%) enrolled Primary (Grade 1-8), 70 (41.9 %) respondents enrolled Secondary (Grade 9-12), 12 (7.2%) respondents have a certificate, 51 (30.5%) respondents have diploma and the remaining 27 (16.2%) respondents were holders BA/BSC degree. The survey result indicate that most of respondents are Secondary (Grade 9-12) and the respondents who enrolled primary comprises the smallest portion.

Table 1: Educational status of respondents

Educational Status	Frequency	Percent
Primary complete (1-4)	7	4.2
Secondary complete(8-12)	70	41.9
Certificate	12	7.2
Diploma	51	30.5
Degree(BA/BSC)	27	16.2
Total	167	100.0

Source: own Survey, 2024

4.2. Descriptive Analysis

To understand the respondents' overall perspective on independent and dependent variable, the study was used an itemized rating scale to construct a range by using the following formula.

$$\text{Itemized rating scale} = \frac{\text{Max} - \text{Min}}{N} = \frac{5 - 1}{5} = 0.8$$

Table 2: Itemized rating scale

Response	Interval	Interval length	Level
Strongly disagree	1.00-1.79	0.79	Low
Disagree	1.80-2.59	0.79	
Neutral	2.60-3.39	0.79	Moderate
Agree	3.40-4.19	0.79	High
Strongly agree	4.20-5.00	0.80	

Source Pritha Bhandari (2023)

To measure the participants' perceptions regarding the degree of agreement for each statement and variable in the study, the investigator employed suitable statistical techniques and instruments based on the characteristics of each section and variable. The researcher determined the average mean and standard deviation for each section and combined

dimensions. When the arithmetic mean ranges from 4.20 to 5.00, it implies that the respondents strongly agree with the evaluation degree, and the level for sections and dimensions is high. If the mean falls between 3.40 and 4.19, it signifies participants agree with the evaluation degree, maintaining a high level for sections and dimensions. A mean value between 2.60 and 3.39 indicates a neutral evaluation degree, with a moderate level for sections and dimensions.

Conversely, an arithmetic mean of 1.80 to 2.59 implies disagreement among respondents, resulting in a low level for sections and dimensions. If the arithmetic mean value is between 1.00 and 1.79, respondents strongly disagree, leading to a low level for sections and dimensions. Consequently, this study employed parameters for interpreting descriptive statistical results. The upcoming analysis can follow these established boundaries to determine if it is low, medium, or high.

In terms of standard deviation (SD), consider these guidelines: When the overall SD is less than 1, it suggests consistency and agreement among respondents' reactions to variable statements and if the overall SD is greater than 1, there is a lack of consistency and agreement in responses regarding variable statements.

4.2.1. Descriptive discussion on independent variable and dependent variable

As indicated in below table, the mean scores and standard deviation for the respondents' perceptions on dependent and independent variables are displayed.

Table 3 Descriptive discussion on independent variable and dependent variables

Descriptive Statistics	Mean	Std. Deviation	N
Loan Service	3.6687	.58397	167
Financial Literacy Service	4.1377	.80644	167
Networking	4.1213	.73727	167
Saving Service	3.7485	.46412	167
Women's Economic Empowerment	4.1826	.61571	167

Source: own Survey, 2024

As indicated in below table 4, the grand mean for independent variable (Loan Service) was 3.6687 indicating moderate agreement among respondents on loan services. Collective standard deviation was “0.58397” denotes consistency and agreement among respondents regarding loan services. The overall mean score of 4.1377 indicates agreement among respondents regarding the variable financial literacy service. The collective mean (collective mean= of 3.6687) demonstrates high level of financial literacy service was given for women’s in study area. In addition, collective standard deviation 0.80644 indicates harmony among participant regarding of the study. The Grand mean score for networking provided by microfinance institution in study area was 4.1213 indicates agreement among respondents regarding networking. The collective mean (collective mean= 4.1213) demonstrates high level. In addition, over all standard deviation of networking was 0.73727, this indicates the consistence among respondents on independent variables networking questions. In addition, a collective mean score of 3.7485 indicates that respondents generally agreed with items of saving service and the Overall standard deviation of saving service 0.57079 signifies that consistency and agreement among respondents. Finally, the overall mean score of 4.1808 indicates agreement among respondents regarding item of women’s economic empowerment. The collective standard deviation .64049 indicates harmony among respondent regarding the item of dependent variable women economic empowerment.

4.3. Inferential Statistics

4.3.1. Pearson correlation analysis

This study utilizes correlation analysis to explore the relationships' between Dependent variable (women’s economic empowerment) and independent variables (loan service, financial literacy service, networking and saving services). Pearson correlation analysis assists in proving convergent validity while revealing both magnitude and direction of relations (either positive or negative) and their intensity (-1.0 to +1.0). To identify the correlation between Dependent variable and independent variables, Pearson correlation calculations were performed (Saunders et.al, 2009).

The Pearson's correlation approach was utilized by the investigator. With a correlation value of 0.1 to 0.30, a link is weak, 0.30 to 0.49, a moderate association, and 0.5 to 1 strongly

association (Saunders et.al, 2009). The results of a statistical correlation test for independent factors and the dependent variable are displayed in table 9 below.

The study reveals strong and positive correlation between loan service and the dependent variable women’s economic empowerment, with person correlation of 0.885****. loan service are deemed significant due to the p- value of 0.05 which is less than 5% (0.05); therefore, there is exists a statistically significant relationship with women’s economic empowerment,.

Similarly, financial literacy service has a strong and positive correlation with women’s economic empowerment. Displaying a person correlation of 0.859 with its significance value at 0.000 (below the 0.05 cut-off), financial literacy service rment demonstrates a strong, statistically significant connection to women’s economic empowerment.

In addition, networking exhibit a strong positive correlation with the dependent variable (women’s economic empowerment) as it holds a person correlation of 0.756**; however, it possesses a significance level of 0.000.

The saving services has the strongest and positive relationship with women’s economic empowerment hence, Pearson's correlation = 0.637

Table 4 Correlation Analysis

Correlation Analysis		Women’s Economic Empowerment
Loan Service	Pearson Correlation	.885**
	Sig. (2-tailed)	.000
	N	167
Financial Literacy Service	Pearson Correlation	.859**
	Sig. (2-tailed)	.000
	N	167
Networking	Pearson Correlation	.756**
	Sig. (2-tailed)	.000
	N	167
Saving Service	Pearson Correlation	.637**

	Sig. (2-tailed)	.000
	N	167
	Sig. (2-tailed)	
	N	167

Source: own survey, 2024

4.4. Multiple linear Regressions

The relationship between the Dependent variable (women’s economic empowerment) and independent variables (loan service, financial literacy service, networking and saving services) was examined using multiple regression analysis. When examining the link between one dependent variable and several independent variables, multiple regression analysis is frequently employed. The model passed every test, including those linearity, heteroscedasticity, multicollinearity, and normality, according to the findings.

4.4.1. Normality assumption test

One of the assumptions of Regression is that the sampling distribution of the Mean should be normal. To analyze the distribution of the values of dependents variables in the model associated with the independent variables, normality test of histogram were used. The histogram which is showing the shape of the distribution will depict a symmetrical, bell-shaped curve, that have the most scores will be concentrated at the middle and the rest will be distributed towards the extremes as scores drift from the center. The below figure demonstrates that there is no significant deviation from the normality assumption, as the curve is bell-shaped and symmetrical around the center. As a result, we can conclude that normality is ensured since the histogram displays a normal distribution see below figure 3.

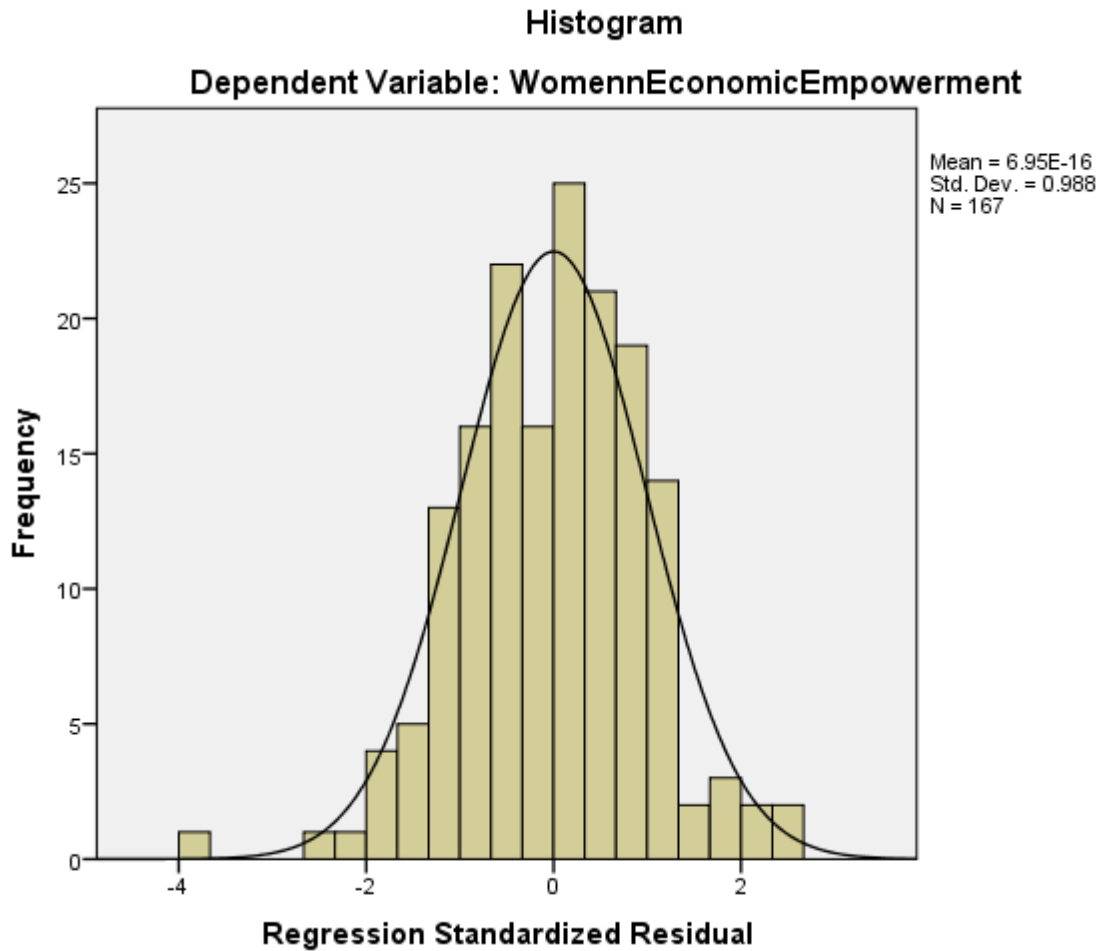


Figure 2: Regression standardized residual

4.4.2. Linearity assumption test

To accurately estimate the relationship between dependent and independent variables, standard multiple regression requires linear relationships. If there is a non-linear relationship between the independent variables and dependent variable, then regression analysis will underestimate the actual connection. Scatter plots were used in this research to test this assumption. That means the dots in the diagonal line plot need create a pattern that can be approximated by a straight line. Therefore, the result shows variables are linear.

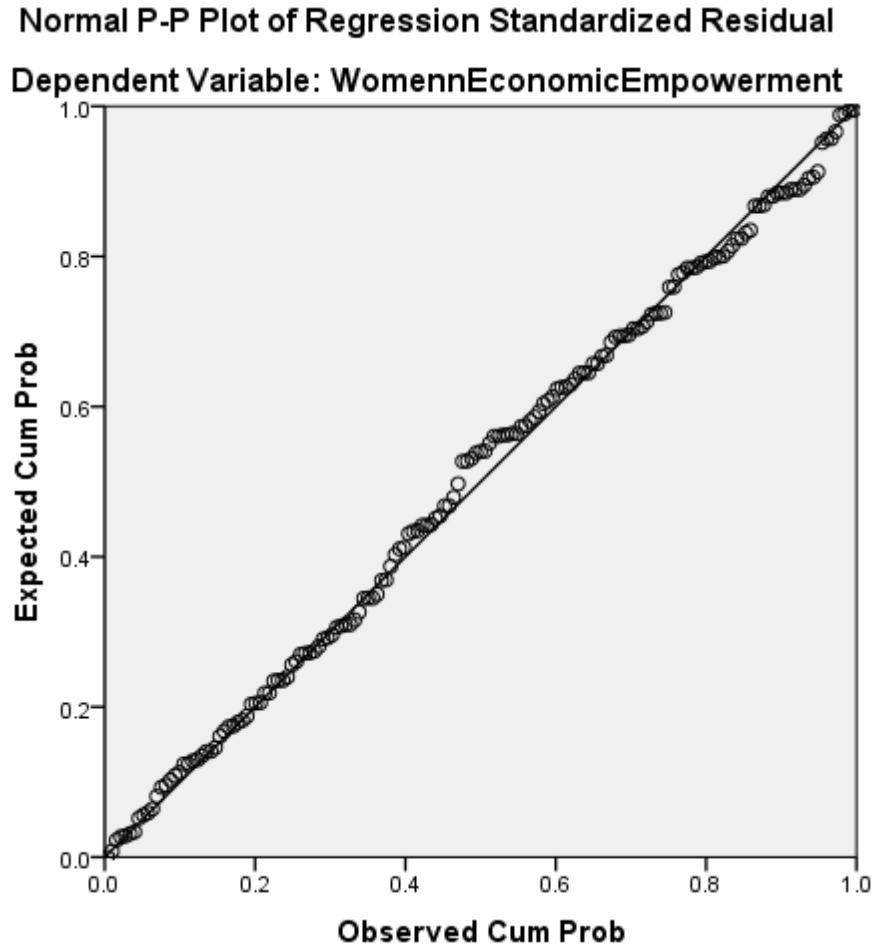


Figure 3: Linearity assumption test

4.4.3. **Homoscedasticity assumption test**

Homoscedasticity refers to having the same variance, describes a situation where the error term remains consistent across all levels of the explanatory variables. If the residual variance is uneven across a range of measured values, this results in heteroskedasticity. In regression assumptions, a fan or cone shape observed in a residual plot signifies the existence of heteroskedasticity. The result indicates that there is no problem of heteroskedasticity, hence, it full fill the regression assumptions and validating our analytical findings.

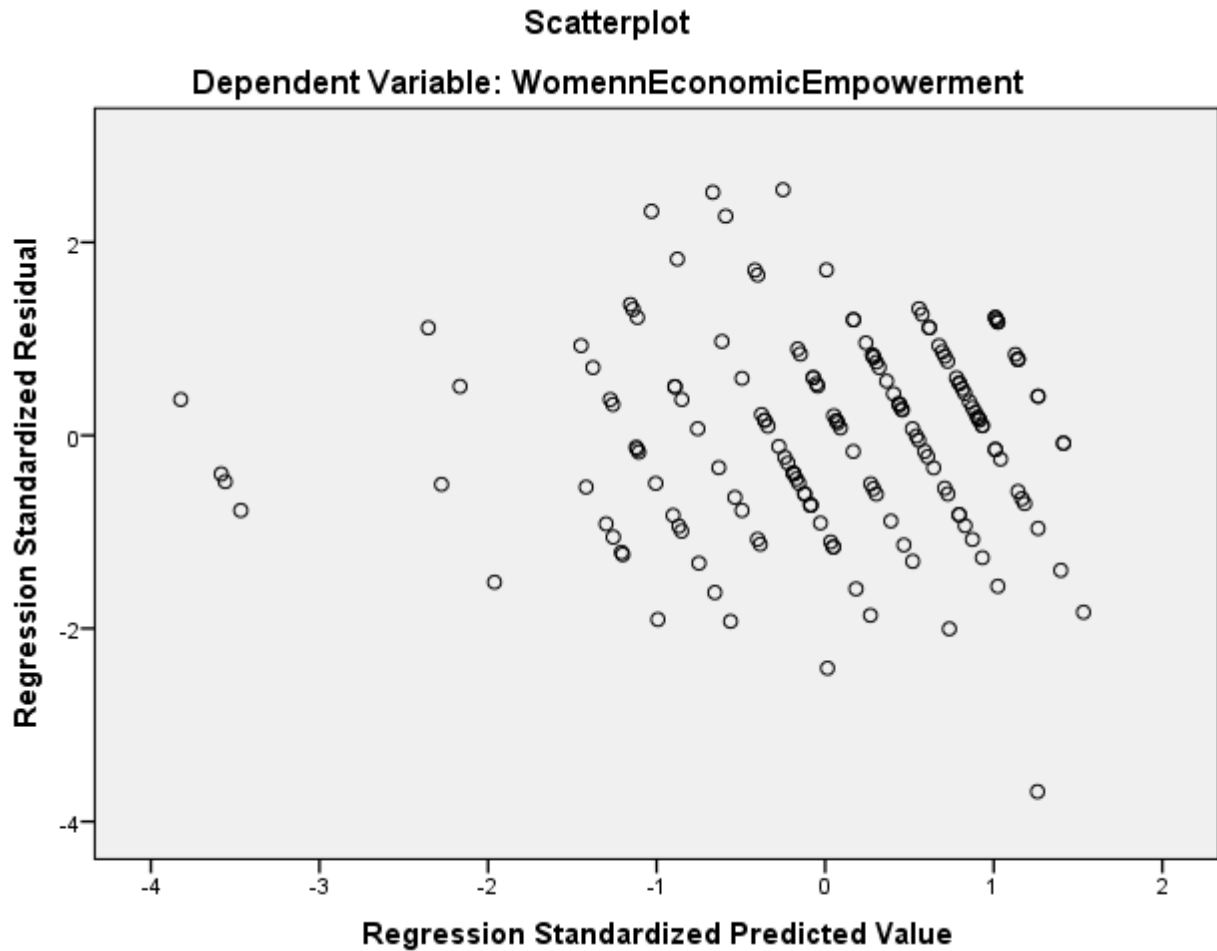


Figure 4: Homoscedasticity assumption test

4.4.4. Multicollinearity assumption test

It's crucial to check for multicollinearity assumption compliance before performing regression analysis. If explanatory variables in a regression are correlated, multicollinearity arises, and if a strong correlation exists between variables, interpreting the results becomes problematic. The researcher utilized the variance inflation factor (VIF) and collinearity tolerance to test this assumption. A VIF value of 1 signifies no correlation between variables, while values between 1 and 5 indicate moderate correlation. If any of VIF greater than 10 shows multicollinearity.

Another method for assessing multicollinearity in multiple regressions is the Tolerance Level. Lower tolerance levels signify higher levels of multicollinearity. Multicollinearity is present when tolerance levels fall below 0.1(Saunders et.al, 2009). In accordance with the description below, Table reveals a all variables VIF value is less than 10 and a tolerance level higher than 0.10, indicating an absence of multicollinearity between the explanatory variables in study.

Table 5 : Multicollinearity assumption test

Collinearity Statistics	Collinearity Statistics	
	Tolerance	VIF
Loan Service	.240	4.160
Financial Literacy Service	.274	3.652
Networking	.528	1.894
Saving Service	.727	1.376

4.4.4. Coefficient of determination

The R-square (coefficient of determination) shows the percentage of explanatory ability women’s economic empowerment with (independent variables) included in the regression model, which essentially illustrates how well a regression model fits observed data. Table 10 illustrates With an R-Square value of 0.914, it can be inferred that the selected independent variables women’s economic empowerment explain 91% of is affected by the independent variables such as loan service, financial literacy service, networking and saving services. The remaining 8% coming from other factors not included in this study. This implies that independent variables of the study including loan service, financial literacy service, networking and saving service accounts for 91% of the variance in the dependent variable of the study (women’s economic empowerment). The rest 9% of the variation on the predicted variable is explained by other variable which is not included in this study.

Table 6 Coefficient of determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956 ^a	.914	.912	.18271

Source: own survey, 2024

4.4.5. Anova

The ANOVA test is used to evaluate the effect of independent factors on the dependent variable and to ascertain the model's overall significance. Table shows a 95% confidence level, a significant P-value of 0.000, and an F-value of 430.790. The model is deemed statistically significant since the p-value is less than 0.05, indicating that the probability of the forecasts being incorrect is less than 5%. This demonstrates that it is possible to predict the dependent variable's relationship to the independent variable with accuracy using the regression model.

Table 7: Table Anova

Table 8 Anova Table

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.522	4	14.380	430.790	.000 ^b
	Residual	5.408	162	.033		
	Total	62.930	166			

Source: own survey, 2024

4.4.6. Discussion of regression result

As mentioned below in table 12, four independent variables contribution to the model (including loan service, financial literacy service, networking and saving service accounts) were statically significant variable which affect the dependent variable (women’s economic empowerment) ,hence their p-value is less than 0.05(5%).As a result,the effect of each significant explanatory variable is discussed below, supported by empirical evidence.

Loan Service

As indicated in below table 12, loan service is a significant and positively affects or women’s economic empowerment hence the p-value (0.000) is less than 5%. The coefficient of loan service is 0. 301. It is interpreted as while keeping all variables remains constant, loan service

increase by one percent, women’s economic empowerment is increased by 30%. This result is consistent with the findings of other studies that have studied their relationship

Financial literacy service

Financial literacy service affects women’s economic empowerment significantly hence the p-value is 0.000 which less than 5%. The coefficient was 0.368. Keeping all variables remains constant, Financial literacy service increase by one percent, women’s economic empowerment is increased by 36%. This indicated that the hypothesis financial literacy service has a positive influence on women’s economic empowerment in study area was accepted. This finding is consistent with previous studies.

Networking

As indicated in below table 12, networking is a significant and positively affect women’s economic empowerment hence the p-value (0.000) is less than 5%. The coefficient of networking is 0.216.It is interpreted as while keeping all variables remains constant, networking increase by one percent, women’s economic empowerment is increased by 21%.

Saving service

Saving service affects women’s economic empowerment significantly at 1% level of significance hence the p- value is 0.000 which less than 5%. Its coefficient is 0.264. It is interpreted as:-while keeping all variables constant, saving service increase by one 26 % the result is consistent with the previous studies. Other earlier studies came up with similar results.

Table 9 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.200	.123		-1.628	.105
Loan Service	.317	.050	.301	6.406	.000
Financial Literacy Service	.281	.034	.368	8.359	.000
Networking	.181	.026	.216	6.830	.000
Saving Service	.350	.036	.264	9.759	.000

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary

In Africa and other developing countries, MFIs play a significant role in providing income for small businesses (United Nations, 2019). In Ethiopia, following the establishment of microfinance institutions in July 1996, various MFIs were officially registered and began offering microfinance services. Microfinance programs specifically target women in Ethiopia as part of small-scale financial systems, and by 2001, women constituted over a third of the total number of customers in small-scale financial institutions in the country (Mirchandani, 2018). Therefore, empirical research is needed to understand the impact of microfinance programs on empowering women and the obstacles they face. This study aims to examine the effect of microfinance services on women's empowerment in the case of Kulito Town, Halaba Zone, Ethiopia.

To address the objectives of the study, the study was utilized explanatory research design hence explanatory research design important to examine the causal relationship between independent variables and dependent variable. The focus of this study was encompasses all 200 are women with memberships lasting longer than two years—these constitute our study's participants The formula that used for determining the sample size was Yamane's (1967). To achieve the study goal, both primary data and secondary data was used. Both descriptive statistics and inferential statistics were employed for this study.

Descriptive statistics such as frequency distribution is used to assess the demographic profile of the respondents to make the analysis more meaningful, clear and easily interpretable.

Inferential statistics such as, correlation analysis and regressions was applied so as to see the relationship between independent variables and dependent variable. The study reveals strong and positive correlation between loan service and the dependent variable women's economic empowerment, with person correlation of 0.885****. loan service are deemed significant due to the p- value of 0.05 which is less than 5% (0.05); therefore, there is exists a statistically significant relationship with women's economic empowerment,.

Similarly, financial literacy service has a strong and positive correlation with women's economic empowerment. Displaying a person correlation of 0.859 with its significance value at 0.000 (below the 0.05 cut-off), financial literacy service rment demonstrates a strong, statistically significant connection to women's economic empowerment.

In addition, networking exhibit a strong positive correlation with the dependent variable (women's economic empowerment) as it holds a person correlation of 0.756**; however, it possesses a significance level of 0.000. The saving services has the strongest and positive relationship with women's economic empowerment hence, Pearson's correlation = 0.637

Important assumption of regression model such as: - as normality test, Homoscedasticity test and multicollinearity test were conducted. The test indicated that, there is no problem of normality, hetroscedasticity and multicollinearity.

Moreover, to investigate the relationship between Dependent variable and independent variables, Multiple linear regression analysis was utilized.four independent variables contribution to the model (including loan service, financial literacy service, networking and saving service accounts) were statically significant variable which affect the dependent variable (women's economic empowerment) ,hence their p-value is less than 0.05(5%).

5.2 Conclusion

According to the results, independent variables such as loan service, financial literacy service, networking and saving service are critical variables that determine organizational performance in study area. the correlation result also showed the positive and strong connection between all independent variables namely loan service, financial literacy service, networking and saving service with dependent variable (women's economic empowerment).

5.3. Recommendations

Based on the results of this research, the following possible policy recommendations were developed:-

To enhance women's economic empowerment, it is recommended that microfinance institutions (MFIs) offer tailored loan products that consider the unique needs and circumstances of women entrepreneurs. This could include lower interest rates, flexible repayment schedules, and smaller loan amounts that align with women's business capacities. Additionally, MFIs should provide training on effective loan management and financial planning to ensure that women can utilize these funds effectively to grow their businesses and improve their livelihoods.

It is crucial to implement comprehensive financial literacy programs aimed at women in Kulito Town. These programs should cover essential topics such as budgeting, saving, investment strategies, and understanding credit. By equipping women with the knowledge and skills to make informed financial decisions, they will be better positioned to manage their resources effectively, access financial services confidently, and ultimately enhance their economic empowerment. Collaborations with local organizations and community leaders can help tailor these programs to meet the specific needs of women in the region.

To further support women's economic empowerment, it is recommended that microfinance services facilitate networking opportunities among women entrepreneurs. This could involve organizing regular workshops, seminars, and networking events where women can share experiences, exchange ideas, and form partnerships. By fostering a supportive community, women can gain access to valuable resources, mentorship, and collaborative opportunities that can enhance their business prospects and overall economic status.

Microfinance institutions should prioritize the development of accessible saving services specifically designed for women. This includes creating savings accounts with no or low minimum balance requirements, incentivizing regular deposits through interest rates or rewards, and promoting the importance of saving for future investments or emergencies. By encouraging a culture of saving, women can build financial resilience, which is crucial for sustaining their businesses and achieving long-term economic empowerment. Additionally, financial education on the benefits of saving can help motivate women to prioritize this practice in their financial planning.

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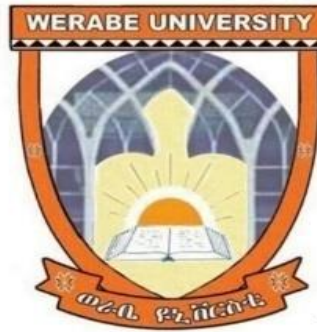
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APPENDIX



WERABE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire

First of all I would like to thank you for taking your time to read and fill this questionnaire. My name is **RANIYA NAMUS** and I am a graduating student at Werabe University. This questionnaire is to be used solely for the research I am undertaking in order to fulfill my thesis work required to complete my study. The aim of this research is to investigate **THE EFFECT OF MICROFINANCE SERVICESE ON WOMENS EMPOWERMENT IN HALABA KULITO TOWN**. Your participation is invaluable and will remain anonymous. Hence, there is no need to state your name. Please read the instructions carefully before starting to answer. There is no right or wrong answer, all I am interested in is a number that truly reflects your feelings. Please put a tick (✓) in the boxes which mostly explain your attitudes.

If you need more information, please do not hesitate to contact me through my cell phone number +251 91 268 7857

Thank you in advance for your participation

Part I: owners Background

1. Which Age group do you belong?

- 18-24
- 25-34
- 35-44
- 45-55
- above 55

2. Marital Status

- Married
- Un married
- Divorces

3. What is your educational status?

- Primary complete
- Secondary complete
- Certificate
- Diploma
- Degree(BA/BSC)
- Master(MA/MSc)
- above

Part III: Assessment on the degree of agreement on implementation of Youth Revolving Credit Fund

Instructions: Please tick the number that you feel most appropriate, using the scale from 1 to 5 (where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree)

No	Loan Service	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
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1	Access to loan services has significantly improved my ability to invest in my business or personal projects.					
2	I feel more financially secure since I started using loan services from microfinance institutions					
3	The loan services provided by microfinance institutions have helped me achieve my financial goals					
4	I believe that access to loan services has enhanced my decision-making power within my household					
5	Using loan services has increased my confidence in managing financial responsibilities.					
	Financial Literacy Service	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
1	The financial literacy services I have received have improved my understanding of					
2	I feel more confident in making informed financial decisions due to the financial literacy training I have attended					
3	The knowledge gained from financial literacy services has empowered me to better manage my personal finances					
4	I believe that financial literacy services have positively impacted my ability to invest in my business or community initiatives					
	Networking	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
1	Participating in networking events has significantly expanded my professional connections.					
2	I have gained valuable knowledge and skills through interactions with other women in my network."					
3	My involvement in networking groups has increased my confidence in pursuing business opportunities					

4	Networking has provided me with access to resources and information that have helped me in my financial endeavors					
5	"I believe that strong networking relationships have contributed positively to my overall empowerment as a woman."					

Part IV Questionnaires related to Women's Economic Empowerment

Instructions: Please tick the number that you feel most appropriate, using the scale from 1 to 5 (where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree)

No	Women's Economic Empowerment	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
1	I feel financially secure and capable of managing my household expenses due to the economic opportunities provided by microfinance services					
2	My participation in microfinance programs has positively impacted my social status and respect within my community					
3	I am more involved in making important decisions regarding family finances and investments as a result of my access to microfinance services					
4	I have greater access to resources (such as education, health care, and business opportunities) because of the financial support I receive from microfinance services.					
5	"I feel more confident in pursuing entrepreneurial ventures and taking financial risks thanks to the skills and support gained from microfinance programs					

APPENDIX II

Variables	Cronbach's Alpha	N of Items
Saving Service	0.86	7
Loan Service	0.611	5
Financial literacy service	0.945	4
Networking	0.827	4
Women Economic Empowerment	0.798	4
Overall Reliability	0.773	26

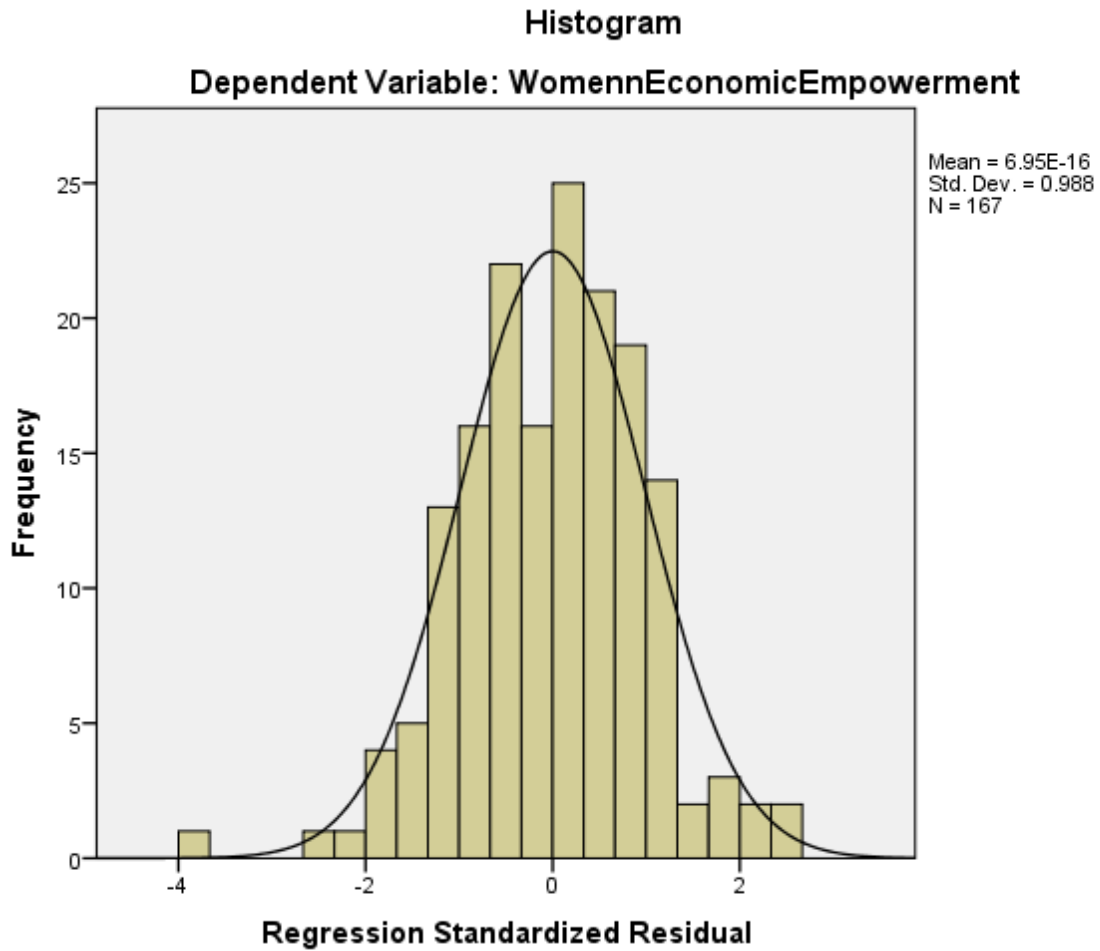
Table 10 Descriptive discussion on independent variable and dependent variables

Descriptive Statistics	Mean	Std. Deviation	N
Loan Service	3.6687	.58397	167
Financial Literacy Service	4.1377	.80644	167
Networking	4.1213	.73727	167
Saving Service	3.7485	.46412	167
Women's Economic Empowerment	4.1826	.61571	167

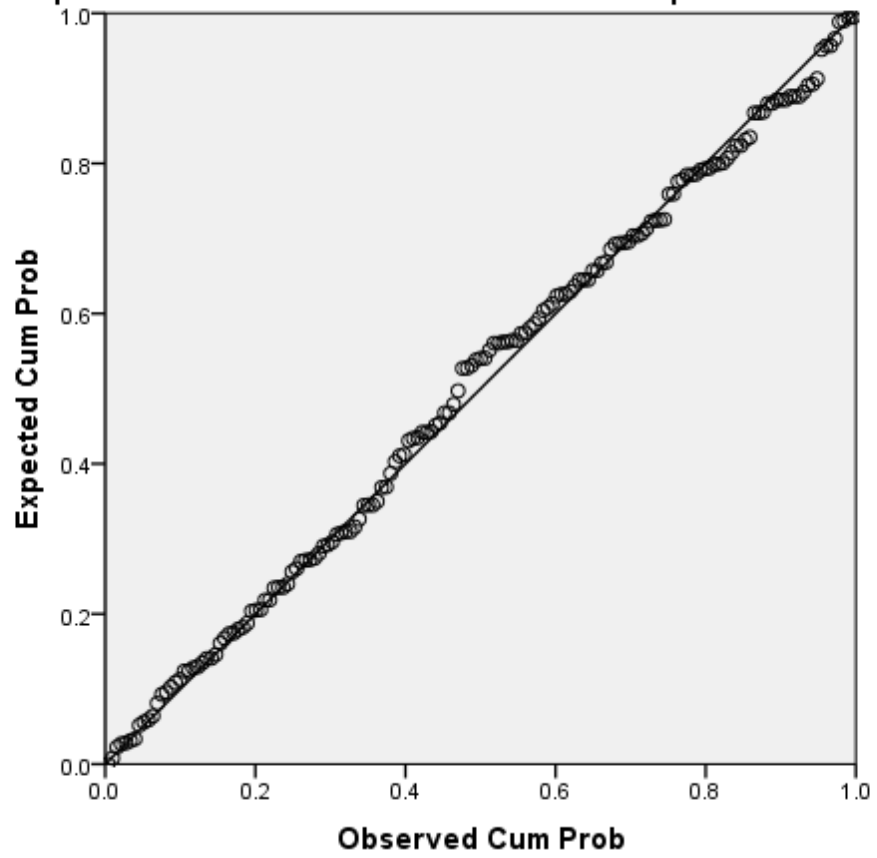
Table 11 Correlation Analysis

Correlation Analysis		Women's Economic Empowerment
Loan Service	Pearson Correlation	.885**
	Sig. (2-tailed)	.000
	N	167
Financial Literacy	Pearson	.859**

Service	Correlation	
	Sig. (2-tailed)	.000
	N	167
Networking	Pearson Correlation	.756**
	Sig. (2-tailed)	.000
	N	167
Saving Service	Pearson Correlation	.637**



Normal P-P Plot of Regression Standardized Residual
Dependent Variable: WomenEconomicEmpowerment



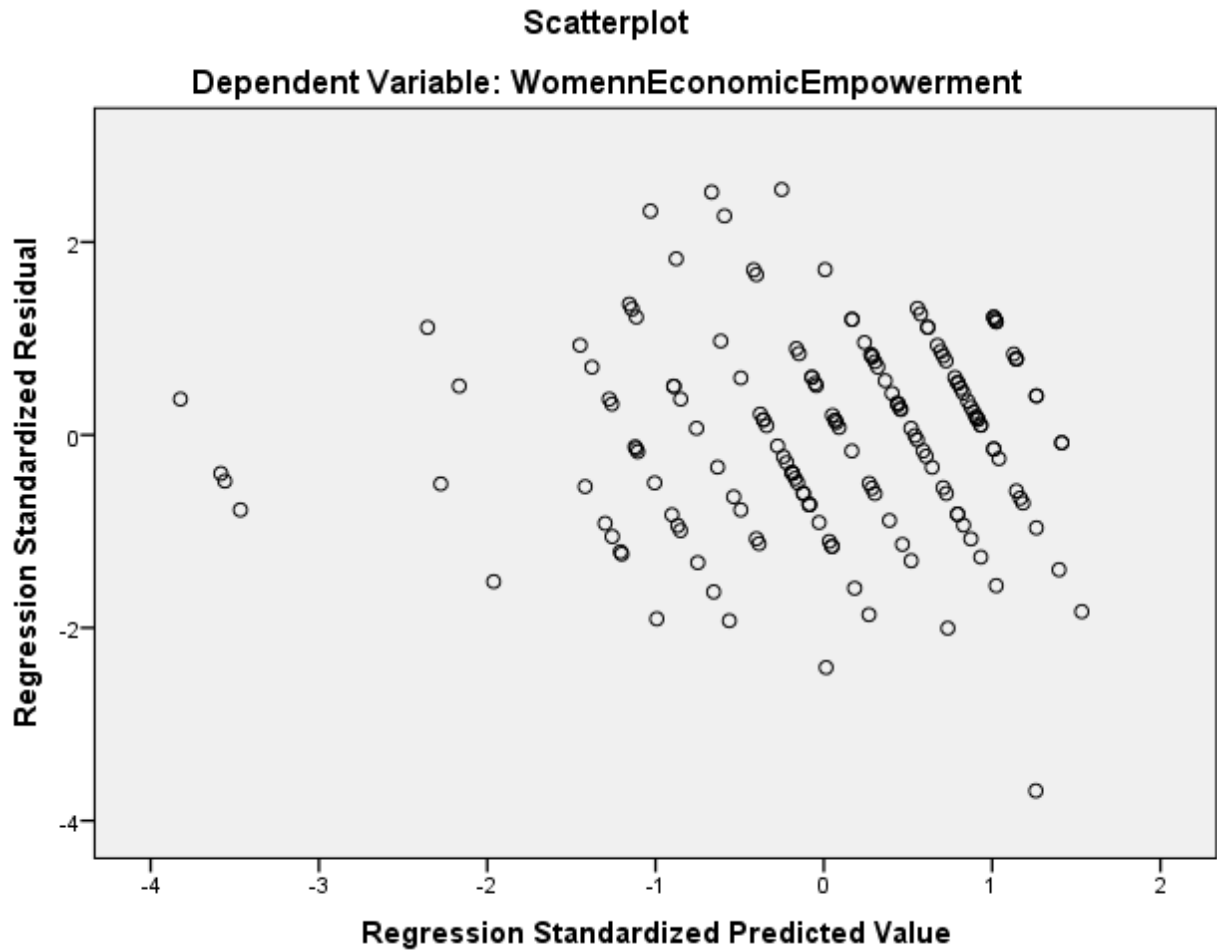


Table 12 : Multicollinearity assumption test

Collinearity Statistics	Collinearity Statistics	
	Tolerance	VIF
Loan Service	.240	4.160
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Networking	.528	1.894
Saving Service	.727	1.376

Table 13 Coefficient of determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956 ^a	.914	.912	.18271

Table 14 Anova Table

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.522	4	14.380	430.790	.000 ^b
	Residual	5.408	162	.033		
	Total	62.930	166			