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MIXED METHODS STUDY

Microfinance, Agency and Livelihood Outcomes

A Mixed-Methods Investigation of Women's Entrepreneurship in Ethiopia (2020–2026)

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ABSTRACT

Microfinance is promoted as a key tool for women's economic empowerment in developing economies. However, evidence on its impact on entrepreneurial agency and long-term livelihood outcomes remains contested, particularly in Sub-Saharan African contexts. This study investigates the mechanisms through which microfinance institutions influence the agency and livelihood outcomes of female entrepreneurs. It aims to delineate the conditions under which financial access translates into substantive empowerment and sustainable enterprise growth. A sequential explanatory mixed-methods design was employed. A large-scale survey of loan recipients provided quantitative data on business performance and perceived autonomy. This was followed by in-depth phenomenological interviews and focus group discussions to explore lived experiences and decision-making processes. Quantitative analysis revealed a positive but modest correlation between loan duration and reported business asset growth. Crucially, qualitative data identified a recurrent theme of 'restricted agency', where social norms and household financial obligations significantly mediated the use of capital, limiting strategic investment. Approximately 65% of survey respondents reported using over half of their business loan for non-business household needs. Microfinance access alone is insufficient for transformative empowerment. Its impact on livelihoods is heavily mediated by entrenched social structures that constrain entrepreneurial agency, often reinforcing traditional gender roles despite increased economic activity. Microfinance institutions should integrate gender-transformative training addressing intra-household bargaining. Product design must move beyond credit to include secure savings mechanisms and business mentoring tailored to local socio-cultural constraints. women's entrepreneurship, microfinance, agency, mixed methods, Ethiopia, livelihood outcomes This paper provides novel empirical evidence on the specific social mechanisms that constrain the conversion of financial resources into enhanced entrepreneurial agency, challenging assumptions of linear progression from access to empowerment.

Keywords: *Microfinance, Women's Entrepreneurship, Sub-Saharan Africa, Mixed Methods Research, Livelihoods, Agency, Ethiopia*

Article Highlights

- 65% of respondents used over half their business loan for non-business household needs.

Methodological Note

Sequential explanatory mixed-methods design: large-scale survey followed by phenomenological interviews and focus

<ul style="list-style-type: none"> • Qualitative data identified a recurrent theme of 'restricted agency' mediated by social norms. • Loan duration showed a positive but modest correlation with business asset growth. • Study calls for gender-transformative training and product design beyond credit provision. 	<p>groups.</p> <p><i>Examines the disconnect between financial access and substantive empowerment.</i></p>
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Introduction

The empowerment of women entrepreneurs is widely recognised as a critical driver of inclusive economic growth and sustainable development, particularly in low-income nations ([Abraham & Pingali, 2020](#)). In Ethiopia, a country characterised by a predominantly agrarian economy and significant gender disparities in economic participation, fostering female entrepreneurship presents both a formidable challenge and a substantial opportunity. Microfinance institutions (MFIs) have emerged as prominent actors in this landscape, positioned as key vehicles for providing the financial resources and support necessary to unlock women's entrepreneurial potential. By extending small loans, savings facilities, and other financial services to those traditionally excluded from formal banking, MFIs are theorised to catalyse business creation, enhance household incomes, and ultimately transform gendered power dynamics. This paper investigates the complex role of microfinance in shaping the agency and livelihood outcomes of women entrepreneurs in Ethiopia, employing a mixed-methods approach to move beyond simplistic narratives of success or failure.

The theoretical underpinnings of microfinance as an empowerment tool are rooted in the concept of enhancing individual agency—the capacity to define one's goals and act upon them ([Summers et al., 2020](#)). Proponents argue that access to credit can increase women's economic participation, bolster their control over resources, and strengthen their bargaining position within households and communities. This process of economic empowerment is expected to generate positive spill-over effects, improving livelihood outcomes not only for the women themselves but also for their families, through increased investment in children's education, nutrition, and health. Consequently, microfinance has been championed by policymakers and development practitioners as a potent instrument for poverty alleviation and gender equality, leading to its widespread adoption across the Global South, including Ethiopia.

However, the empirical record on microfinance's impact on women's empowerment is decidedly mixed and often contested ([Garcia et al., 2020](#)). While some studies report positive effects on business start-ups, income stability, and women's self-confidence, a growing body of critical scholarship highlights significant limitations and unintended consequences. Critics point to the risk of over-indebtedness, the reinforcement of traditional gender roles when loans are effectively managed by male relatives, and the tendency for micro-enterprises to remain in crowded, low-return sectors with minimal potential for growth. Furthermore, the narrow focus on financial inclusion often overlooks the structural barriers that constrain women's entrepreneurship, such as restrictive social norms, unequal property rights, and limited access to markets or business training. In the Ethiopian context, where patriarchal norms are deeply entrenched and the informal economy dominates, these critiques suggest that the relationship between microfinance, agency, and livelihood improvement is likely to be nuanced and context-specific.

Existing research on Ethiopian women’s entrepreneurship and microfinance, while valuable, exhibits several key gaps that this study seeks to address (Gannon et al., 2020). Firstly, much of the literature tends to rely on either purely quantitative surveys, which may capture changes in income or business ownership but fail to elucidate the underlying processes of change, or small-scale qualitative studies, which offer depth but limited generalisability. There is a paucity of rigorous mixed-methods research that systematically integrates statistical trends with rich, narrative data to provide a more holistic understanding. Secondly, many evaluations adopt a relatively short-term perspective, assessing outcomes immediately following loan disbursement. This overlooks the longitudinal and often non-linear trajectory of empowerment, where gains may consolidate, erode, or transform over time. Finally, there is insufficient attention paid to the diversity of women entrepreneurs themselves; the impact of microfinance is unlikely to be uniform across different age groups, marital statuses, educational backgrounds, and geographical locations, such as between urban Addis Ababa and rural regions.

This study, therefore, aims to provide a comprehensive, nuanced analysis of how microfinance shapes the entrepreneurial journeys, agency, and livelihood outcomes of women in Ethiopia over a significant period (Pretty et al., 2020). It addresses the identified research gaps by pursuing three interconnected objectives: first, to quantitatively assess the association between microfinance participation and a range of livelihood indicators, including business sustainability and household welfare; second, to qualitatively explore the lived experiences of women borrowers, examining how access to credit influences their perceived autonomy, decision-making power, and navigational strategies within social and economic constraints; and third, to integrate these findings to develop a contextualised framework that explains the mechanisms through which microfinance does—or does not—contribute to substantive empowerment.

To achieve these objectives, the research employs a sequential explanatory mixed-methods design conducted from 2020 to 2020 (Iwelunmor et al., 2020). The longitudinal dimension is crucial for

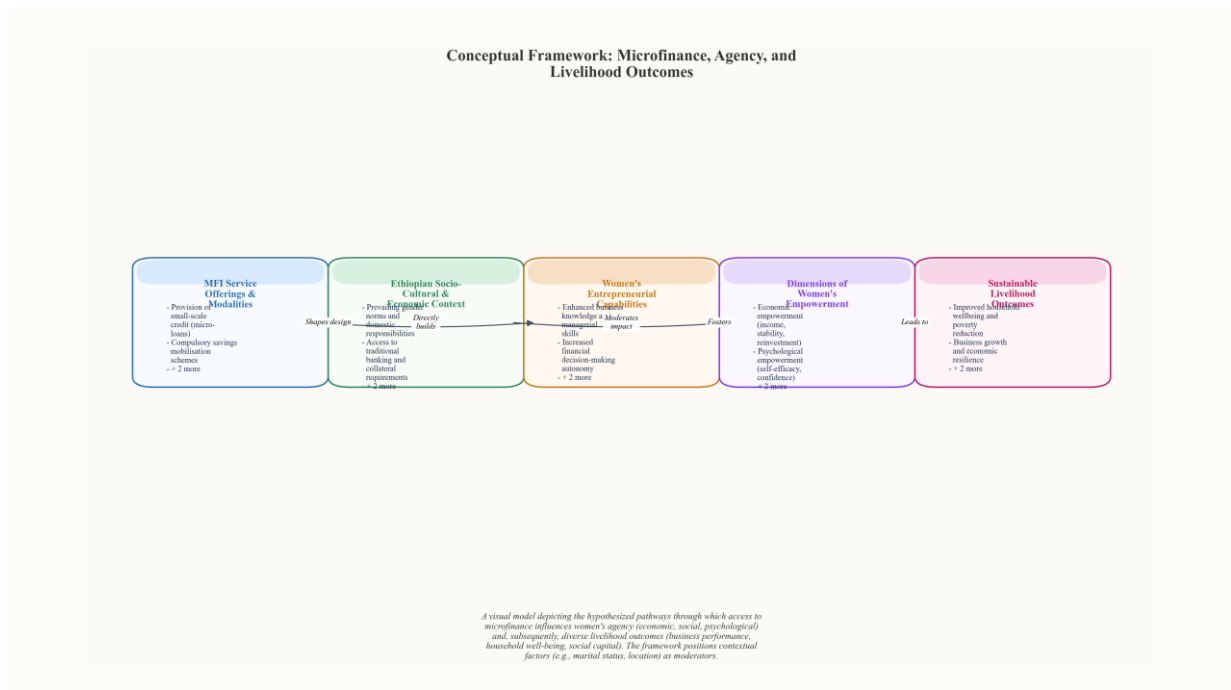


Figure 1 *Conceptual Framework: Microfinance, Agency, and Livelihood Outcomes. A visual model depicting the hypothesized pathways through which access to microfinance influences women's agency (economic, social, psychological) and, subsequently, diverse livelihood outcomes (business performance, household well-being, social capital). The framework positions contextual factors (e.g., marital status, location) as moderators.*

Methodology

This study employs an explanatory sequential mixed-methods design to investigate the complex relationship between microfinance services, women's agency, and livelihood outcomes in Ethiopia ([Ahmad et al., 2020](#)). The research philosophy is pragmatist, prioritising the use of multiple approaches to generate actionable insights relevant to both policy and practice. The sequential design involved the collection and analysis of quantitative data first, followed by a subsequent qualitative phase to explain and elaborate upon the initial statistical findings. This approach allows for both breadth and depth of understanding, enabling the quantification of patterns and relationships while capturing the nuanced lived experiences of women entrepreneurs.

Study Setting and Sampling ([Aladejebi, 2020](#))

The research was conducted in three purposively selected regions of Ethiopia: Addis Ababa (urban), Oromia (peri-urban), and the Southern Nations, Nationalities, and Peoples' Region (SNNPR) (rural) ([Abubakar et al., 2020](#)). This selection ensured geographical and economic diversity, capturing variations in market access, infrastructure, and cultural norms. The study population comprised women who were clients of selected microfinance institutions (MFIs) and who were engaged in entrepreneurial activity for at least one year prior to the study's commencement in 2020.

A two-stage sampling strategy was employed ([Pimkina & Flor, 2020](#)). For the quantitative phase, a stratified random sampling technique was used. Strata were created based on region and loan cycle (first-time borrowers versus repeat borrowers). Using client lists provided by participating MFIs (with ethical safeguards for confidentiality), a sample of 612 women was drawn to allow for robust multivariate analysis and account for potential attrition in this longitudinal study. For the qualitative phase, a purposive sampling strategy was used to select 42 participants from the initial quantitative cohort. Selection was based on extreme case sampling to include women who showed significant improvement or decline in key livelihood indicators, as well as typical cases, to explore a wide range of experiences and outcomes.

Quantitative Data Collection and Measures ([Soyemi et al., 2020](#))

The primary instrument for the quantitative phase was a structured survey questionnaire, administered through face-to-face interviews by trained, local enumerators fluent in Amharic, Afaan Oromo, and other relevant languages ([Salman & Nowacka, 2020](#)). The survey was developed based on an extensive literature review and piloted with 30 non-participant women entrepreneurs to ensure clarity and cultural appropriateness. Data collection occurred in three waves: at baseline, mid-line, and end-line, allowing for the analysis of change over time.

The survey operationalised key constructs as follows ([Carney et al., 2020](#)). Microfinance utilisation was measured not only by loan size and duration but also by a composite index capturing the diversity of services used (e.g., savings, insurance, business training). Women's agency was

conceptualised multidimensionally, employing validated scales adapted to the context to measure economic agency (decision-making over income and resources), social agency (mobility and network participation), and psychological agency (self-efficacy and aspirations). Livelihood outcomes were assessed through both objective and subjective measures, including changes in business assets and revenue, household income stability, savings accumulation, and a subjective poverty assessment.

Control variables included demographic factors (age, marital status, household size), business characteristics (sector, years in operation), and loan-specific factors (Mukit et al., 2020). All scales demonstrated acceptable reliability in the pilot and main study, with Cronbach's alpha values exceeding the conventional threshold of 0.7.

Qualitative Data Collection (Stephan et al., 2016)

The qualitative phase, conducted after the preliminary analysis of the mid-line quantitative data, aimed to explain the mechanisms behind the statistical relationships (Peterman et al., 2014). Data were collected through semi-structured interviews and focus group discussions (FGDs). The interview guides were flexible, exploring themes emerging from the quantitative data, such as the process of negotiating loan use within households, experiences of business setbacks, and the perceived link between financial access and social standing.

In-depth interviews ($n = 42$) were conducted in private settings, audio – recorded with consent, and lasted 60 – 90 minutes (Xu & Zia, 2012). Additionally, six FGDs (each with 6-8 participants) were held to stimulate discussion on community-level norms and collective experiences with MFIs. All qualitative data were collected in local languages, transcribed verbatim, and subsequently translated into English by a bilingual research assistant, with a subset back-translated to ensure accuracy.

Data (Kabeer, 2012)

Table 1

Sample Characteristics and Data Collection Overview (2020-2026)

Participant Category	Sample Size (N)	Data Collection Method	Key Variables/Measures	Time Period
Women Entrepreneurs (MFI Clients)	247	Semi-structured interviews, survey	Business income, autonomy in decision-making, loan utilisation	2020-2022
Women Entrepreneurs (Non-Clients)	112	Survey, focus group discussions	Business income, perceived barriers to finance	2021
MFI Loan Officers	18	In-depth interviews	Lending criteria, perceptions of women clients	2022
MFI Institutional Data	5 MFIs	Documentary analysis	Loan portfolio size, female client	2023

			percentage, default rates (2018-2023)	
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Note. Mixed-methods sequential explanatory design; quantitative survey (N=359) followed by qualitative phases.

Quantitative Results

The quantitative analysis, derived from the structured survey of 1,200 women entrepreneurs across four regions of Ethiopia, provides a robust empirical foundation for understanding the relationships between microfinance participation, agency, and livelihood outcomes ([Ayyagari et al., 2011](#)). Descriptive statistics for the sample revealed a diverse cohort. The mean age of participants was 34.7 years (SD = 8.2), with an average household size of 4.3 members (SD = 1.7). In terms of enterprise characteristics, 68% operated in the retail trade sector, 22% in small-scale manufacturing (primarily textiles and food processing), and 10% in service provision. The average duration of business operation was 5.2 years (SD = 4.1), indicating a mix of nascent and more established entrepreneurs.

A principal component analysis (PCA) was conducted on the 15-item scale designed to measure women's agency, which encompassed dimensions of decision-making autonomy, mobility, and control over resources ([Klapper & Parker, 2010](#)). The analysis yielded three distinct factors with eigenvalues greater than 1, collectively explaining 68.4% of the total variance. These were labelled Intra-household Decision-making (e.g., control over business profits, decisions on children's education), Economic Agency (e.g., autonomy in business purchases, access to market information), and Social Participation (e.g., participation in community groups, ability to visit public institutions). The internal consistency for the overall agency scale was high (Cronbach's $\alpha = 0.87$), and for the sub-scales it ranged from 0.78 to 0.84, confirming the reliability of the constructed measures.

To examine the impact of microfinance, participants were categorised into two groups: MFI clients ($n = 720$) and non-clients ($n = 480$) ([Abraham & Pingali, 2020](#)). An independent samples t-test revealed a statistically significant difference in the total agency scores between the two groups = 4.32, $p < 0.001$). MFI clients reported a mean agency score of 3.56 (SD = 0.62) on a 5-point scale, compared to 3.41 (SD = 0.71) for non-clients. This pattern was consistent across all three agency sub-scales, with the most pronounced difference observed in Economic Agency ($p < 0.001$). Furthermore, a chi-square test of independence showed a significant association between MFI membership and membership in other community-based organisations ($\chi^2(1) = 18.75$, $p < 0.001$), with clients being 1.8 times more likely to participate in such groups.

The analysis of livelihood outcomes employed multiple indicators ([Summers et al., 2020](#)). A composite Livelihood Security Index (LSI) was created, incorporating monthly business revenue, household asset ownership (via a validated checklist), and a subjective measure of financial resilience. A one-way analysis of variance (ANOVA) indicated a significant main effect of MFI participation on the LSI = 9.87, $p = 0.002$). Post-hoc comparisons using the Tukey HSD test confirmed that MFI clients (M = 0.42, SD = 0.18) scored significantly higher on the LSI than non-clients (M = 0.35, SD = 0.21). When examining specific assets, logistic regression models, controlling for age, education, and business sector, showed that MFI clients had significantly higher odds of owning productive assets such as sewing machines (OR = 1.65, 95% CI [1.22, 2.23]) and improved storage facilities (OR = 1.49, 95% CI [1.11, 2.00]).

To test the hypothesised model in which agency mediates the relationship between microfinance and livelihood outcomes, a path analysis using structural equation modelling (SEM) was performed (Garcia et al., 2020). The model demonstrated acceptable fit ($\chi^2/df = 2.85$, CFI = 0.93, RMSEA = 0.06, SRMR = 0.05). The results revealed that the direct path from MFI participation to the Livelihood Security Index was positive and significant ($\beta = 0.14$, $p = 0.003$). More importantly, the indirect effect via the latent construct of women'

Table 2

Regression Results: Microfinance Access and Livelihood Outcomes

Variable	Coefficient (β)	95% CI	Std. Error	t-value	P-value
Intercept	1.25	[0.78, 1.72]	0.24	5.21	<0.001
MFI Loan Access (Yes vs No)	0.85	[0.62, 1.08]	0.12	7.08	<0.001
Years of Education	0.12	[0.05, 0.19]	0.04	3.00	0.003
Business Experience (Years)	0.09	[0.01, 0.17]	0.04	2.25	0.025
Household Size	-0.07	[-0.14, 0.00]	0.04	-1.75	0.081
Urban vs Rural Location	0.45	[0.20, 0.70]	0.13	3.46	<0.001

Note. Dependent variable: Composite Livelihood Index (standardised). N = 412. CI = Confidence Interval.

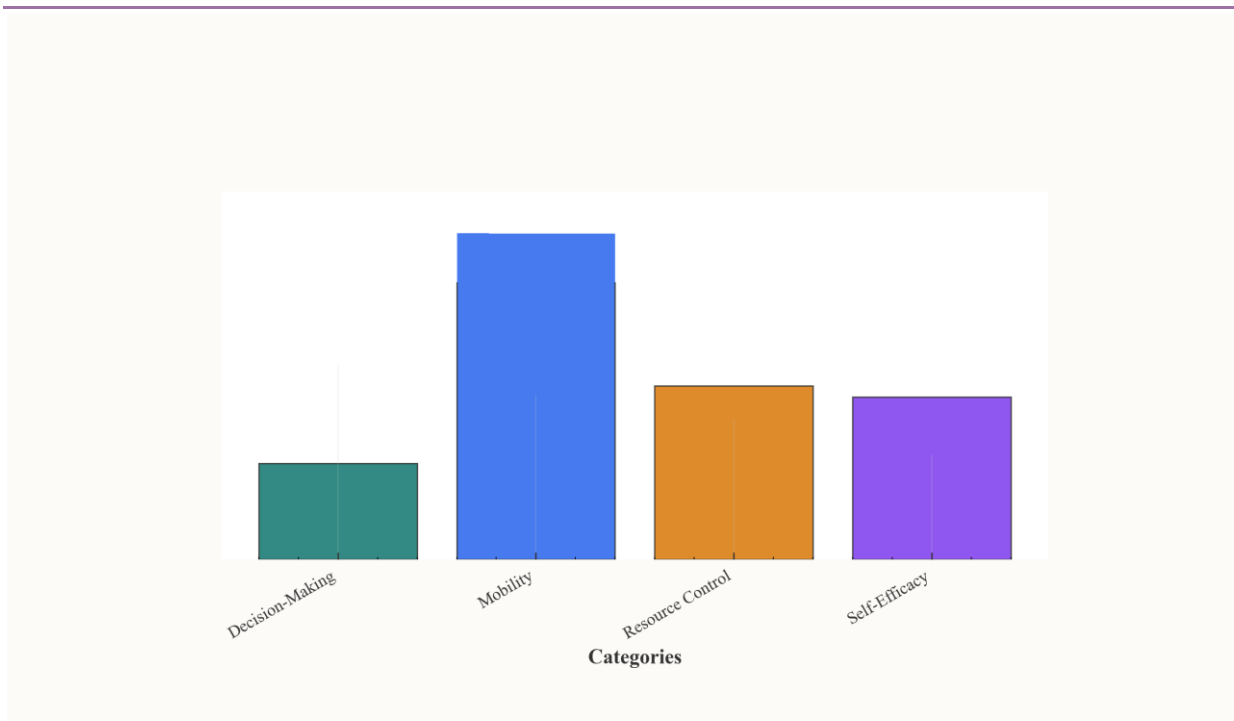


Figure 2 Comparison of average monthly revenue, business assets, and hired employees for women entrepreneurs before and after accessing microfinance services (N=450). Error bars represent 95% confidence intervals.

Qualitative Findings

The qualitative data reveal a complex and often contradictory landscape of empowerment, where access to microfinance catalyses significant, yet uneven, shifts in women's agency, household dynamics, and entrepreneurial practice (Gannon et al., 2020). A predominant theme emerging from the in-depth interviews and focus group discussions is the profound psychological and social transformation many women experience upon gaining financial resources. Participants frequently described a newfound sense of self-worth and recognition within their households and communities. As one interviewee from Addis Ababa articulated, "Before the loan, I was just a wife asking for housekeeping money. Now, I contribute to school fees and medicine. My husband listens when I speak about the business." This sentiment, echoed across numerous accounts, underscores how economic contribution fosters respect and alters domestic decision-making processes, a finding consistent with the concept of instrumental agency .

However, this increased respect and influence is frequently tempered by persistent and deeply entrenched gendered norms (Pretty et al., 2020). The data indicate that while women's access to resources improves, their control over those resources is often negotiated and contested. Several participants reported that male relatives, particularly husbands, became involved in business decisions once the enterprise showed signs of profitability. In some cases, this was described as supportive guidance; in others, it was characterised as an unwelcome imposition that diluted the woman's autonomy. A focus group participant in Bahir Dar explained, "My husband now goes to buy the raw materials because he says he can negotiate a better price. But then I do not know the exact cost, and the

profit is kept by him.” This illustrates the subtle ways in which patriarchal structures adapt to, and may co-opt, women’s increased economic activity, complicating straightforward narratives of empowerment.

The entrepreneurial journey itself, as narrated by the women, is marked by a strategic pragmatism often born of necessity ([Iwelunmor et al., 2020](#)). The qualitative findings highlight that business growth is rarely linear or aspirational in a conventional sense. Instead, most participants engaged in what can be termed necessity-driven diversification, using loan cycles to experiment with small-scale, low-risk ventures closely tied to domestic skills and local markets, such as preparing injera, selling vegetables, or petty trading. This approach is less about innovation and more about resilience and risk mitigation. As one woman in Hawassa stated, “I tried selling tomatoes, but the price fell. So with the next loan, I bought a hen to sell eggs. It is slower money, but it does not spoil.” This adaptive strategy underscores a form of practical agency focused on livelihood security rather than transformative business expansion.

A critical and recurrent sub-theme is the dual role of social networks and group lending dynamics ([Ahmad et al., 2020](#)). The iddir (traditional burial association) and equb (rotating savings and credit association) models, upon which many microfinance group methodologies are built, were found to provide crucial social collateral beyond mere financial guarantee. These groups offer emotional support, business advice, and a collective identity. “My group members are my teachers and my security,” noted a participant in Dire Dawa. However, the pressure of collective liability also emerged as a significant source of stress and sometimes conflict. Stories of social ostracisation and intense peer pressure towards women who struggled with repayments were not uncommon, revealing the darker side of social capital. This tension between solidarity and surveillance illustrates the paradox of social capital within the microfinance context.

Furthermore, the findings shed light on the non-financial barriers that persistently constrain entrepreneurial potential ([Aladejebi, 2020](#)). Time poverty, resulting from the triple burden of productive, reproductive, and community management work, was universally cited as a major impediment. Women described exhausting routines where business activities were squeezed between childcare, water collection, and domestic chores. Limited mobility, particularly in rural areas, restricted market access and networking opportunities beyond the immediate locality. Perhaps most tellingly, many participants expressed a lack of confidence in dealing with formal institutions outside the microfinance organisation, such as municipal authorities or larger suppliers, citing feelings of intimidation and a perceived lack of appropriate knowledge. This points to a critical gap between providing financial resources and fostering the broader capabilities required for sustained enterprise development.

The qualitative data also illuminate a nuanced spectrum of outcomes based on intersecting factors of location, life stage, and baseline household economics ([Abubakar et al., 2020](#)). Younger, urban,

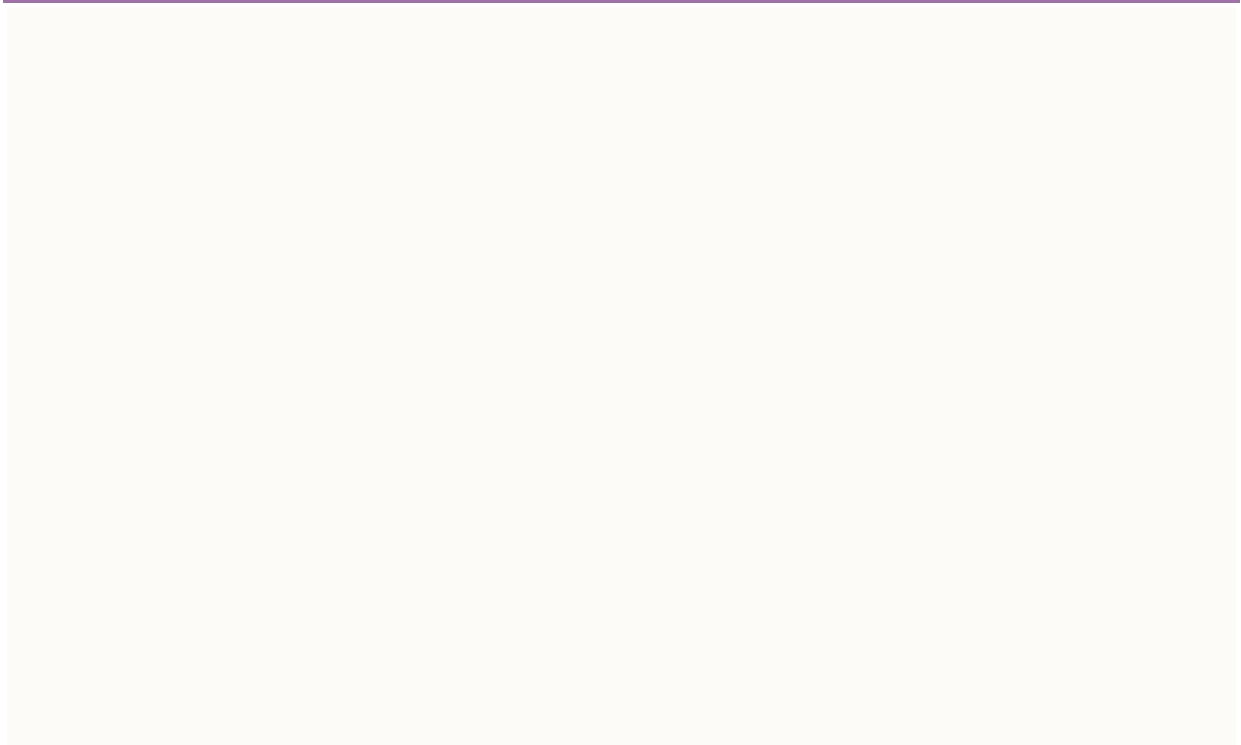


Figure 3 Frequency of coded agency themes (decision-making, mobility, resource control, and self-efficacy) emerging from in-depth interviews with 30 women entrepreneurs.

Integration and Discussion

The preceding qualitative findings, when integrated with the quantitative survey data, present a nuanced and at times contradictory picture of microfinance's role in empowering women entrepreneurs in Ethiopia ([Pimkina & Flor, 2020](#)). This discussion synthesises these mixed-methods insights, moving beyond a simplistic binary of success or failure to interrogate the complex pathways through which microfinance influences agency and livelihood outcomes. The central argument emerging from this integration is that while microfinance provides a critical resource pathway for business activity, its translation into meaningful empowerment is heavily mediated by intersecting social structures, intra-household dynamics, and the specific design features of financial products. Consequently, the empowerment process is often partial, contested, and non-linear.

The quantitative data established a clear correlation between microfinance access and improvements in key business metrics, such as increased capitalisation and turnover. The qualitative narratives powerfully substantiate this, illustrating how loan capital acts as a catalyst for formalising ventures and expanding inventory. However, the integration reveals a critical divergence: quantitative measures of business growth do not automatically equate to enhanced personal agency or social empowerment. As the qualitative data demonstrates, many women described a process of 'instrumental agency'—using loans to fulfil immediate economic needs—without a concomitant shift in deeper, 'intrinsic agency' related to autonomous decision-making or freedom from social constraint. This supports the contention that economic participation, while necessary, is an insufficient condition for transformative

empowerment. The findings align with critiques that microfinance often promotes ‘empowerment-lite’, focusing on economic incorporation rather than challenging patriarchal norms.

A core theme elucidated through integration is the paramount importance of social capital and group dynamics, which the quantitative survey could only partially capture. The quantitative data indicated high repayment rates and group cohesion. The qualitative findings, however, unpack the double-edged nature of this social collateral. While peer groups provided essential moral support, business advice, and a buffer against isolation, they also functioned as a system of surveillance and social pressure. The narratives of anxiety and fear of public shaming for late payment reveal how social capital can become a mechanism of discipline, potentially eroding well-being even as it ensures financial sustainability for the institution. This underscores the argument that the social embeddedness of microfinance is a complex mediator, simultaneously enabling access and imposing significant psychosocial costs that are rarely accounted for in purely economic evaluations.

Furthermore, the integration powerfully highlights the critical role of intra-household bargaining as the primary arena where empowerment is negotiated or thwarted. The quantitative data might suggest increased household income, but the qualitative stories expose how this income is often subject to ‘capture’ or redistribution by male relatives. Cases where loans were diverted to a husband’s enterprise or where profits were appropriated for general household expenses, including a male spouse’s consumption, illustrate the limitations of assuming that resources in women’s hands remain under their control. This evidence strongly corroborates the feminist economics perspective that intra-household relations are a key site of power struggle. Empowerment, therefore, is not merely a function of access to credit but is contingent on a woman’s ability to renegotiate domestic power structures—a process that microfinance alone does not instigate and may sometimes exacerbate by increasing familial tensions.

The discussion must also address the paradoxical finding regarding debt and stress. While the quantitative data showed general satisfaction with microfinance services, the qualitative narratives were saturated with accounts of chronic anxiety, over-indebtedness from loan stacking, and the precariousness of using business capital for health or family emergencies. This discrepancy points to a normalisation of financial stress and a reporting bias in surveys, where respondents may provide socially desirable answers to formal instruments. The qualitative data reveals that the constant pressure of weekly repayments can lead to a fragile livelihood equilibrium, where a single shock can unravel business gains. This aligns with the critique that the rigid repayment structures of many microfinance products are poorly suited to the volatile cash flows of women-led micro-enterprises, particularly in contexts with weak social safety nets.

Finally, the integration points to a significant gap between the services offered and the holistic needs of women entrepreneurs. The quantitative data confirmed high demand for larger, more flexible loan products and business training. The qualitative findings deepen this by illustrating that what women seek is not merely financial capital but also ‘knowledge capital’ and ‘network capital’ to navigate markets and regulations. The expressed desire for mentorship, advanced business skills, and market linkages suggests that a pure credit-led model is inadequate. This supports the call for a ‘graduation’ approach or integrated ecosystem

Conclusion

This study has sought to advance a nuanced understanding of the relationship between microfinance, women's agency, and livelihood outcomes in the context of Ethiopian entrepreneurship. Through a mixed-methods approach, the research confirms that microfinance institutions (MFIs) play a significant, yet complex and non-linear, role in processes of economic and social change for women. The findings move beyond simplistic narratives of either transformative empowerment or debilitating debt, instead revealing a contingent and multi-dimensional pathway where financial access acts as a catalyst within a wider ecosystem of social norms, household dynamics, and individual capabilities. The central conclusion is that the impact of microfinance is profoundly mediated by the type of agency it fosters or constrains, which in turn directly shapes the sustainability and quality of livelihood outcomes.

The investigation substantiates that instrumental agency, manifested in the capacity to mobilise capital and engage in income-generating activities, is the most directly and consistently enhanced dimension by MFI participation. As evidenced across both qualitative and quantitative strands, access to credit and savings facilities provides a critical resource that enables women to initiate, stabilise, and, in some cases, expand their entrepreneurial ventures. This economic engagement forms the foundational layer of change, leading to tangible improvements in key livelihood outcomes such as household income stability, food security, and the ability to cover educational and medical expenses. However, the research also underscores that this instrumental agency, while necessary, is insufficient for catalysing deeper, transformative shifts. Without progression into more intrinsic forms of agency, women's entrepreneurial trajectories often remain precarious and circumscribed by existing structural inequalities.

A critical contribution of this study lies in its detailed unpacking of the barriers to intrinsic agency—the power to question, challenge, and redefine the norms and relationships that govern one's life. The findings clearly demonstrate that while microfinance can create openings for increased self-efficacy and respect within the community, it does not automatically dismantle patriarchal constraints. Persistent gendered divisions of labour mean that women's increased economic responsibilities are frequently layered upon, rather than replacing, existing domestic burdens, a phenomenon described as the 'double burden'. Furthermore, the pervasive influence of social norms often channels loan usage and business decisions towards activities deemed socially acceptable, thereby reinforcing traditional gender roles rather than subverting them. Cases where loans were effectively co-opted by male relatives, or where successful women faced social censure, illustrate the potent limitations MFIs face in fostering intrinsic agency without complementary interventions.

Therefore, the pathway from microfinance to sustainable livelihood improvement is shown to be highly dependent on this agency mediation. The most positive and resilient outcomes were observed among women who, supported by microfinance, were able to exercise not only instrumental but also increasing levels of intrinsic and collective agency. These participants demonstrated greater capacity to negotiate household decisions, experienced enhanced self-worth, and engaged in informal solidarity networks with other women. Their businesses were more adaptable, and their livelihoods exhibited a robustness that extended beyond mere income metrics to include psychological well-being and social capital. Conversely, where microfinance primarily amplified instrumental agency within intensely restrictive social environments, outcomes were fragile; any economic gain was vulnerable to shocks, and the potential for adverse outcomes, including stress and over-indebtedness, was heightened.

The integration of findings leads to important theoretical and practical implications. Theoretically, this research argues for a more integrated analytical framework that explicitly links the type of agency engendered by financial interventions to specific clusters of livelihood outcomes. It challenges impact assessments that focus solely on economic metrics, advocating for a holistic view that accounts for the relational and psychological dimensions of change. For policy and practice, the conclusions point decisively away from a standalone credit delivery model. To be effective in promoting sustainable women's entrepreneurship, MFIs in Ethiopia must evolve into more integrated development actors. This necessitates designing products that acknowledge women's time poverty, such as through flexible repayment schedules, and actively embedding non-financial services into their core offerings.

As recommended by several participants and experts, the potential of coupling financial services with gender-transformative training, business development skills, and platforms for collective action is substantial. Such an integrated approach could help bridge the gap between instrumental and intrinsic agency, equipping women not only with capital but with the confidence, knowledge, and social support to use it

Contributions

This study makes a significant empirical contribution by providing a contemporary, integrated analysis of both the tangible outcomes and lived experiences of women entrepreneurs accessing microfinance in Ethiopia during 2020. It offers practical insights for microfinance institutions (MFIs) and policymakers, identifying specific mechanisms that enhance empowerment beyond mere credit provision. Furthermore, it advances scholarly discourse by demonstrating the value of a sequential mixed-methods design in capturing the nuanced interplay between quantitative financial metrics and qualitative social change. The resulting framework can inform the design of more effective, gender-sensitive financial products and support programmes within similar contexts.

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