

Microfinance, Agency and Livelihoods

A Qualitative Exploration of Women's Entrepreneurial Empowerment in Ethiopia

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ABSTRACT

Microfinance is promoted as a key tool for women's economic empowerment in developing economies. However, its impact on fostering genuine entrepreneurial agency and sustainable livelihood transformation remains contested, particularly within specific socio-cultural contexts. This study investigates how microfinance services influence the entrepreneurial empowerment of women in Ethiopia, specifically examining changes in perceived agency, decision-making autonomy, and livelihood strategies. A qualitative, interpretive methodology was employed. Data were collected via in-depth, semi-structured interviews with 32 women entrepreneurs who are clients of multiple microfinance institutions. Thematic analysis was used to analyse the data. Findings reveal a complex, non-linear pathway to empowerment. While access to credit was nearly universal, a significant theme was the conditional nature of increased agency, which was often contingent on initial business success and family support. A key concrete result is that over two-thirds of participants reported using a portion of their loans for household consumption or social obligations, challenging assumptions of purely productive investment. Microfinance contributes to women's entrepreneurial empowerment but does not automatically guarantee it. Empowerment outcomes are mediated by entrenched social norms, household dynamics, and the flexibility of loan usage. Microfinance institutions should design products that acknowledge and accommodate the diverse financial realities of women entrepreneurs, including hybrid loan structures. Complementary non-financial services focusing on business skills and gender norms are critical. women's empowerment, microfinance, entrepreneurship, agency, livelihoods, Ethiopia, qualitative research This paper provides novel empirical evidence on the nuanced and contingent pathways through which microfinance influences women's entrepreneurial agency, highlighting the critical role of intra-household bargaining and the diversion of loans for social reproduction.

Keywords: *Microfinance, Women's entrepreneurship, Agency (social science), Sustainable livelihoods, Sub-Saharan Africa, Qualitative research, Empowerment*

Article Highlights

- Agency gains are conditional, tied to business success and household dynamics.

Core Contribution

Provides novel evidence on the nuanced, contingent pathways linking microfinance to women's entrepreneurial

<ul style="list-style-type: none">• Over two-thirds of participants diverted loan portions to household or social needs.• Empowerment is mediated by social norms and the flexibility of loan usage.• Product design must acknowledge the diverse financial realities of women entrepreneurs.	<p>agency, emphasising intra-household bargaining and loan diversion for social reproduction.</p> <p><i>Examines the contested link between microfinance and genuine entrepreneurial empowerment.</i></p>
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ABSTRACT-ONLY PUBLICATION

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