

Addis Ababa University
College of Business and Economics
Department of Accounting and Finance



**The Role of Microfinance in Financial Inclusion in Addis Ababa
City**

**A Thesis Submitted to the Department of Accounting and
Finance in Partial Fulfillment of the Requirements for the
Award of Master of Science Degree in Accounting and Finance**

By: Meron Jemal

Main Advisor: Alem Hagos (Phd)

February 2024

Addis Ababa, Ethiopia

Table of Contents

LIST OF FIGURES	v
LIST OF TABLES	vi
LIST OF ABBREVIATION AND ACRONYMS	vii
<i>ABSTRACT</i>	xi
CHAPTER ONE	1
INTRODUCTION.....	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem	3
1.3. Objectives of the Study	5
1.3.1. General Objective.....	5
1.3.2. Specific Objectives.....	5
1.4. Significance of the Study	5
1.5. Scope of the Study	6
1.6. Limitations of the Study.....	6
1.7. Organization of the Study	6
CHAPTER TWO	8
REVIEW OF LITERATURE.....	8
2.1. Introduction	8
2.2. Theoretical Literature Review.....	8
2.2.1. What are Microfinance Institutions?	8
2.2.2. The Development of Microfinance	9
2.2.3. Services Provided by Microfinance Institutions.....	12
2.2.4. Definition of Financial Inclusion.....	13
2.2.5. Importance of Financial Inclusion.....	15
2.2.6. Measuring Financial Inclusion	15
2.2.7. The Role of Microfinance in Financial Inclusion.....	16
2.2.7.1. Group Lending and Financial Inclusion	16
2.2.7.2. Small Business Lending and Financial Inclusion.....	17
2.2.7.3. Saving Mobilization and Financial Inclusion.....	17
2.2.7.4. Performance of MFIs and Financial Inclusion	18
2.3. Empirical Literature Review	19
2.4. Summary and Research Gap	23
2.5. Conceptual Framework	24

CHAPTER THREE.....	25
RESEARCH METHODOLOGY	25
3.1. Introduction	25
3.2. Research Design.....	25
3.3. Type and Source of Data.....	25
3.4. Target Population	26
3.5. Selection of Sample Size and Method of Sampling	27
3.5.1. Methods Sampling.....	27
3.5.2. Sample Size Determination	27
3.6. Data Collection Procedures	28
3.7. Technique for Analyzing Data	29
3.7.1. Analysis of Descriptive Data.....	29
3.7.2. Reliability and Validity Test of Study.....	30
3.7.3. Examination of Pearson Correlation	31
3.7.4. Analyzing Multiple Regression.....	31
3.8. Ethical Considerations.....	31
CHAPTER FOUR.....	33
DATA ANALYSIS AND INTERPRETATIONS.....	33
4.1. Rate of Questionnaire Responses	33
4.2. Participants' Socioeconomic Backgrounds.....	33
4.3. Reasons for Joining Microfinance and Years of Patronage.....	35
4.4. Analyzing the Study Variables Descriptively.....	37
4.4.1. Group Lending and Financial Inclusion	37
4.4.2. Small Business Lending and Financial Inclusion.....	39
4.4.3. Saving Mobilization and Financial Inclusion.....	41
4.4.4. Descriptive Analysis of Financial Inclusion Dimensions.....	43
4.4.5. The Current Status of MFIs and their Performance.....	45
4.4.5.1. Categorization of Peer Groups	45
4.4.5.2. Saving Mobilization or Performance.....	49
4.5. Findings from Inferential Statistics	51
4.5.1. Pearson Correlation Analysis	51
4.5.2. Multiple Linear Regression Analysis	53
4.5.2.1. Multivariate Regression Presumptions	53
CHAPTER FIVE.....	59

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	59
5.1. Introduction	59
5.2. An Overview of the Results	59
5.3. Conclusions	62
5.4. Recommendations	64
REFERENCES.....	66
APPENDIX.....	72
Appendices 1: Questionnaires	72
Appendices 2: The Current Status of MFIs and their Performance in Addis Ababa.....	76
Appendices 3: Interview Questions for the MFIs Chief Executive Officers	78

LIST OF FIGURES

Figure 2.1: Conceptual Framework.....24

LIST OF TABLES

Table 3.1: MFIs Operating in Addis Ababa	26
Table 3.2: Reliability and Validity of the Responses	30
Table 4.1: Rate of..... Questionnaire Responses.....	33
Table 4.2: Participants' Socioeconomic Backgrounds	34
Table 4.3: Reasons for Joining Microfinance and Years of Patronage.....	36
Table 4.4: Likert's Criteria on a Five Point-Scale	37
Table 4.5: Descriptive Statistics of Group Lending and Financial Inclusion	38
Table 4.6: Descriptive Statistics of Small Business Lending and Financial Inclusion	40
Table 4.7: Descriptive Statistics of Saving Mobilization and Financial Inclusion	41
Table 4.8: Descriptive Statistics of Financial Inclusion Dimensions	43
Table 4.9: MFIs Operating in Addis Ababa	45
Table 4.10: Classification of MFIs by Age	46
Table 4.11: Customers Performance at MFIs (Credit Outreach).....	47
Table 4.12: Classification of MFIs by Size (Number of Borrowers)	48
Table 4.13: Classification of MFIs by Scale (Loan Portfolio)	49
Table 4.14: Saving Performance of MFIs in Addis Ababa.....	50
Table 4.15: A General Guideline about the Degree of Association.....	52
Table 4.16: Correlation Coefficient Matrix.....	53
Table 4.17: The Research Parameters' Test of Normality	54
Table 4.18: Outcomes of the Linearity Assessment	55
Table 4.19: Outcomes of the Multicollinearity Measures	55
Table 4.20: Overview of the Regression Analysis Framework.....	56
Table 4.21: The ANOVA Outcomes.....	57
Table 4.22: Examining the Regression Model's Parameter Evaluation.....	57

LIST OF ABBREVIATION AND ACRONYMS

ACSI	Amhara Credit and Saving Institution
ADSCI	Addis Saving and Credit Institution
AEMFI	Association of Ethiopian Microfinance Institutions
CGAP	Consultative Group to Assist the Poor
DECSI	Dedebit Credit and Saving Institution
ETB	Ethiopian Birr
MSEs	Micro and Small Enterprises
MFIs	Microfinance Institutions
NBE	National Bank of Ethiopia
NGOs	Non-Governmental Organizations
OCSSC	Oromia Credit and Saving Share Company
OMI	Omo Microfinance Institution
SACCOs	Saving and Credit Cooperatives
SFPI	Specialized Financial and Promotional Institution
SMEs	Small and Medium-Sized Enterprises

Acknowledgements

I would like to begin by expressing my deepest gratitude to the Almighty God for His abundant blessings, guidance, and unwavering support throughout the entire process of completing this thesis.

I would also like to extend my heartfelt appreciation to my advisor, Alem Hagos (PhD), for his guidance, expertise, and continuous encouragement. His invaluable insights, constructive feedback, and dedication to my academic growth have been instrumental in shaping the outcome of this research.

Lastly, I would like to express my gratitude to all the individuals, organizations, and resources that have contributed to this work in any way. Your contributions have played a significant role in the successful completion of this thesis.

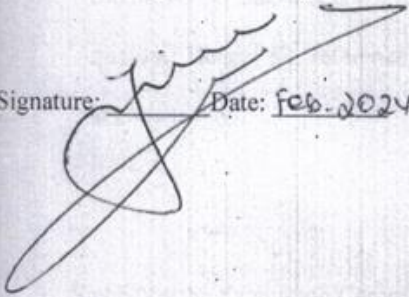
In conclusion, I attribute its completion to the grace of God and the unwavering support of my advisor. His guidance and blessings have been pivotal in this journey of academic growth and achievement."

Statement of Declaration

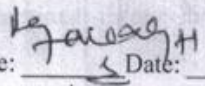
I, Meron Jemal, declare that this thesis entitled "The Role of Micro Finance in Financial Inclusion in Addis Ababa City" submitted by myself for the award of M.Sc. Degree in Accounting and Finance at Addis Ababa University is my original work and has not been previously submitted for the award of any degree or diploma at this or any other University or College, and all the reference materials contained therein have been duly acknowledged.

Name: Meron Jemal

Advisor's name: Alem Hagos (PhD)

Signature: 

Date: Feb. 2024

Signature: 

Date: _____


Signed Declaration

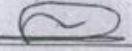
Addis Ababa University

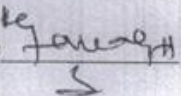
School of Graduate Studies

This is to certify that the thesis prepared by Meron Jemal entitled "The Role of Micro Finance in Financial Inclusion in Addis Ababa City": Panel Evidence submitted in partial fulfillment of the requirements for the Degree of Master of Science in Accounting and Finance complies with the rules and regulations of the university and meets the expected standards with respect of originality and quality. Hence all reference materials contained therein have been duly acknowledged.

Signed by the Examining Committee

Examiner Jakele Fuja Signature  Date 20/03/2024

Examiner Lemessa Barissa Signature  Date 19/03/2024

Advisor Alem Hagge Signature  Date _____

ABSTRACT

Determining the role of microfinance institutions in financial inclusion in Addis Ababa was the study's goal. Apart from utilizing simple random and purposeful sample techniques, the study employed both explanatory and descriptive research methodologies. The study's primary data were gathered through questionnaires and interviews. Secondary data was also gathered from desk reviews of selected microfinance institutions in Addis Ababa, and both descriptive and inferential statistics were utilized to analyze it. Out of the 384 survey questionnaires that were obtained from randomly selected microfinance institutions customers, only 312 were completely filled out, sent back, and utilized in the study. The Consultative Group to Assist the Poor produced the most extensively used performance metrics, which were used to evaluate the microfinance institutions' performances. The study's conclusions showed that the microfinance institutions in Addis Ababa had been in operation for more than eight years, were categorized as mature, and had a sizable gross loan portfolio that exceeded 50 million Ethiopian Birr—but a limited number of active borrowers. The study's regression analysis revealed that group lending, saving mobilization, and small business lending all had a positive and significant impact on financial inclusion. The majority of microfinance institutions in Addis Ababa offer group loans, it would be beneficial for them to keep up this practice in order to attract more clients and lower operating costs per borrower.

Keywords: Microfinance, Financial Inclusion, Small Business Lending, Saving Mobilization, Group Lending and Performance

CHAPTER ONE

INTRODUCTION

This part of the study included the study's history, problem statement, research objectives, significance, scope, and limitations, as well as its organization.

1.1. Background of the Study

Encouraging access to a variety of suitable financial services, including credit, savings, payment, and risk management products for both individuals and businesses, particularly micro and small enterprises (MSEs) and those with low incomes, is known as financial inclusion, or "inclusive finance" (Chen & Yuan, 2021). As the forerunner and source of financial inclusion in the 1990s, microfinance concentrated primarily on providing tailored goods to specific excluded market segments (Cobb et al., 2016). In contrast, financial inclusion takes into account all individuals who are excluded and offers a wide range of services. Financial exclusion is a complex issue that affects various segments of the population in both industrialized and developing nations, as has been more widely acknowledged and discussed in recent times. In the meantime, financial inclusion has grown in importance as a global financial development strategy to improve people's financial well-being, fight poverty, and spur economic expansion (Bruhn & Love, 2014).

Global financial inclusion is increasing as a result of numerous persistent efforts. Over sixty countries were preparing national strategies to advance the inclusive financial services framework as of October 2018, with over fifty-five having committed to it (World Bank, 2018). More than 1.2 billion adults globally have opened accounts since 2011, according to the Global Findex database. In the world, the proportion of adults with bank accounts increased from 62% in 2014 to 69% in 2017, with developing economies accounting for 54% of this increase (World Bank, 2017). During this time, several economies have seen the implementation of successful and beneficial financial inclusion strategies. Some of these examples include the Grameen Bank in Bangladesh, community banks in the US, agent banking in Brazil, and agricultural cooperatives in Japan. Still, there are obstacles in the way of inclusive finance. For instance, the World Bank (2017) estimates that 1.7 billion adults worldwide do not have a bank account, meaning they do not use a mobile money provider or a financial institution.

Generally speaking, MFIs are represented as a tool for underprivileged populations' gaps and financial inclusion. This is due to MFIs' prevalence in rural areas and their typical purpose of offering low- and middle-class individuals and small companies financial services, mainly microloans (Taye, 2023). Africa's second-largest country, Ethiopia, has seen significant growth and has amassed extensive knowledge in inclusive financial systems. More financial services are now offered to individuals and businesses in Ethiopia, particularly MSEs and low-income groups, as a result of the country's quick economic growth as well as the reform and transformation of the financial sector (NBE, 2022). There are 45 MFIs in Ethiopia as of right now, not counting the four—Sinqee, Shebelle, Sidama, and Tsedey—that converted into full-fledged banks. According to NBE (2022), Omo MFI is the fifth MFI to graduate into a bank.

In the 2021/22 fiscal year, 40 MFIs served 19.5 million account holders and over four million borrowers who took out outstanding credit totaling 73 billion Birr (a 14% yearly increase), according to a report submitted by the NBE to the parliament outlining the performance of MFIs. Portfolios of MFIs that converted to banks are included in this data. According to the NBE reports out of the 40 MFIS two of MFIS—Rays Microfinance and Wasasa—are using 1,452 agents to serve over 200,000 customers through their mobile banking and agent banking operations. Across the nation, the MFIs oversee 56.7 billion Birr in savings deposits through a combined 2,080 branches.

As of June 2022, the MFIs' combined capital amounted to 15.5 billion Birr, or roughly 300 million Birr on average per MFI, and they generated a 1.3 billion Birr annual net profit (NBE, 2022). Financial inclusion, a vital component of financial reform, made a substantial contribution to Ethiopia's efforts to reduce poverty and boost the country's regional economy. Even while financial inclusion has grown quickly in Ethiopia, the idea is still relatively new. There is still more work to be done before Ethiopia can boast a thriving financial inclusion market; the penetration and sustainability of financial inclusion need to improve. Therefore, the goal of the current study was to give academics insights and a thorough understanding of Ethiopia's role in MFI success and ongoing financial inclusion difficulties.

1.2. Statement of the Problem

There are population groups that the formal financial service systems do not sufficiently serve in practically every nation, regardless of income level (Mohammed et al., 2020). According to Mohammed et al. (2020), this is especially true for many developing and emerging economies where a sizable fraction of the populace is in the low to irregular income levels. It is understandable that microfinance institutions would play a significant role in promoting financial inclusion for the poor given the reluctance of many mainstream financial service organizations to include a seemingly unprofitable segment (low-income groups and start-ups) into their folds (Park & Mercado, 2021). This is in addition to the frequently innate tendency of people within low and irregular income brackets to shun formal financial services (Park & Mercado JR, 2018). The expanding significance of microfinance institutions in financial inclusion, especially in emerging nations, has drawn a great deal of scholarly attention (Milana & Ashta, 2020).

It has been shown that financial inclusion is crucial, especially for raising the living conditions of the impoverished, which make up more than half of the population in sub-Saharan Africa (Hermes et al., 2018; Chikalipah, 2018). Furthermore, integrating the underprivileged and unbanked into a loosely structured financial services system such as microfinance has shown over time to be a successful strategy for providing long-term financial services; additionally, it ripples through the financial system economy as a whole by providing a digitally discernible understanding of the financial practices of the impoverished (Chikalipah & Makina, 2019). Nonetheless, Awaworyi (2018) noted that there is still evidence to suggest that a sizable portion of people in both underdeveloped and developing economies lack access to formal financial services, and Ethiopia is not an exception (Morka & Wamatu, 2020). This is true even though microfinance institutions are becoming more and more important in closing the financial inclusion gap.

Ethiopia has a massive unmet demand for financial services. But there are now very few financial services available to the underprivileged. The main providers of financial services in Ethiopia are government development programmes, commercial banks, MFIs, SACCOs, and certain semi-formal providers like Iqubs and Idirs. Informal providers of financial services include moneylenders, dealers, and credit suppliers. As a means of addressing the

impoverished people's lack of access to financial services, MFIs have been instrumental in offering microcredit services in recent times (Morka & Wamatu, 2020).

As of August 2023, statistics from the Association of Ethiopian Microfinance Institutions (AEMFI) indicates that there are 45 MFIs in Ethiopia that serve approximately 4.5 million clients and have a combined capital of nearly 12 billion Ethiopian Birr. MFIs offer a range of services including as savings collection, individual and group lending, microleasing, microinsurance, and domestic money transfer (Chomen, 2021). Both in urban and rural locations, small firms and SMEs have a severe lack of access to financial services. In many areas, though, the presence of MFI branch institutions is resolving this issue. MFI branches go as far as the *kebele* and occasionally the village levels, but they struggle to have enough cash on hand to meet the credit needs of SMEs and small enterprises. When more loans are needed, liquidity and loan product problems get worse (Morka & Wamatu, 2020).

Numerous investigations into microfinance organizations have been carried out. The majority of earlier research has examined how microfinance institutions (MFIs) affect women's empowerment (Morka & Wamatu, 2020), agricultural productivity (Hasan, 2018), and children's education (Gebremichael & Chawla, 2016). All of these effects have been evaluated in relation to poverty alleviation (Chomen, 2021). Even while little research has been done on the subject, not much has been done to fully understand the role that MFIs play in financial inclusion in Ethiopia, particularly in Addis Ababa City. In light of this, the study's goal was to assess how Addis Ababa City's institutional services for microfinance contribute to financial inclusion. The following research questions deemed deserving of further study based on the objective of the study.

- a) How does group lending MFIs contribute to Addis Ababa City's financial inclusion?
- b) What is the role of small business lending on financial inclusion in Addis Ababa City?
- c) How does Addis Ababa City's financial inclusion relate to saving mobilization?
- d) What is Addis Ababa City's MFIs' present state and level of performance?

1.3. Objectives of the Study

1.3.1. General Objective

The study's main goal was to evaluate MFIs' contribution to financial inclusion in Addis Abeba City.

1.3.2. Specific Objectives

Apart from the overarching goal mentioned above, the research had the following particular objectives:

- a) To evaluate how Addis Ababa City's MFIs group lending contributes to financial inclusion.
- b) To evaluate the role of small business lending on financial inclusion in Addis Ababa City
- c) To look into how Addis Ababa City's financial inclusion is impacted by saving mobilization.
- d) To evaluate MFIs' performance and present state in Addis Ababa City

1.4. Significance of the Study

The importance of this study first and foremost lies in the researcher's pursuit of an MSc in Accounting and Finance. Additionally, the following recipients would generally find the study's findings to be relevant in a number of ways: it would help the selected MFIs in Addis Ababa to better diagnose the role of MFIs in financial inclusion. Moreover it would give lessons to existing regional MFIs found in all over the country how their role of MFIs (i.e., group lending, small business lending; saving mobilization and MFIs performance) relates to financial inclusion.

Other service rendering organizations apart from microfinance institutions (like banks, insurances, etc.) can also benefit as this study would provide additional information.

Researchers and other people with an interest in the field would also find it to be a helpful resource. Therefore, it is envisaged that the study's findings will be mostly useful in this area (MFIs) and other areas that are similar, and that they will also be able to serve as a foundation for future research in this field that may be done in other areas.

1.5. Scope of the Study

The paper was conducted on Microfinance institutions operating in Addis Ababa, Ethiopia, which includes 27 MFIs and only 23 of them taken as a sample because they have a full financial data report until December 31 of 2022 (NBE, 2023). Conceptually the study dedicated on the role of MFIs in financial inclusion in Addis Ababa City (i.e. group lending, small business lending; saving mobilization and MFIs performance) and financial inclusion.

The main source of data for this research was self-administered surveys given to MFI clients in Addis Ababa, as well as key informant interviews with a subset of MFI managers, chief executive officers, experts, and development professionals. Beside this to test the performance of MFIs in Addis Ababa secondary data was compiled from desk reviews.

1.6. Limitations of the Study

There are some restrictions related to the study. The study's findings may have been skewed because all main data were gathered from MFI clients via questionnaires in a cross-sectional study as well as through key informant interviews with managers, experts, and development practitioners at MFIs. Notwithstanding, the limitations of the study provide opportunities for future investigations and long-term research on the topic. Second, the population sampled in this study was limited to MFIs located in Addis Ababa; however, it should have included clients and other stakeholders of MFIs located throughout the nation. As a result, the sample selection limits the capacity to generalize the findings of the entire population, so that various viewpoints on the part of MFIs in financial inclusion can be observed. Thirdly, the scope of this study was restricted to a subset of the MFIs that were identified in Addis Ababa. Although a vast population is the study's aim, the researcher made an effort to estimate a representative sample size to increase the study's credibility. Furthermore, the study's conclusions and suggestions would only apply to the particular MFIs in Addis Ababa that were included in the analysis.

1.7. Organization of the Study

There were five chapters in the study: The first chapter includes an introduction and covers the following topics: the study's history, problem description, research aims, importance, study scope and limitations, and study organization. The second chapter includes a review of the literature and focuses on an empirical review relevant to this study as well as a theoretical

assessment of the function of MFIs and financial inclusion. The methodological section is covered in Chapter 3, which also covers research design, data type and source, study target population, sampling design and sample determination, data collection methods, data analysis techniques, and ethical issues. Data presentation, analysis, and interpretation are covered in Chapter 4. Lastly, chapter five includes recommendations, conclusions, and a summary of the findings.

CHAPTER TWO

REVIEW OF LITERATURE

2.1. Introduction

In addition to a thorough examination of the empirical literature pertaining to the primary focus of the study, this section includes reviews of the theoretical and empirical literature on the role of microfinance organizations and financial inclusion.

2.2. Theoretical Literature Review

2.2.1. What are Microfinance Institutions?

According to Chikaliphah and Makina (2019), microfinance is the delivery of financial products and services, primarily lending and savings, to disadvantaged and impoverished households who have no access to commercial banking institutions. As defined by Milana and Ashta (2020), it is the offering of financial products and services (usually loan and deposits) for consumers with low incomes.

Microfinance is the supply of financial services to poor individuals who have very small businesses or business initiatives. Morka and Wamatu (2020) define microfinance as the supply of a broad array of financial services to low-income and disadvantaged individuals, including as savings, loans, payment methods, pension services, transfer of funds, and insurance services.

The supply of tiny financial products and services, primarily through the use of credit and savings, to people who work in agriculture, fishing, or herding as well as small-scale companies or micro enterprises that produce, reuse, maintenance, or trade commodities is referred to as microfinance, according to Milana and Ashta (2020). Microfinance institutions, also referred to as MFIs, are relatively small financial organizations who historically offered microcredit—small loans—to low-income residents in an effort to help them engage in lucrative ventures (micro enterprises). These institutions (like commercial banks) are considerably distinct from traditional financial institutions. According to Hermes et al. (2018), MFIs are characterized by their comparatively modest size; focus on serving impoverished households, and frequently offer free group loans or little collateral. Because of

this, MFIs are not like other types of financial organizations due to the fact they only work with low-income customers and often offer loans without collateral.

Robinson (2001) states that MFIs have two primary operating goals that set them apart from commercial banks. They serve as financial middlemen for low-income households first. The "institutionist paradigm" refers to this. This implies that MFIs have to bring in enough money to cover their funding and operational expenses. They also have a social objective. This approach, referred to as the "welfarists paradigm," emphasizes reaching a broad audience and reducing poverty in addition to attaining financial sustainability. Broadly speaking, microfinance organizations provide insurance, retirement plans, deposits, and lending; some additionally provide debit cards, transfers of money, and payment methods (Hasan, 2018).

2.2.2. The Development of Microfinance

Millions of impoverished people for whom modest loans could have a significant impact are inaccessible to the traditional banking system. This is due to a number of factors. The impoverished are mostly scattered and live in rural areas. If they have any schooling at all, it is minimal. Because of this, lending to the impoverished population has incredibly high administrative costs (Shkodra et al., 2021). The fact that the impoverished lack assets to utilize as collateral adds another challenge to providing standard banking services to these clients. Because of this, the impoverished could only obtain loans at outrageously high interest rates from local moneylenders (Lopez & Winkler, 2018).

Microcredit financing operates under the assumption that people who are in need of money are willing to pay astronomical rates of interest to get it. The strategy usually uses social confidence as security. Even if there are numerous ways to finance microcredit, the borrowers in the creative models are usually found in tiny groups (Khan et al., 2020). Individuals receive loans, but the repayment of those loans is the collective responsibility of the group. As a result, the borrower will forfeit their social capital if they fail to meet their repayment obligations (Milana & Ashta, 2020). Microcredit organizations claim that their payback rates—which can reach up to 97%—are higher than those of commercial lenders. Millions of underprivileged individuals worldwide are now becoming entrepreneurs thanks to the micro lending industry (Morka & Wamatu, 2020).

In the evolution of microfinance history, 1974 is a significant year. At that point, Bangladeshi economist Professor Muhammad Yunus proposed the notion of giving small loans to the underprivileged. He met a woman and conducted an interview with her while accompanying his students on a field trip to a destitute town. She was selling stool, which was made from bamboo, to make ends meet. He deduced from the interview that the woman's profit margin on each seat was a mere penny. Then, he reasoned that if the woman were granted a loan with a more favorable interest rate, she would be able to support herself above the subsistence level; so, he paid for it out of his own pocket. He formally founded the Grameen Bank, also known as the village bank, in 1983 (Rao & Baza, 2017). He then reasoned that the woman would be able to sustain herself above the subsistence level if she were given a loan with a better interest rate, so he paid for it himself. In 1983, he officially established the Grameen Bank, popularly referred to as the village bank (Rao & Baza, 2017).

Therefore, the impetus for the creation of MFIs has shifted to the financial institutions' shortcomings in terms of lending to the underprivileged. Microfinance organizations are expanding these days to offer both technical and financial support to the underprivileged. Thus, the fact that MFIs are successful suggests a shift in thinking that disproved the antiquated notion that those living in poverty aren't "creditworthy" (Kaua et al., 2020).

In general, banks and specialized non-governmental organizations (NGOs) were the ones who first introduced the concept of microfinance. They disproved the myths of the 1970s and found that rural impoverished people could repay loans on schedule when they used new lending techniques. One of these novel approaches was offering small, no-collateral loans with full-cost interest rates that needed to be paid back over time in installments. They demonstrated that the bulk of the impoverished, those are often excluded from the official financial framework, might really represent a market niche for innovative, profitable banking services (Chapagain & Aryal, 2018). Because of this, the field of microfinance has seen a significant transition from the subsidized initiatives of the past that ultimately benefited a small number of people to the creation of long-term financial institutions that are focused on the low-income market. The number of affluent MFIs around the globe today is rising. These are usually community-based organizations that are expanding their reach to include a substantial underprivileged population and earning a profit (Chikalipah, 2018).

A decade or so ago, the microfinance industry experienced a swift transition from the comparatively small field of small businesses financing to the more expansive definition of microfinance, which includes a range of financial products and services to the underprivileged, including savings, insurance, and transfer of funds, in response to the massive challenge of developing inclusive financial systems (Hermes et al., 2018).

Microfinance's principles and objectives are not novel. There have been small, unofficial credit and savings associations for millennia in Ghana, Mexico, India, and other parts of the world. As early as the 15th century, the Catholic Church in Europe founded pawn shops as an alternative to unscrupulous moneylenders (Gyasi et al., 2019).

During the course of the fifteenth century, these pawn businesses proliferated throughout European cities. For many years, formal credit and savings institutions catering to the impoverished have existed, providing financial services to clients that were previously disregarded by commercial banks. One ancient (and enduring) example is the Irish Loan Fund system, which dates back to the early 1700s. About 300 funds were involved in this system across Ireland by the 1840s (Shkodra et al., 2021).

Throughout the 1800s, bigger, more official savings and lending organizations with a focus on the urban and rural poor started to emerge throughout Europe. The financial cooperative was founded in Germany. Its objectives were to improve rural residents' well-being and help them break free from their dependency on moneylenders. First recorded in Quebec in 1900 and France in 1865, the trend gained traction (Robinson, 2001).

The European movement is the source of many cooperatives of finance in Asia, Africa, and Latin America. Another ancient illustration was the Indonesian People's Credit Banks (BPRs), which began operations in 1895 and developed into the biggest MFI network in the nation with more than nine thousand branches (Robinson, 2001).

In the early 1900s, the savings and credit pattern began to appear in rural Latin America and other regions. These financing rural areas efforts aimed at transforming the agricultural sector, increase credit-based investment, deploy "idle" funds, and reduce the oppressive feudal relations sustained by debt. In contrast to banks in Europe, the majority of these new, low-income banks were held by private firms or government agencies. As time passed, these organizations became inefficient and occasionally dishonest (Cobb et al., 2016).

Between the 1950s and the 1970s, donors and governments focused on providing loans for agriculture to marginalized and underprivileged farmers in an attempt to raise output and incomes. State-owned development finance institutions, or farmers' cooperatives in certain cases, offered below-market rates of interest on lending to customers in an effort to expand the supply of agricultural credit. These government-sponsored programmes hardly ever worked. Banks for rural development could not make ends meet on subsidized interest rates. Due to their perception that their loans were gifts from the government, borrowers lacked discipline in their repayment (Milana & Ashta, 2020).

2.2.3. Services Provided by Microfinance Institutions

Microfinance institutions facilitate responsible financial services that allow small business owners and entrepreneurs with low incomes to make investments in their future. MFIs enable people to launch their own enterprises, generate employment, and enhance their quality of life. In some of the most isolated parts of the globe, they are pioneers in the provision of loans, savings accounts, and various other financial products and services (Anokye-Wusu & Owusu-Ansah, 2021). Abel (2020) lists a few typical services offered by microfinance institutions as follows: (a) Group Loans: Small group loans, in which everyone in the group insure one another, are intended for extremely economically disadvantaged business owners operating the smallest operations. (b) Personal Loans for Businesses: Greater loan amounts along with more accommodating arrangements support business owners in expanding their enterprises and creating jobs. (c) Loans for Agriculture: With the help of these financing, customers in the countryside can buy machinery, animals, seedlings, and fertilizer when required and repay back the debt when harvest time arrives. (d) Insurance: Policies for death, impairments, and loan assist ease the financial strain of covering significant or unforeseen costs. (e) Transfers of Funds: Customers may now transfer and receive funds for personal as well as business purposes in a secure and economical manner, freeing up additional time that allows them to focus on their expanding enterprises. (f) Credit for Energy: Customers can upgrade their small enterprises or employ energy-efficient devices and goods at home by buying or leasing them. Because the systems do not require the use of coal or paraffin, they also enhance safety as well as health. (g) Savings Accounts: Savings aid customers in creating a safety net for difficult times. They can also be used as a nest egg for long-term

objectives like company growth, schooling, medical care, important personal achievements, and retirement.

2.2.4. Definition of Financial Inclusion

The concept of financial inclusion is gaining traction, notwithstanding the lack of a consensus on what it means. According to the World Bank (2014), it is defined as "the percentage of people as well as companies that use financial products". It includes a broad spectrum of financial products and services, including pay and savings accounts, loans, retirement savings, insurance, and securities markets.

The Asian Development Bank described it as "fully prepared accessibility for consumers and businesses to affordable financial products" (Yoshino & Morgan, 2016). Siddik (2017) defines financial inclusion as the condition in which individuals and organizations have the ability to utilize financial goods and services that are useful, reasonably priced, meet their demands, and are seen to elevate individuals and families—particularly women and the impoverished. Furthermore, financial inclusion refers to the extent to which individuals and organizations, in particular small and medium-sized firms (SMEs) and individuals with low incomes, have the ability to utilize financial services (Thatsarani et al., 2021). Another way to define financial inclusion is the utilization of formalized financial products and services by the impoverished (Hess & Klapper, 2021).

According to Joshi (2011), the central bank of India, defined financial inclusion as follows: Conventional financial participants need to make sure that those who are disadvantaged, like those with lower earnings and less fortunate individuals, have the ability to obtain relevant financial goods and services at a reasonable price in an equitable and fair manner. Financial inclusion is also described as "completely efforts aimed at making legal financial products and services accessible, readily available, and inexpensive to all sections of the community" by the African Development Bank, according to Tiriki and Faye (2013).

As per the Alliance for Financial Inclusion (2017), financial inclusion is defined by the Bank of Tanzania as follows: "routine application of financial products and services, which are provided by formal suppliers via an array of appropriate options with respect and equality, by people and companies via financial systems for saving, control finances, make investments in manufacturing capacity, and absorb crises."

Allen et al. define it as a "the application of conventional financial institutions" (2012). According to Ibrahim and Rifat (2020), it is "the access to and utilizing across all of the financial tools required by all parts of community." Yoshino and Morgan (2016) defined it as "the level of accessibility of both individuals and businesses, particularly those with lower incomes and SMEs to financial services." Ozili (2020) defines "the accessibility and simplicity of utilization of fundamental financial products and services for every segment of the society." Barajas et al. (2020) defined the term as "the level that people have access to and utilization of financial products".

The mission and vision declarations of the Ethiopian financial inclusion strategy record make it apparent that the objective of financial inclusion is to make superior, reasonably priced financial products and services available to all (NBE, 2017). However, the meaning of "financial inclusion" is not defined in this document.

Khan et al. (2021) define financial inclusion as the procedure of ensuring that vulnerable groups have quick, affordable utilization of financial services at an appropriate credit amount when needed. The use of formal financial services, such as holding a checking or savings account with an official financial institution, having access to deposits in a formalized organization, and lately using or resorting to bank credit, is what Dar & Ahmed (2020) define as financial inclusion.

Hanning and Jansen (2010) define financial inclusion as an approach meant to facilitate access to financial and banking products and services, such as transfers, payments, insurance coverage, and savings, for the "unbanked" by drawing them closer to the banking sector. According to Han & Melecky (2013), maintaining economic security is the primary objective of financial inclusion, which aims to provide everybody with the opportunity to improve their standard living conditions and everyday life by fortifying the stability of their finances.

According to the ideas provided previously, financial inclusion is stated as the accessibility, utilize, and superior of financial goods and services and goods. The vast majority of descriptions of financial inclusion includes a few component of the public's accessibility to and utilize of financial services and products. The researcher has used Allen et al. (2012)'s a description of financial inclusion for this study.

2.2.5. Importance of Financial Inclusion

The importance of financial inclusion is widely accepted. According to the World Bank (2014), inclusive financial systems make resources more accessible to people and businesses so they can take care of their financial needs, which include capitalizing business opportunities, saving for retirement, investing in education, and mitigating shocks. Financial inclusion promotes sustainable development and the decrease of poverty and inequality. It also contributes to the empowerment of the most marginalized communities (UNCTD, 2021). Financial inclusion is essential to ensuring stability in the economy, lowering household instability, and fostering equitable and sustainable growth (GPFI, 2020). Financial inclusion has the potential to enhance the lives of the most vulnerable segments of the society. It improves and sustains rural livelihoods (Alliance for Financial Inclusion, 2022). Yoshino and Morgan (2016) assert that enhanced income equality, inclusive growth, and financial and economic development can all be facilitated by financial inclusion. Barajas et al. (2020) state that financial inclusion can improve household well-being and assist women's economic empowerment. According to Massa (2013), it is essential for promoting social cohesion, achieving sustained prosperity, and lowering poverty.

2.2.6. Measuring Financial Inclusion

Measuring financial inclusion is important because it helps policymakers recognize and comprehend the opportunities and problems that it presents. In accordance to the World Bank (2014), until recently, the assessment of financial inclusion globally has been centered on density indicators, including the amount of branches of banks or automated teller machines (ATMs) for each household. The criticism directed towards these assessments stemmed from their inability to measure the level of financial inclusion and exclusion from formal financial institutions that affect women, the impoverished, and other demographic groups. The Bank has tried to address this issue by developing user-side (demand-side) metrics that evaluate how individuals in 148 countries globally manage their daily finances and create long-term objectives. The user-side indicator has over 40 indicators, covering topics such as the ownership of accounts, transactions, money saved, loans, and managing risks.

A multifaceted notion, financial inclusion includes all efforts inside the financial industry from the supply and demand sides. They include giving low-income and other vulnerable

households access to reasonable, suitable, and high-quality finance. Interestingly, they go after populations that have historically been shut out of the official banking system (Tiriki & Faye, 2013). The GPMI (G-20) assesses financial inclusion based on three factors: accessibility to financial products and services, consumption of financial goods or services, and the caliber of goods and services delivered. Similar to this, the AFI (2013) highlighted three aspects of financial inclusion: accessibility, utilization, and excellence. Stein et al. (2011) also mentioned each of the three crucial elements of financial inclusion: goods, features, and channels.

Financial inclusion was measured by Gupta and Sharma (2021) utilizing bank account ownership as well as product consumption and access levels. Savings account utilization is one of the financial inclusion metrics used by Allen et al. (2012) to analyze the principles of financial inclusion for over 123 countries. They developed three metrics for account utilization (financial inclusion): 1) Ownership of the account; 2) Use of the account for savings; and 3) Continuous use of the account (determined as a minimum of three withdrawals per month).

2.2.7. The Role of Microfinance in Financial Inclusion

2.2.7.1. Group Lending and Financial Inclusion

Group lending is the ability to obtain funds with no security through member choosing, peer monitoring, self-screening, and co-guaranteeing loans. Small group loans, in which participants guarantee one another's loans, are intended for extremely low-income business owners operating the smallest firms (Morka & Wamatu, 2020).

All MFIs in Ethiopia successfully provide financial products to the underprivileged with lower transaction costs and no property collateral thanks to their group lending methodology. MFIs offer small loans in Ethiopia's urban and rural areas, with group lending serving as their primary lending method (Gashaw & Gebe, 2017).

According to research by Kaua et al. (2020) and Dar and Ahmed (2020), group lending or borrowing will allow participants to self-screen and, in the event that self-qualification by group members rather than microfinance institutions is a concern, self-screening will be able to self-screen.

2.2.7.2. Small Business Lending and Financial Inclusion

Generally speaking, MFIs are made to offer financial services, especially small-scale loans, to startups and people who have low to moderate incomes. This has the effect of bringing underprivileged groups within a nation's financial system (Ledgerwood, 1999).

Any business can obtain funds to invest in their operations with the help of a small business loan. The money can be utilized for a wide range of things, such as operating capital or enhancements like re-modelling, hiring more people, acquiring businesses, buying real estate, and more (Milana & Ashta, 2020).

By offering loans that are hard to obtain through the traditional banking system, microfinance assists people in launching their own small businesses. Ethiopia has a growing number of small enterprises, and those who launch them frequently don't know where to begin or what steps to take (Morka & Wamatu, 2020).

The National Bank of Ethiopia passed an amendment proclamation in 2019 that permits foreign nationals of Ethiopian descent, foreign nationals who own organizations entirely, and foreign nationals who own organizations jointly with Ethiopian nationals, to engage in the microfinance industry. Note that the aforementioned organizations or the foreign national of Ethiopian descent must purchase the shares in a form of approved foreign money. Stated differently, he/she/it is unable to purchase the shares in Ethiopian Birr. Moreover, no asset or interest may be repatriated by him, her, or it (NBE, 2023).

The following are some examples of the loans that MFIs in Ethiopia offer: (NBE, 2023) loans for small and microfinance enterprises; (b) loans for agriculture; (c) loans for material leasing; (d) loans for individual situations; (e) loans for entrepreneurs in the construction industry; and (f) loans with short payback terms.

2.2.7.3. Saving Mobilization and Financial Inclusion

For emergencies, consumption, and liquidity needs, the impoverished can save money in a secure location. Customers can purchase a range of security-enhancing devices, particularly in trying circumstances like old age or incapacity. The most common source of finance for microbusiness expansion and launch is, by far, voluntary savings. With savings deposits, households can better prepare for unforeseen situations and build up funds for the future (Morka & Wamatu, 2020).

The majority of low-income savers do not have accessibility to reputable banks where they are able to put their money. To allow low-income and impoverished individuals to properly deposit their money and have the opportunity to earn a return on their savings, MFIs must offer microsavings (Ledgerwood, 1999). The researcher made a distinction between compulsory and voluntary savings.

a) Compulsory Savings

Because compulsory savings serve as collateral for the loan obtained, they are better understood as a component of a loan product than a stand-alone savings product. MFIs' forced savings schemes have come under fire since several of the accounts they offer have a number of restrictions associated that they barely resemble accounts for savings (Armendariz & Morduch, 2010). The Ethiopian MFIs have employed compulsory savings to cultivate a saving culture. According to the five-year micro and small business development strategy, young people who are ready to start micro and small businesses must save 20% of the venture's cost before applying for a loan from an MFI (Morka & Wamatu, 2020).

b) Voluntary Savings

Funds that people or organizations freely contribute or remove are known as voluntary savings. It is not a prerequisite for utilizing credit services and is provided by the MFIs to both customers and non-borrowers. Although voluntary savings are not as taxing as mandatory savings, they are still not ideal (Ledgerwood, 1999).

2.2.7.4. Performance of MFIs and Financial Inclusion

There exist diverse concerns with the assessment of microfinance institutions' performance. According to Zeller and Meyer (2002), there is a "Critical Microfinance Triangle" that we should consider in order to assess how well microfinance institutions are performing. The triangle's corners stand for financial sustainability, welfare impact, and outreach to the underprivileged.

Assessing Empathy for the Underprivileged

Gumel (2011) enumerates the following factors as measures of outreach: the MFIs' capacity to offer a wide range of clients superior financial products and services; the proportion of female involvement; the institutions' overall assets value; the number and size of their branches; the amount of money of savings on deposit; the magnitude of average funds and

loans; rather, and the worth of the outstanding loans. On the other hand, Schreiner (2002) offers six frameworks—breadth, length, scope, cost to users, depth, and user worth—for measuring the reach of microfinance. In a similar spirit, SEEP (2005) asserts that a range of factors, such as the total loan portfolio, the total number of current customers, and the amount of current customers, determine the outreach of microfinance. For this study, the researcher used this approach to evaluate the effectiveness of MFIs in Addis Ababa.

2.3. Empirical Literature Review

In a very recent study, Abel (2020) examined Burundi's financial inclusion and how microfinance institutions might effectively replace traditional banks. The scholar made the observation that a crucial element in assessing the extent of financial inclusion is the proportion of the unbanked population that is not a part of the financial system. Further data, as shown by Abel (2020), designates two categories of people who are prohibited from obtaining financial services. They are: (a) people who are forcibly prevented from obtaining financial products or services; and (b) people who are capable of obtaining financial assistance but choose not to.

Examining the causes of both voluntary and involuntary exclusion from financial services might help one gain a better understanding of the motivations for their exclusion from financial services. Sarma (2008) noted that the Index of Financial Inclusion reflects a common analysis of financial inclusion. The three exclusion dimensions—Quality, Usage, and Access—are taken into consideration by the Index of Financial Inclusion, as explained by Sarma (2008) and Hanning and Jansen (2010).

The capacity of a financial institution to offer financial services as well as goods related to technology and regulatory settings is central to access, according to Arya and Seth (2014). It is adequate to state that studying the difficulties in delivering financial services is a prerequisite for studying their accessibility. Here, access factors like labor costs relative to perceived returns and the cost of opening bank branches are among the many linked issues that should raise concerns. Contrarily, quality refers to the actual superiority that customers encounter when using the financial service, whereas usage gauges how much a client uses financial activities.

Without a doubt, microfinance has established itself as a tool that may help vulnerable households escape poverty and become fully integrated into the financial system (Náñez et al., 2020). In order to shed light on the connection between microfinance and financial inclusion, Mohan (2006) made the following observations: the financial assistance given by microfinance institutions to recognized disadvantaged populations increases funding for effective and efficient resource allocation and intermediation; it also makes support more competitive from the outset; and, most importantly, it encourages creative destruction (Hanning & Jansen, 2010). Microfinance is an essential economic-social intervention and human right because the impoverished have few other options but to constantly turn to microfinance institutions, and because formalized financial organizations and businesses are often rapid to reject those with fewer resources (Chapagain & Aryal, 2018).

According to Allen et al. (2012), who examined the basis of financial inclusion using Global Findex data for 123 countries and over 124,000 people, older, wealthier, legally wed who are educated, and urbanized people are more likely to have an account. They discovered comparable outcomes when it came to the likelihood of saving money with a bank account. Additionally, those who are older, wealthier, better educated, and married are more likely to use an account frequently. Although women were less likely to have an account, gender did not seem to have any bearing on the chance of doing so. It's interesting to note that 60% of adults without formal accounts most frequently cite "Probably not sufficient funds to utilize" as their rationale.

Tuesta et al. (2015) used information from Global Findex to investigate the variables affecting financial inclusion in Argentina. They prove that there is no gender difference in account ownership. Furthermore, possession of financial services or products (which incorporates account holding) was shown to be more common among individuals with higher incomes, levels of education, and older age.

Zins and Weill (2016) looked into the variables influencing financial inclusion in Africa using the World Bank's Global Findex database. Researchers found that being male, wealthier more educated, and more mature, with more power from income and education, is more conducive to financial inclusion. Using bank credit, saving money in an account, and

owning a bank account are examples of financial inclusion metrics. They show that the main impediment to financial inclusion is the absence of finances.

Using information from the World Bank's survey of families on financial inclusion, Lanie (2017) identified components that are essential to financial inclusion in the West Africa Economic and Monetary Union. They found that people are more likely to have an account if they are older, male, employed, better educated, or wealthy. They also show how equally probable it is to have an account and utilize it for saving (albeit in this case, there is no appreciable difference in the use of accounts for saving between men and women). The likelihood of using an account frequently is similar to the likelihood of using an account to save, with a few exceptions of the factor "the revenue the quintiles," whereby there's little variation in the quantity of account use between groups with different incomes.

Gashaw and Gebe (2017) examined Ethiopia's financial inclusion status using data from the World Bank's 2016 Ethiopian Socioeconomic Study. They demonstrate how the chance of possessing an account rises with age, marital status, living in an urban region, Christian faith, and financial literacy and ability. Additionally, they demonstrate that the chance of utilizing formal accounts for saving is higher among those with postsecondary education, those residing in rural regions, and those who favor formal financial institutions. When it comes to account utilization, data indicates that certain demographics—female, older, single, fearful of unforeseen costs, low financial capability—have lower odds of using accounts. Nevertheless, all other characteristics are statistically unimportant, with the exception of being older or female. Those categorized as female, elderly, Muslim, financial uneducated, or with poor financial capacities are less likely than those who are not to use the account use to save indicator. However, financial capacity is the sole significant component. Individuals from remote regions were more inclined to make use of their accounts for savings than their counterparts. Furthermore, they show that financial competence and education are the two most important factors impacting financial inclusion.

Abel et al. (2018) investigated the variables affecting financial inclusion in Zimbabwe using information from the FinScope Consumer Survey 2014. They show how financial inclusion increases with age but starts to decline at a particular age. Factors including income, education, accessibility to the internet, and financial knowledge raise the probability of

having an account. Having said that, the likelihood of having an account drops with increasing distance from financial institutions.

Badar et al. (2020) identified the variables affecting financial inclusion in South East Asian countries, namely Bangladesh, India, and Pakistan. They show that workers who were regular employees, older, wealthier, male, and more educated had a greater likelihood of being included financially.

Between 2011 and 2014, Gautier et al. (2020) observed at the elements that affected financial inclusion in Cameroon. They discovered that those who are male, older, or have greater incomes have higher rates of financial inclusion. Their research does, however, show that those with more education had a lower account likelihood, which runs counter to other conclusions.

Rashdan and Noura (2020) looked into the variables affecting financial inclusion in Egypt using the World Bank's Global Findex 2017 database. Studies show that there is no appreciable relationship between gender and the level of financial inclusion. Researchers also found individuals who are wealthier, older, and more educated are more likely to be involved in the financial system. Employment has a beneficial effect on account ownership. Additionally, researchers contend that the main barrier to financial inclusion is the absence of resources. But there's a bad connection among savings and age. The likelihood that women will save is also negatively associated. Additionally, those with limited resources are unable to put away money.

Ndanshau and Njau (2021) investigated the demand side elements of financial inclusion using information from the Tanzania FinScope survey conducted in 2017. They show how a middle-aged male living in an urban area, having a formal job, earning more money, and having more education all help a man become financially included. They also show that the majority of sample participants stated that their primary explanation for not having a bank account was a lack of income or an inadequate amount of it. Married and divorced persons are also more inclined to possess an account than single people.

Workineh (2022) examines the elements that support and obstruct financial inclusion in Ethiopia using the World Bank's Global Findex dataset from 2017. He showed that being

male, older, wealthier, and more educated is associated with an increased degree of financial inclusion, with income and education having a greater influence.

Yangdol and Sarma (2019) analysis looks at the demand-side components of financial inclusion in China. Researchers find the facts that being a woman, possessing less schooling, living jobless, as well as being poor have a negative correlation with someone's financial inclusion.

Özşuca (2019) investigates Turkey's level of financial inclusion using data at the individual level. The results of the survey show that older, wealthier, and more educated men are more likely to have formal savings and accounts.

Altarawneh et al. (2020) have conducted a study on the factors that impact financial inclusion in Latin America and Europe, namely in Brazil and Romania. They find that both income and education have an impact on greater financial inclusion.

Mhlanaga and Denhere (2020) investigate the variables affecting financial inclusion in South Africa using data from the 2018 General Household Survey (GHS). The results show that the primary determinants of financial inclusion are age, level of schooling overall salary as an approximation for revenue, ethnicity, sexual orientation, and relationship status. The results additionally indicate a negative relationship between sexual orientation and financial inclusion.

2.4. Summary and Research Gap

In summary, the research has examined theoretical and empirical data from many sources. Several standardized conditions required by mainstream banks and financial institutions provide an obstacle to financial inclusion in emerging economies such as Ethiopia and other regions of sub-Saharan Africa. The obstacles include providing financial products that are limited and fall short of the requirements of the impoverished or disadvantaged populations, meeting the demands of mainstream financial institutions for complex documentation, and getting past tangible obstacles like market or territorial unpleasantness that conflict with the general objectives of conventional financial institutions (Khan et al., 2020). The notion that the expansion of monetary marketplaces, especially microfinance, has a beneficial impact on the reduction of impoverishment has been supported by a large number of studies that have been published in the literature (Samineni & Ramesh, 2020). Anokye-Wusu and Owusu-

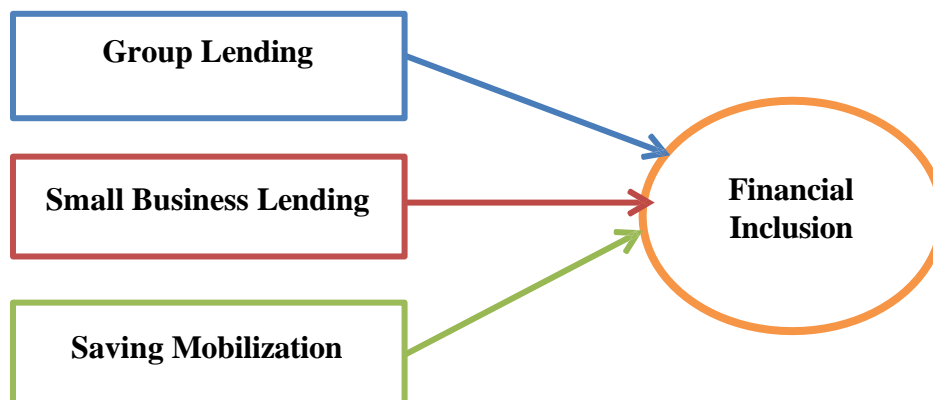
Ansah (2021) demonstrated a favorable correlation between group lending, small company lending, mobilizing borrower deposits, and financial inclusion in Ghana through the use of a survey design. Results additionally demonstrated that financial inclusion is significantly impacted by microfinance services. The investigation concluded that MFIs required reassessing loan interests, leading innovation consistently, and choosing qualified spokesmen.

The study's findings generally showed that microfinance raised the quality of life of its clients and that trustworthiness was essential to the industry's growth and viability. Very few investigations have examined the connection between microfinance jobs and financial inclusion in Ethiopia, according to the literature assessment, so the researcher attempted to explore this relationship in Addis Ababa by incorporating variables such as group lending, small business lending, saving mobilization, financial performance, and financial inclusion.

2.5. Conceptual Framework

After the literature review has been compiled and summarized, it is commendable to finish it by organizing it thematically or based on major ideas, based on Creswell (2009). Given the abundance of research covered in the previous part, the framework of concepts that follows was developed to provide support for the research. Financial inclusion was the dependent variable in this study, while group lending, small business lending, and saving mobilization were the independent factors.

Figure 2.1: Conceptual Framework



Source: Edited, modified from Giday (2023) and Anokye-Wusu and Owusu-Ansah (2021) from literature review

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The methods used in the study are presented in this section. It describes how the research was done. Information was provided regarding the population as a whole, sample, sampling strategies, instrumentation, and the information collection techniques and processing strategy that were employed in the data collection process for the study.

3.2. Research Design

An explanatory and descriptive research approach was employed in the study to investigate the connection among the variables that were investigated. Descriptive research design was critically assessed the variables: group lending, small business lending, saving mobilization, financial performance in MFIs and financial inclusion in Addis Ababa. Explanatory design was employed to investigate the relationship between group lending, small business lending, saving mobilization in MFIs and financial inclusion. Additionally, the present investigation used a combination of quantitative and qualitative research methods. To counteract the drawbacks of using just one method, quantitative and qualitative data were combined (Frels & Onwuegbuzie, 2013).

3.3. Type and Source of Data

In order to evaluate the function of MFIs in financial inclusion, the main data for this investigation was collected among clients of MFIs in Addis Ababa using a survey. Additionally, interviewing key informants with chosen MFI leaders, specialists, chief operating officers, and development professionals provided the core data. Self-Administered Schedules (SAS) were used to gather the primary data. In order to evaluate the current findings, secondary data was acquired from publications, newspapers, web pages, guides, organizational documents, and bulletins. These sources also assisted the researcher in gathering concepts and values relevant to the study's issue. Additionally, the MFI environment analysis was created through desk assessments of additional data sources, and financial information for roughly twenty-three MFIs was gathered from the NBE. Additional data was taken from research publications, papers, and AEMFI publications.

3.4. Target Population

All of the MFIs in Addis Ababa, except those whose audited accounting records were not available from the NBE, made up the study's population. The research investigation is focused on microfinance organizations that are active in Addis Ababa, Ethiopia; there are currently 27 MFIs in the city (NBE, 2023). Only MFIs with accessible secondary data were taken into consideration for the sample, and this was restricted to the amount of MFIs with accessible financial information and data indexes. The main factor that led to the MFIs being selected for the investigation was the accessibility of data. The World Bank Database, AEMFI, and NBE provided economic information related to the previously mentioned MFIs. Twenty-seven (27) MFIs are active in Addis Ababa and constitute the intended sample for the present investigation, as indicated in Table 3.1 below:

Table 3.1: MFIs Operating in Addis Ababa

No	Name of Microfinance Institution	Date of Establishment
1	Yegna Microfinance Institution S.C.	
2	Gasha Micro Financing S. Co.	15/05/1998
3	Vision Fund Microfinance Institution S. Co.	17/06/1998
4	Africa Village Financial Services S. Co.	17/06/1998
5	Aggar Micro Finance S.Co.	18/03/2004
6	One Microfinance Institution Share Company	29/10/2004
7	Digaf Micro Credit Provider S. Co.	28/07/2005
8	Tesfa Micro Finance Institution S. Co.	03/01/2008
9	Lideta Micro Finance Institution S.C.	17/04/2012
10	Kershi Microfinance Institution S.C.	05/06/2017
11	Sheger Microfinance Institution S.C.	10/7/2018
12	Grand Microfinance Institution	24/10/2019
13	Buusaa Gonofaa Micro Financing S. Co.	24/10/2006
14	Meklit Micro Finance Institution S. Co.	16/02/2000
15	ESHET Micro Finance Institution S.Co.	09/04/1997
16	Metemamen Micro Financing Institution S. Co.	09/04/1997
17	Harbu Micro Financing Institution S. Co.	09/04/1997
18	Lefayeda Credit and Saving S.Co.	02/06/2009

19	Dynamic Micro Finance S. Co.	12/05/2009
20	Liyu Microfinance S. Co.	25/11/1997
21	Nisir Micro Finance Institution S.Co.	07/05/2014
22	Rays Micro Finance Institution S.Co.	07/07/2014
23	Peace Microfinance Share Company	18/11/1999
24	Debo Microfinance Institution S.C.	03/08/2018
25	Yemsirach Microfinance Institution S.C.	23/07/2018
26	KAAFI Microfinance Institution S.C.	18/12/2019
27	Neo Microfinance Institution Supervision S.C.	

Source: NBE (2023)

3.5. Selection of Sample Size and Method of Sampling

3.5.1. Methods Sampling

According to Saunders et al. (2009), sampling is the procedure or method of choosing an appropriate sample in order to ascertain variables or features of the entire population. In this study, sampling strategies based on probability and non-probability was combined. Purposive sampling approaches were employed in lieu of non-probability sampling procedures to choose study participants who possess firsthand knowledge of the subject matter. By doing this, the investigation established a standard for choosing responders. The choice of the candidates procedures were predicated on the participants' academic achievements, prior business loan application history, and past customer experience with MFIs. Simple random sample approaches were employed from the probability sampling methodology to make sure the prejudice is eliminated or reduced as much as feasible and that an accurate estimation can be achieved.

3.5.2. Sample Size Determination

When the number of participants is large and previous research cannot be used to evaluate the variance of a projection across all possible samples, the number of samples is calculated for the favorable case $p=0.5$ and $q=0.5$ (Corbetta, 2003). In attempt to determine the samples size, this research adopted Corbetta's (2003) recommendation for the standard variance, 95% credibility variety, and 5% sample bias. Therefore, a Cochran (1977) formula is utilized to determine the sample size for this study, as shown below:

$$n = \frac{Z^2pq}{e^2}$$

Where:

n = is the sample size,

Z = degree of confidence (i.e. 1.96)

p = is the likelihood of an affirmative answer (0.5).

q = is the likelihood of a negative answer (0.5).

e = the error term, denoted by —el, is 5%, or at the 95% confidence interval.

The investigation's simple size was calculated utilizing the procedure above as:

$$n = \frac{(1.96)^2 \times 0.5 \times 0.5}{(0.05)^2} = 384.16 \approx 384$$

As a result, the sample size consisted of 384 MFI clients in Addis Ababa. Purposive sampling approaches were employed to choose 10 MFIs' executives, senior supervisors, specialists, and development professionals for key informant interviews, out of the 23 MFIs that were identified in Addis Ababa.

3.6.Data Collection Procedures

Questionnaires that are self-administered served as the primary means of gathering information in this study. The majority of the questionnaire items consisted of statements that addressed each of the research variables and were created based on a review of relevant literature. The 384 chosen MFI clients in Addis Ababa received the questionnaires. In order to obtain the necessary the primary information from the participants, the questionnaires were made available into Amharic and included closed-ended questions. The reason for using closed-ended questions is that they make it easier for participants to reply. A Likert scale with five points was included in the survey in order to assist in making it simpler for participants to provide feedback. It asked participants to rate how much they agreed with the five groups that followed: strongly agree (5), Agree (4), Neutral (3), Disagree (2), and Strongly Disagree (1).

Also key informant interviews were conducted from the 23 MFIs found in Addis Ababa with the MFIs' executives, senior supervisors, specialists, and development professionals to identify the barriers to access to finance in Addis Ababa. The study's primary source of

secondary data for evaluating the financial performance of MFIs was their yearly financial statements, which included the statement of income, portfolio report, and balance sheet of the chosen MFIs. Additional secondary data sources included reports provided by different authority and nongovernmental organizations, including the AEMFI, as well as data from the NBE and the Mix Market websites.

3.7. Technique for Analyzing Data

At the conclusion for each fieldwork collecting session and prior to preservation, the survey responses were reviewed for precision and uniformity in order to assess the involvement of MFIs in financial inclusion. The study was conducted using IBM SPSS version 23. Prior to conducting any research, the reliability and validity values of the constructs were assessed in order to look into their psychometric properties. After methodically analyzing, drawing conclusions, and making recommendations, the data was totaled. Descriptive and inferential statistics, such as average, frequency, deviation from the mean, in addition to regression and relationship findings, were produced for the purpose of displaying and analyzing the data.

3.7.1. Analysis of Descriptive Data

The participant's socioeconomic factors, such as their sexual orientation, age, marital status, income, schooling, reasons for entering microfinance, and duration of support, were reduced using descriptive analysis, microfinance institutional services (i.e., group lending, small business lending, saving mobilization, financial performance) and financial inclusion dimensions using tabulation, proportion, rate, and measures of central tendency (average and standard deviation), financial inclusion aspects are summarized. Descriptive statistics were employed in this study in order to contrast the various variables with one another.

Peer-reviewed categorizations of MFIs, which enable MFIs to comprehend compared developments and drivers in how they perform (revenue, effectiveness, productivity, and magnitude and reach out) through comparison to identical organizations, were carried out in addition to the use of descriptive statistics to assess the performance of MFIs in Addis Ababa. Additionally, it promotes openness, which is essential for enhancing organizational efficiency and expanding availability of a variety of sources of funding for expansion. In this study, the performance of twenty-three MFIs was evaluated according to three factors: age, size (number of customers), and scale of operation (gross loan portfolio). The AEMFI data

and the secondary data from NBE were used to determine the saving outreach and trend for MFIs. Loan spread and portfolio of products: The quantity of current customers (those with outstanding loans), the size of the loan, the number of clients who save and the amount of savings, the proportion of loans to clients, and the proportion of female clients are all used to gauge the outreach of MFIs. Estimating the breadth and depth of MFIs' outreach—that is, the socioeconomic level of clients they serve—is the main focus of this measurement.

3.7.2. Reliability and Validity Test of Study

The results of the participants' tests of reliability and validity are shown in Table 3.2 below. The Kaiser Olkin and Cronbach Alpha Tests for validity and reliability were computed using measures of sample sufficiency. The parameters used to accomplish the goals of the research informed the conduct of the validity and reliability tests. Every variable was displayed in the Table 3.2 below: group lending; small business lending; saving mobilization and financial inclusion possess, respectively, Cronbach Alpha values of 0.884, 0.833, 0.861, and 0.885. All of these values are higher than 0.70, which is the standard deviation for reliability tests and According to Nunnally (1978), the amounts of Cronbach's alpha with the lowest threshold of 0.7 were acceptable.

Table 3.2: Reliability and Validity of the Responses

No	Variables	Reliability (Cronbach Alpha)	Validity (KMO) Test	Number of Items
1	Group Lending	0.884	0.813	5
2	Small Business Lending	0.833	0.720	4
3	Saving Mobilization	0.861	0.785	4
4	Financial Inclusion	0.885	0.873	6

Source: Data from a Survey Results (2023)

A reliability coefficient of 0.70 is deemed adequate by Nunnally (1978). As a result, the responses given by the participants are internally consistent. Additionally, group lending, small company lending, saving mobilization, and financial inclusion have validity values using the Kaiser Olkin Measure (KMO) of 0.813, 0.720, 0.785, and 0.873, respectively as shown in Table 3.2 above. Given that the KMO value is higher than 0.50, it may be inferred that each item for each variable evaluated the intended thing. According to Hair et al. (2010),

it is appropriate if the variables used for every variable assessed what they were supposed to be measuring as long as the KMO value is higher than 0.50.

3.7.3. Examination of Pearson Correlation

Throughout this investigation, the linkages between the financial performances, saving mobilization, group lending, small company lending, and other MFI aspects and financial inclusion were assessed using Pearson's correlation coefficient or measure of associations. The statistical measure of the relationship within two variables, the coefficient of correlation, has a value between $r = -1.0$ and $+1.0$, respectively, for perfect negative and positive correlations and positive correlations. For $r = 0$, no association is shown. The correlation coefficient describes both the strength and the direction of a connection among two different variables. The dependent and independent variables have a weak association when "r" gets closer to 0 on both sides (Hair et al., 2010).

3.7.4. Analyzing Multiple Regression

A multiple regression analysis was performed to evaluate the impact of MFI roles (i.e., group lending, small business lending, saving mobilization) on financial inclusion. The regression analysis of the roles of MFIs dimensions with financial inclusion was presented as:

$$FI = \beta_0 + \beta_1(GL) + \beta_2(SBL) + \beta_3(SM) + \epsilon \dots \dots \dots (1)$$

Where:

FI = Financial Inclusion,

β_0 = the fixed, denoted as β_0 , is the quantity of FI whenever every variable that is independent have a value of 0.

$\beta_1, \beta_2, \beta_3$ and β_4 = the predictive parameters' slopes (regression estimates).

GL = Group Lending

SBL = Small Business Lending

SM = Saving Mobilization are the explanatory variables.

ϵ = represents the entire error of prediction (residual).

3.8. Ethical Considerations

A researcher must follow the principle of voluntary consent, which requires participants to agree to participate in study voluntarily (Mugenda & Mugenda, 2003). Information such as the purpose of the scientific study, the identity of the researcher, and any prospective benefits

should be provided to facilitate informed consent. Mugenda and Mugenda (2003) state that there are no repercussions for study participants who decide to leave at any time. It is voluntary to take part in the study. The researcher gave participants an explanation of this prior to the investigation's launch. The researcher provided expert support to make sure every responder understood every crucial component of the survey. The survey was conducted with full voluntary involvement from all respondents; no one was forced to participate.

According to Creswell (2009), plagiarism is when you claim credit for work that was genuinely completed by someone else while adopting their words or ideas as your own. It happens whenever you use other people's concepts as if they were yourself. Every piece of work that was cited by other scholars was acknowledged with the greatest of consideration.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

The findings of the investigator's inquiry, which was conducted using the methods described in Chapter 3, are presented in this section. The basic background information of those polled, a thorough explanation of the five distinct aims, a descriptive statistics analysis, and correlation and regression analyses using IBM SPSS version 23 are all included. Prior to doing any research, tests were conducted to ensure the reliability of the data. Specifically, Cronbach alpha was used to verify the internal consistency of MFIs' overall involvement in financial inclusion, and Kaiser Olkin Measure (KMO) analysis was used to assess the validity of the findings. The study's results were also examined in light of the previous research review.

4.1. Rate of Questionnaire Responses

312 of the 384 questionnaires that were properly answered and turned in for the last evaluation were given to participants or MFI clients in the current investigation.

Table 4.1: Rate of Questionnaire Responses

Surveys Distributed	Replied	Percentage of Return Rate
384	312	81.25%

Source: Data from a Survey Results (2023)

Mugenda and Mugenda (2003) state that a response rate of 50% is considered satisfactory, 60% good, and higher than 70% extremely good. This suggests that, based on this claim, the 81.25% rate of response in this instance was excellent, as seen by Table 4.1 above.

4.2. Participants' Socioeconomic Backgrounds

The participant's age, relationship status, degree of schooling, sexual orientation, and monthly earnings are all included in their socioeconomic history. The frequency and percentage of Addis Ababa City's MFI customers were displayed below.

The gender makeup of the MFIs customers in Addis Ababa city was 210 (67.3%) male participants and 102 (32.7%) female respondents, as indicated in Table 4.2 below. This demonstrated that, relative to the number of female responders in the sample, there were significantly more men than women. The result is highly illuminating since it runs against to

the tenet of microfinance philosophy, which is to protect the most disadvantaged members of community from poverty—of which women undoubtedly make up a sizable portion.

Table 4.2: Participants’ Socioeconomic Backgrounds

No	Pointers	Classifications	Frequency	Percent
1	Gender	Male	210	67.3%
		Female	102	32.7%
Total			312	100.0%
2	Age	20-29 years	96	30.8%
		30-39 years	88	28.2%
		40-49 years	70	22.4%
		Above 50 years	58	18.6%
Total			312	100.0%
3	Marital Status	Married	86	27.6%
		Single	168	53.8%
		Divorced	38	12.2%
		Widowed	20	6.4%
Total			312	100.0%
4	Level of Education	Certificate and below	127	40.7%
		Diploma	117	37.5%
		First Degree	57	18.3%
		Second degree and above	11	3.5%
Total			312	100.0%
5	Monthly Income (in Birr)	2001-4000 birr	20	6.4%
		4001-6000 birr	103	33.0%
		6001-8000 birr	108	34.6%
		Above 8000 birr	81	26.0%
Total			312	100.0%

Source: Data from a Survey Results (2023)

In reference to the age of those surveyed, Table 4.2 above indicates that 96 (30.8%) of those who participated were among the ages of 20 and 29; 88 (28.2%) were within the ages of 30

and 39; 70 (22.4%) were within the ages of 40 and 49; and only 58 (18.6%) were above the age of 50. As a result, the age ranges of 20 to 29 years old, 30 to 39 years old, 40 to 49 years old, and 50 years and above were the biggest customer groups of MFIs in Addis Ababa. This demonstrated that Addis Ababa's microfinance organizations are more geared towards helping the younger members of society than the more elderly ones.

As for the participants' relationship status, Table 4.2 above indicates that 168 those surveyed, or 53.8% of the total, were unmarried. The remainder of the 85 (27.2%), 39 (12.5%), and 20 (6.4%) MFI clients were, respectively, married, separated, and widower. Due to their youth, this statistic indicates that the bulk of MFI clients in the Addis Ababa City Administration were single individuals.

As can be seen in Table 4.2 above, the majority of MFI customers in Addis Ababa City, or 127 (40.7%), were only educated up to a certificate level. Following this, 117 (37.5%) of those surveyed held a diploma, 57 (18.3%) had a first degree, and only 11 (3.5%) had a graduate degree or above. The findings demonstrate that each participant has the literacy level necessary to comprehend the questions posed on the survey and, as a result, can offer trustworthy information regarding the functions of MFIs in financial inclusion. As a result, MFIs are able to speak with clients and send information about their goods and services with ease.

According to Table 4.2 above, which displays each participant's monthly earnings, most of the respondents—108, or 34.6%—earn within 6,001 and 8,000 birr, while 103, or 33.0%—earn within 4,001 and 6,000 birr. Thirdly, twenty participants (6.4%) earn within 2001 and 4000 birr per month, while 81 of those surveyed (26.0%) earn more than 8,000 birr per month. As seen in Table 4.2 above, this result showed that the vast majority of the individuals who were included in the survey have monthly earnings within 6,001 and 8,000 birr.

4.3. Reasons for Joining Microfinance and Years of Patronage

This section encompasses the reasons for joining microfinance and years of patronage. Frequency and percentage of the reasons for joining microfinance and years of patronage were presented below in Table 4.3. Quick loans were cited as the primary motivation for joining microfinance organizations by 96 consumers, or 30.8% of the total, followed by

69(22.1%) of them said their reason was due to Less paperwork, 40(12.8%) of them indicated that their reason was because it Come down to their level. Fourthly 37(11.9%) of the customers indicated that the reasons for joining microfinance institutions were due to No collateral requirement for credit and 35(11.2%) of them said their reason was because of No particular reason. The rest 19(6.1%) and 16(5.1%) of the customers indicated that they do not have response and others reasons respectively. This result suggests that obtaining credit quickly may be the primary incentive for many individuals to join groupings of microfinance institutions. This makes perfect sense, especially considering the probably significant hesitation among numerous major financial institutions to lend money to these kinds of clients.

Table 4.3: Reasons for Joining Microfinance and Years of Patronage

No	Indicators	Category	Frequency	Percent
1	Reasons for joining microfinance	Quick loans	96	30.8%
		Less paperwork	69	22.1%
		No collateral	37	11.9%
		Come down to my level	40	12.8%
		No particular reason	35	11.2%
		Others	16	5.1%
		No response	19	6.1%
Total			312	100.0%
2	Years of Patronage (Support)	0-4 years	72	23.1%
		5-9 years	132	42.3%
		10 years and above	101	32.4%
		No response	7	2.2%
Total			312	100.0%

Source: Data from a Survey Results (2023)

As indicated in Table 4.3 regarding the Years of Patronage (Support), the majority or 132(42.3%) of the customers showed that they were customers with MFIs between 5 to 9 years, followed by 101(32.4%) of the customers indicated that they were customers with MFIs 10 years and above, followed by 72(23.1%) of the customers were with MFIs between

0 and 4 years. Finally only 7(2.2%) of the customers responded with No response. Given that more than half of the individuals who responded to this survey had been with the MFIs in Addis Ababa for more than a year, the results indicate that the organization enjoys a notable degree of client loyalty. This conveys the possibility that the MFIs are taking good care of their clients.

4.4. Analyzing the Study Variables Descriptively

This section of the investigation depends on a survey that was administered using a Likert scale with five points to 312 MFI clients. There are four factors in the study: group lending, small business lending, saving mobilization and financial inclusion in MFIs of Addis Ababa. Additionally, desk assessments of secondary data and interviews with key informants with particular MFI executives, executive directors, specialists, and development professionals were used to assemble information on the achievements of MFIs in Addis Ababa. The following criterion—which is stated in Table 4.4 below—is applied for an unbiased assessment of descriptive analysis.

Table 4.4: Likert's Criteria on a Five Point-Scale

No.	Average Range	Options for Reaction
1	[1.00, 1.80)	Strongly Disagree
2	[1.80, 2.60)	Disagree
3	[2.60, 3.40)	Neutral
4	[3.40, 4.20)	Agree
5	[4.20, 5.00]	Strongly Agree

Source: Al-Sayaad, et al. (2006)

4.4.1. Group Lending and Financial Inclusion

The answers provided were combined for the first variable, or group lending and the resulting descriptive statistics were used to calculate the amount of group lending in Addis Ababa's MFIs. The results are shown in Table 4.5 below. The findings presented in Table 4.5 below show that those surveyed, who were chosen MFI clients in Addis Ababa, felt that the group loan items as a whole had an average mean value ranging from 3.82 to 3.91 and a standard deviation that varied within 0.67 and 0.76. This showed that, as stated in Table 4.4 previously mentioned, or since the mean values fall within 3.40 and 4.20, the clients of MFIs

in Addis Ababa agreement on the general elements of group lending parameters. Additionally, these things were significantly enhancing the roles of MFIs in financial inclusion. In addition, the five questions with mean responses more than three and standard deviations less than one show that the responses from the participants of the highlighted questions are consistent.

The results shown in Table 4.5 beneath also showed that those surveyed concurred that the services provided by microfinance aid in making better choices regarding financial resources. They also saw group lending as a significant way to borrow money without requiring collateral, as participants in the collective co-guarantee one another for repayment of the loan. The clients of MFIs in Addis Ababa also concurred that mutually beneficial tracking is a useful tool for paying back loans and that letting participants choose and self-screen borrowers rather than the MFIs guarantees that members assume entire accountability for the repayment of loans.

Table 4.5: Descriptive Statistics of Group Lending and Financial Inclusion

Code	Statements on Group Lending	Mean	SD
GL1	Making more informed choices while maintaining financial resources is aided by services provided by microfinance.	3.88	0.71
GL2	I see group lending as an important means of borrowing money without collateral	3.82	0.72
GL3	Participants of the collective make certain that every individual pays back their loan by co-guaranteed it for one another.	3.90	0.76
GL4	Ensuring that group members assume whole accountability for repaying loans can be achieved by letting them choose and self-screen applicants rather than the MFIs.	3.84	0.67
GL5	Peer tracking is an efficient way to ensure that loans are returned.	3.91	0.70
Combined Statistics		3.87	0.71

Source: Data from a Survey Results (2023)

Last but not least, the results of the descriptive statistics of the collective lending items showed that the capacity to lend funds with no a guarantee, co-guarantee loans, member self-

selection and screening, and peer monitoring of obtained loans were all highly valued by MFI clients in Addis Ababa as a means of group lending and, by extension, financial inclusion.

According to those interviewed, MFIs in Addis Ababa engage in group borrowing as well as lending through co-guaranteed loans, membership self-screening and choosing, and peer oversight of acquired loans. These practices are critical to group lending and, as a result, helpful in promoting financial inclusion. In general, the respondents to the interviews indicated that MFIs offer small financial assistance to people who do not have a connection with bank services and that group lending is their primary lending approach.

Group lending helps close the discrepancies for the underprivileged and serves as a tool for promoting financial inclusion, as demonstrated by the respondents to the interviews, which indicates a direct correlation between collective lending and financial inclusion in MFIs in Addis Ababa. Group lending enables MFIs clients or borrowers to get loans with no security through co-guarantee loans, self-screening and choosing group participants, and peer oversight of borrowed loans. The results corroborate research by Dar and Ahmed (2020) and Kaul et al. (2020), which found that insofar as the repayment of loans and default are concerned, group members' capacity to self-screen and subsequently self-qualify independently of microfinance organizations is crucial.

4.4.2. Small Business Lending and Financial Inclusion

The findings in Table 4.6 beneath show that the small business lending elements had an average mean score within 3.76 and 3.93 with an average standard deviation within 0.61 and 0.66, as reported by the clients of MFIs in Addis Ababa. This suggested that the customers of MFIs in Addis Ababa have agreed (because the mean lies between 3.40 and 4.20 as shown in Table 4.4 above) on the four small business lending items described in Table 4.6 below were increasing the roles of MFIs in financial inclusion highly. In addition, all four examinations with mean responses more than three and standard deviations less than one show that the consumer's views of the presented issues are consistent.

Table 4.6 below also showed that Addis Ababa's MFI clients concurred that the town's microfinance sector's financing to small-scale companies is growing and that the MFIs are worried about the prosperity of local small enterprises. Clients of microfinance institutions

(MFIs) in Addis Ababa also concurred that MFIs provide speedy lending at greater rates of interest than conventional financial institutions and are constantly experimenting with their products and offerings for small companies.

Table 4.6: Descriptive Statistics of Small Business Lending and Financial Inclusion

Code	Remarks Regarding Small Business Financing	Mean	SD
SBL1	Funding to small-scale enterprises is growing in the microfinance industry.	3.88	0.66
SBL2	These days, MFIs are worried about smaller firms' survival.	3.93	0.64
SBL3	MFIs are always coming out with new goods and services to cater to small-scale enterprises.	3.76	0.61
SBL4	If you comparing MFIs with conventional banks, MFIs offer faster loans at greater rates of interest.	3.85	0.66
Combined Statistics		3.86	0.64

Source: Data from a Survey Results (2023)

The outcome of the descriptive statistics of small business lending items indicated that the customers of MFIs in Addis Ababa revealed that microfinance sector is expanding and MFIs are concerned about the success of small businesses. Furthermore, the results showed that although the microfinance institution constantly innovates its goods and services by providing small businesses with fast loans, they still charge the highest interest rates, which are significantly higher than those of traditional commercial banks.

The majority of Addis Ababa's population consists of economically disadvantaged people as well as small enterprises that lack the ability to access formal financial institutions such as banks. This is where the MFIs in the city come into play, acting as a means of finance for these people and their small enterprises, thereby resulting in the financial inclusion of the city's underserved individuals. The MFI chief operating officers, supervisors, specialists, and development professionals who were interviewed for this project indicated as much. As a result, Addis Ababa's MFIs are primarily built to offer financial services, specifically microloans, to small businesses and disadvantaged and middle-class people. This has led to the financial inclusion of marginalized communities in the city, and the results show that lending to small businesses positively and significantly impacts financial inclusion. The

results corroborate the research of Anokye-Wusu and Owusu-Ansah (2021), who found that the microfinance organization is constantly improving the services and products it offers, including fast loans to small firms in Ghana.

4.4.3. Saving Mobilization and Financial Inclusion

The findings in Table 4.7 below show that the saving mobilization elements had an average mean score in 3.80 and 3.89 with a standard deviation that ranged within 0.60 and 0.70, as reported by the clients of MFIs in Addis Ababa. This demonstrated that the saving mobilization elements listed in Table 4.7 below, which describes the consumers of MFIs in Addis Ababa, are in agreement. It is clear that microfinance offerings have a direct influence on saving mobilization, which in turn affects financial inclusion. In addition, each of the four inquires with means larger than three and standard deviations smaller than one show that the responses of participants of the posed questions are consistent.

Table 4.7: Descriptive Statistics of Saving Mobilization and Financial Inclusion

Code	Remarks Regarding Saving Mobilization	Mean	SD
SM1	The finances from MFIs are kept for further lending	3.83	0.60
SM2	I can put every day's earnings into an account that I have.	3.89	0.65
SM3	I am readily available opening an account for savings with my MFIs.	3.80	0.70
SM4	I receive offers on potential investments.	3.88	0.70
Combined Statistics		3.85	0.66

Source: Data from a Survey Results (2023)

Customers of MFIs in Addis Ababa also concurred, according to Table 4.7 above, that the funds of the MFIs are kept for subsequent lending and that they've got an account in which they can make deposits of the sales they make each day. Customers of MFIs in Addis Ababa also concurred that they are receiving offers on investment opportunities and are eager to set up an account for savings with their MFIs.

The consumers of MFIs in Addis Ababa demonstrated, according to the results of the descriptive statistics of the saving mobilization items, that microfinance facilities have an immediate effect on saving mobilization, which in turn leads to financial inclusion. The biggest effects are shown in the area of micro deposits and clients' readiness to open savings accounts if they have become accessible.

The interviewed respondents indicated that in order to increase their capital the city MFIs are using saving mobilization strategies such as both Voluntary and Compulsory savings. Funds that people or organizations freely contribute or remove are known as voluntary savings. It is offered by the MFIs to both borrowers and non-borrowers and is not a requirement for using credit services. On the other hand, because mandatory savings serve as security for the loan obtained, they are better understood as a component of a loan product than a stand-alone savings product.

The interviewed respondents also indicated that the Ethiopian MFIs have employed mandatory savings to cultivate a saving culture. prior to applying for a loan from an MFI, young people who are prepared to launch micro and small businesses are required to save 20% of the project's total cost pursuant to the five-year micro and small company development plan. Beside this the MFIs in Addis Ababa are using awareness creation meetings and programs to attract more customers to be part of the MFIs by involving them in creating account by saving and have an access to credit.

Regarding the association between saving mobilization and financial inclusion in MFIs of Addis Ababa the interviewed respondents indicated a direct relationship between saving mobilization and financial inclusion. A large number of low-income depositors do not have access to reliable institutions in the city where they could deposit their funds. Microfinance institutions (MFIs) in Addis Ababa facilitate microsavings, allowing those who are poor and impoverished individuals to properly deposit their money and perhaps receive earnings on their investments. This, in turn, leads to the mobilization of savings. To put it another way, the city's MFIs allowed the underprivileged to stash money in a secure location to cover their needs for emergencies, consumption, and liquidity. Additionally, consumers are spending their money on a range of goods that offer safety particularly in trying circumstances like retirement and incapacity. This resulted in inclusion of the poor and the underserved populations in the city and which in turn have a direct association with financial inclusion. This result runs counter to research by Goedecke et al. (2018), which found that many microfinance clients had little to no saving habit. The results also showed that microfinance organizations are performing well in terms of pitching possibilities for investment and providing customers with follow-up loans.

4.4.4. Descriptive Analysis of Financial Inclusion Dimensions

On a scale of 1 to 5, with 1 denoting Strongly Disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree, the respondents were asked to express their degree of agreement with the statements regarding the characteristics of financial inclusion. The table below, Table 4.8, contains the descriptive statistics for the combined replies. The responses of MFI clients in Addis Ababa, as shown in Table 4.8 below, gave the overall dimensions of financial inclusion categories an average mean score ranging from 3.80 to 3.94 with a standard deviation (SD) ranging from 0.65 to 0.70. As seen in Table 4.4 above, this suggested that the clients of MFIs in Addis Ababa were in agreement with the general elements of the financial inclusion aspects. In addition, the six questions with mean responses more than three and standard deviations smaller than one show that participant' opinions of the presented issues are consistent. The results in Table 4.8 below also showed that MFI clients in Addis Ababa concurred that MFIs are enhancing their financial ability, growing points of entry, and developing effective approaches to eradicate people and companies' financial drawbacks.

Table 4.8: Descriptive Statistics of Financial Inclusion Dimensions

Code	Statements on Financial Inclusion	Mean	SD
FI1	To facilitate the utilization of accounts for transactions, MFIs are establishing the necessary rules and regulations.	3.94	0.70
FI2	MFIs are expanding access points	3.92	0.66
FI3	MFIs are improving financial capability	3.80	0.69
FI4	MFIs are developing effective strategies to eliminate financial shortcomings of individuals and businesses effectively.	3.82	0.70
FI5	MFIs are concentrating on addressing underprivileged groups, like women and entrepreneurs in rural as well as urban regions.	3.89	0.65
FI6	MFIs are promoting the utilization of financial products and services to shift from financing provision to account usage.	3.86	0.70
Combined Statistics		3.87	0.67

Source: Data from a Survey Results (2023)

The results in Table 4.8 above also showed MFIs are establishing a regulatory environment to facilitate access to transaction accounts. Customers of microfinance institutions (MFIs) in

Addis Ababa also concurred that MFIs prioritize outreach to underprivileged groups, including women and urban as well as rural manufacturers, and they also promote the use of financial products and services to transition from financing accessibility to account usage.

Lastly, the results of the statistical descriptions for the financial inclusion items showed that the clients of MFIs in Addis Ababa concurred that the reason for the rise in financial inclusion is that these institutions are establishing the necessary regulatory framework to facilitate the availability of transaction accounts through the expansion of supply points, enhancement of financial abilities, and creation of practical plans to successfully tackle the financial weaknesses of individuals as well as companies. The survey also showed that MFIs are pushing the use of financial services to transition from access to financing to account use, and they are concentrating on reaching underprivileged groups, such as women and urban or rural producers. The combined statistical outcome with (average=3.87 and SD=0.67) as displayed in Table 4.8 above corroborated this outcome.

According to the respondents to the interviews, MFIs play a role in giving the impoverished access to credit through group lending, borrowing without a guarantee, loan co-guarantees, group self-screening, and peer tracking of received loans. The interviewed respondents also indicated that MFIs play a great role in small business lending and in saving mobilization among those who are not serviced by the formal banks. Moreover, MFIs play a role in poverty alleviation and support economic development among poor, profit generation and financial investment and government policy instruments and humanitarian tool. The respondents to the interviews indicated that the main obstacles preventing the impoverished from obtaining credit services are the stringent and expensive collateral requirements, which they cannot afford, the high cost of small-loan transactions, the exclusion of these individuals from official financial institutions, and the laborious and drawn-out loan application processes. Due to these barriers, the impoverished find it difficult to obtain credit from the larger conventional organizations; therefore, MFIs and SACCOs are the main choice for meeting the financial service requirements of MSE operators in the city. Financial systems must employ creative methods for efficient targeting and credit distribution procedures in order to provide financial products and services to the impoverished and maintain the profitable usage of loans.

4.4.5. The Current Status of MFIs and their Performance

The subsections that follow provide a summary of the main conclusions drawn from the interviews with key informants and secondary sources. Out of the 27 MFIs found in Addis Ababa only 23 of them taken as a sample because of incomplete financial data obtained for analysis and the rest 4 of them that are not included in this study. They include peer group classification, saving mobilization or performance and interview results on MFIs roles, barriers to access to finance and others.

4.4.5.1. Categorization of Peer Groups

By contrasting to other comparable organizations, peer group categorization help MFIs comprehend the comparative patterns and factors in their own financial performance (profitability, efficiency and productivity, as well as scale and outreach). Additionally, it promotes openness, which is essential for enhancing the performance of institutions and expanding availability of a variety of sources of funding for expansion. In this study, the performance of twenty-three MFIs was evaluated according to three factors: age, size (the amount of members), and scope of their operations (gross loan portfolio).

Table 4.9: MFIs Operating in Addis Ababa

No	Name of Microfinance Institution	Date of Establishment
1	Gasha Micro Financing S. Co.	15/05/1998
2	Vision Fund Microfinance Institution S. Co.	17/06/1998
3	Africa Village Financial Services S. Co. (AVFs)	17/06/1998
4	Aggar Micro Finance S.Co.	18/03/2004
5	Digaf Micro Credit Provider S. Co.	28/07/2005
6	Tesfa Micro Finance Institution S. Co.	03/01/2008
7	Lideta Micro Finance Institution S.C.	17/04/2012
8	Kershi Microfinance Institution S.C.	05/06/2017
9	Sheger Microfinance Institution S.C.	10/7/2018
10	Grand Microfinance Institution	24/10/2019
11	Bussa Gonofa Micro Financing S. Co.	24/10/2006
12	Meklit Micro Finance Institution S. Co.	16/02/2000
13	ESHET Micro Finance Institution S.Co.	09/04/1997

14	Metemamen Micro Financing Institution S. Co.	09/04/1997
15	Harbu Micro Financing Institution S. Co.	09/04/1997
16	Lefayeda Credit and Saving S.Co.	02/06/2009
17	Dynamic Micro Finance S. Co.	12/05/2009
18	Nisir Micro Finance Institution S.Co.	07/05/2014
19	Peace Microfinance Share Company	18/11/1999
20	Debo Microfinance Institution S.C.	03/08/2018
21	Yemsirach Microfinance Institution S.C.	23/07/2018
22	KAAFI Microfinance Institution S.C.	18/12/2019
23	Specialized Financial and Promotional Institution S.Co.	25/11/1997

Source: NBE (2023)

a) The Establishment Year

Taking into account the secondary data from Table 4.9 above, the 23 MFIs are categorized into three distinct categories (new, young, and mature) according to the stage of development of their microfinance activities. The gap among the year an MFI began activities and the year it filed its most recent audited financial report is represented by the institution's age, which is shown in Table 4.10 hereunder.

Table 4.10: Classification of MFIs by Age

Classification	Meaning	MFIs Falling within this Classification
New	Not older than 5 years	Sheger, Grand, Debo, Yemsirach and KAAFI
Young	5 to 8 years	Nisir and Kershi
Mature	More than 8 years	Gasha, Vision Fund, Aggar, Digaf, Tesfa, Lideta, Bussa Gonofa, Meklit, Eshet, Metemamen Harbu, Lefayeda, Dynamic, Peace and *SFPI

Note: * Specialized Financial and Promotional Institute.

Source: Researcher's Computation from Reports of NBE and AEMFI (2023)

As shown in Table 4.10 above from the total of 23 MFIs operating in Addis Ababa only five have experience less than or equal to five years and considered new, two MFIs have operating experience five to eight years and considered young and the rest 16 MFIs have operating experience more than eight years. The outcome showed that most of the MFIs

operating in Addis Ababa had operating experience more than eight years or simply they are classified as mature MFIs.

b) Size (Amount of Customers or Borrowers)

The overall amount of customers serviced by MFIs is used to gauge reach. Three categories exist for MFIs: small, medium, and large. Table 4.12 provides a definition for these.

Table 4.11: Customers Performance at MFIs (Credit Outreach)

No.	Name	No. of Active Borrowers	No. of Women Borrowers	Loans Outstanding
1	Aggar	20,185	6,686	431,212,416
2	AVFs	16,261	9,507	25,896,713
3	Bussa Gonofa	96,032	64,962	228,300,297
4	Digaf	1,316	728	1,811,182
5	Eshet	21,825	8,372	75,840,115
6	Gasha	7,854	1,155	25,071,641
7	Harbu	41,695	18,119	150,663,106
8	Grand	2,319	915	9,207,753
9	Meklit	10,107	4,449	139,528,425
10	Metemamen	29,003	17,572	216,962,472
11	PEACE	26,937	18,140	190,811,863
12	SFPI	36,075	19,665	304,371,074
13	Kershi	5,151	1,968	41,565,156
14	Vision Fund	197,418	98,318	1,187,280,972
15	KAAFI	13,253	6,809	135,148,238
16	Lefayeda	1,496	635	1,696,719
17	Dynamic	1,215	774	1,347,454
18	Sheger	17,632	2,593	63,622,405
19	Tesfa	1,381	566	1,576,641
20	Lideta	4,353	3,216	12,759,201
21	Nisir	1,020	332	69,778,216
22	Yemsirach	2,578	1,461	13,385,898
23	Debo	1,330	651	2,130,194
Total		556,436	287,594	3,329,968,151

Source: AEMFI (2023)

Pursuant to the AEMFI, as indicated in Table 4.11 above, the 23 MFIs in Addis Ababa provided credit to 556,436 customers in 2023. One of the biggest MFIs, Vision Fund, is responsible for 35% of the total customers. Together, Vision Fund and Bussa Gonofa, the two biggest MFIs, represented 53% of the total number of customers.

The MFIs in Addis Ababa that fall into the small category are those that have fewer than 15,000 borrowers who are active overall; those that fall into the medium category are those that have within 15,001 and 50,000 current customers overall; and the final group is the large group, which includes MFIs that have more than 50,000 present borrowers overall.

Table 4.11 above and Table 4.12 below present the secondary data that were used in the study to define the peer categories of MFIs according to the amount of borrowers. One third of Addis Ababa's MFIs are classified as small, subsequent to eight classified as medium, and two classified as large. Of all the MFIs in the city, roughly thirteen come into the small category. This finding suggested that most of the MFIs in Addis Ababa had a low number of engaged borrowers.

Table 4.12: Classification of MFIs by Size (Number of Borrowers)

Classification	Meaning	MFIs Falling within this Classification
Small	MFIs that have 15,000 or fewer borrowers who are active	Digaf, Gasha, Grand, Meklit, Kershi, KAAFI, Lefayeda, Dynamic, Tesfa, Lideta, Nisir, Yemsirach and Debo
Medium	15,001–50,000 current borrowers are served by MFIs.	Aggar, AVFs, Eshet, Harbu, Metemamen, PEACE, SFPI and Sheger
Large	MFIs having over 50,000 current borrowers	Bussa Gonofa and Vision Fund/Wisdom

Source: Researcher's Computation from Reports of NBE and AEMFI (2023)

c) Scale (Loan Portfolio)

The scope of an MFI's loan portfolio serves as a proxy for institutional scale or gross loan portfolio in this study. As indicated in Table 4.13 below, the total amount or scope of MFIs' portfolios of loans is divided into three categories. The definition of a specific key financial account utilized by MFIs' gross loan portfolio, as per the CGAP (2003), is all outstanding loans from MFIs, comprising existing rescheduled and overdue loans, but does not include

written off loans. The items indicated in Table 4.11 above are not included in interest receivable. According to this definition, the researcher assessed the size of MFIs in Addis Ababa depending on the amount of loans they made. She discovered that, when MFIs were categorized by their peers according to their operational magnitude, they were divided into three categories depending on the gross loan portfolio, including There are two types of MFI classifications in Addis Ababa: small, which includes MFIs with a gross loan portfolio of less than ETB 10 million; approximately 6 MFIs fall into this group; and medium-sized, which includes MFIs with a gross loan portfolio that ranges from ETB 10 and 50 million; approximately 5 MFIs fall into this group. And Twelve MFIs are classified as Large under the most recent categorization system, which relies on gross loan portfolios of more than ETB 50 million. According to this conclusion, most MFIs in Addis Ababa have significant gross loan portfolios, or at the very least, gross loan portfolios totaling more than ETB 50 million.

Table 4.13: Classification of MFIs by Scale (Loan Portfolio)

Classification	Meaning	MFIs Falling within this Classification
Small	MFIs with gross loan portfolios up to but not including ETB10 million	Digaf, Grand, Lefayeda, Dynamic, Tesfa and Debo
Medium	MFIs having a gross loan portfolio ranging from ETB 50 to 10 million	AVFS, Gasha, Kershi, Lideta and Yemsirach
Large	MFIs that have more over ETB 50 million in gross loan portfolio	Aggar, Bussa Gonofa, Eshet, Harbu, Meklit, Metemamen, PEACE, SFPI, Vision Fund, KAAFI, Sheger and Nisir

Source: Researcher's Computation from Reports of NBE and AEMFI (2023)

4.4.5.2. Saving Mobilization or Performance

For emergencies, utilization, and financial needs, the impoverished can save money in a secure location. Customers can purchase a range of security-enhancing devices, particularly in trying circumstances like retirement or incapacity. The MFIs in Addis Ababa employed both mandatory and voluntary savings, as shown in Table 4.14 below. The result indicated as of December 2022 the MFIs in Addis Ababa accumulated 1.5 billion birr in saving mobilization out of this more than 968 million birr in voluntary savings and more than 559

million birr in compulsory savings. This result indicated that the MFIs in Addis Ababa used more of voluntary savings rather than compulsory savings to mobilize saving in the city and that can result less burdensome to the customer, but are still not optimal.

Table 4.14: Saving Performance of MFIs in Addis Ababa

No.	Name	Voluntary Saving	Compulsory Saving	Total Saving
1	Aggar	99,401,707	50,515,425	149,917,132
2	AVFs	1,273,736	9,283,145	10,556,881
3	Bussa Gonofa	5,271,440	36,404,783	41,676,223
4	Digaf	1,471,630	802,145	2,273,775
5	Eshet	21,744,713	12,787,954	34,532,667
6	Gasha	10,271,790	7,506,034	17,777,824
7	Harbu	30,342,222	26,522,498	56,864,720
8	Grand	1,029,733	1,716,490	2,746,223
9	Meklit	20,969,467	31,445,171	52,414,638
10	Metemamen	78,100,166	32,703,971	110,804,137
11	PEACE	23,045,149	60,173,016	83,218,165
12	SFPI	80,204,525	61,427,857	141,632,382
13	Kershi	7,248,263	4,864,070	12,112,333
14	Vision Fund	353,147,418	178,919,467	532,066,884
15	KAAFI	61,581,803	12,060,092	73,641,895
16	Lefayeda	2,094,957	245,872	2,340,829
17	Dynamic	1,815,249	1,200,753	3,016,002
18	Sheger	15,882,464	16,664,620	32,547,084
19	Tesfa	1,120,485	873,021	1,993,506
20	Lideta	4,241,747	2,890,017	7,131,764
21	Nisir	142,884,361	5,552,432	148,436,793
22	Yemsirach	4,365,947	4,076,494	8,442,441
23	Debo	1,134,188	798,500	1,932,688
Total		968,643,158	559,433,825	1,528,076,983

Source: AEMFI (2023)

As shown in Table 4.14 above the contribution of Vision Fund in terms of domestic savings mobilization was 35% in Addis Ababa. Loan outreach has increased since 2017.

According to the respondents to the interviews, MFIs are usually viewed as a tool for bridging existing divides for the disadvantaged and promoting financial inclusion. This is why MFIs are typically created to offer small enterprises and low- and middle-class persons financial services, especially microloans. There are at present 27 MFIs in Addis Ababa. 23 MFIs service 556,436 customers with accounts and over half a million borrowers who have taken out outstanding loans totaling 3.3 billion Birr (a 14% yearly increase), based on a report provided by the NBE on the performance of MFIs in the fiscal year 2022–2023.

In addition, the people surveyed said that the city's microfinance industry is doing well thus far. Nevertheless, the demand for credit cannot be met by the MFIs' current capacity due to the overwhelming need for financial services. The MFIs operating in Addis Ababa are unable to meet the need for consumption loans and the demand from SMEs.

4.5. Findings from Inferential Statistics

The findings of statistical inference were shown in this subsection. The analyses of regression and Pearson's Product Moment Correlation Coefficient were carried out with the goal to meet the goals of the investigation. Recommendations and conclusions regarding the objectives and inquiries of the research were established with the use of these statistical approaches.

4.5.1. Pearson Correlation Analysis

To quantify the connection between independent and dependent variables, correlation analysis is employed. The matrix of correlations of the constructs, which provides preliminary proof of an association among parameters, is generated in the next subsection. The simplest and most common technique for summarizing the magnitude and trend of an association among two variables is the Pearson coefficient of correlation.

The correlation coefficients ought to regularly fall between -1 and +1. The dependent variable (financial inclusion) and the independent variables' dimensions (group lending, small business lending, and saving mobilization) have a perfect negative association when the value is -1. A correlation coefficient of 0 denotes no association at all among the

independent and dependent variables, whereas a Pearson correlation value of +1 denotes an ideal positive association among the independent and dependent variables. A general guideline about the degree of association among the coefficients is shown in Table 4.15 below.

Table 4.15: A General Guideline about the Degree of Association

Range of Correlation Coefficient	Correlation Coefficient Description of Strength
±0.81 to ±1.00	Very Strong
±0.61 to ±0.80	Strong
±0.41 to ±0.60	Moderate
±0.21 to ±0.40	Weak
±0.00 to ±0.20	None

Source: Bhattacharjee (2012)

Group Lending (GL) and Financial Inclusion (FI) have the strongest association ($r = 0.809$), which is significant at the 0.01 level ($P < 0.01$), as Table 4.16 below makes evident. Bhattacharjee (2012) reports that there is a very substantial and positive association among Financial Inclusion (FI) and Group Lending (GL) in Table 4.16. Table 4.16 shows that there is a substantial and positive association ($r = 0.808$) among Saving Mobilization (SM) and Financial Inclusion (FI), which is significant at the 0.01 level ($P < 0.01$). Lastly, Small Business Lending (SBL) and Financial Inclusion (FI) have the third-highest association ($r = 0.802$), and it is significant at the 0.01 level ($P < 0.01$). Bhattacharjee (2012) asserts that there is a substantial and favorable relationship among them. This suggests that Group Lending (GL), Saving Mobilization (SM), and Small Business Lending (SBL) were shown to have a significant and beneficial link with Financial Inclusion (FI) in the research area at a 1 % significance level. This finding aligns with the findings of Chen and Yuan (2021) as well as Dar and Ahmed (2020), who found a clear correlation among Financial Inclusion (FI), Small Business Lending (SBL), Saving Mobilization (SM), and Group Lending (GL).

Table 4.16: Correlation Coefficient Matrix

Correlations				
	FI	GL	SBL	SM
FI	1			
GL	.809**	1		
SBL	.802**	.662**	1	
SM	.808**	.675**	.733**	1
**At the 2-tailed 0.01 significance level, the correlation is significant.				
FI = Financial Inclusion, GL = Group Lending, SBL = Small Business Lending, SM = Saving Mobilization				

Source: Data from a Survey Results (2023)

4.5.2. Multiple Linear Regression Analysis

The forecasting capacity of the parameters under inquiry was evaluated in this study using multiple linear regression analysis to determine the impact of the association among the independent variables dimensions (i.e., group lending, small business lending and saving mobilization) on the dependent variable, which is financial inclusion in MFIs of Addis Ababa. SPSS version 23 was used to compute the multiple regression measurements. Multiple regression analysis forecasts or explains variance in a dependent variable by utilizing independent and dependent variables. The value of the coefficient of determination, commonly referred to as R square (Hair et al., 2010), measures the extent of the influence on the dependent variable; the larger the value of the coefficient, the greater the impact of the independent variable on the dependent variable. The investigator may contrast the relative importance of every variable that is independent by using the beta scores for each of them. The unstandardized and standardized coefficients for a variety of regression equations are presented in this research, and the observations are predicated on the unstandardized coefficients for every variable.

4.5.2.1. Multivariate Regression Presumptions

Each of the following presumptions were verified before the model of regression was run:

The Number of Observations and Its Autonomy

The minimal quantity of samples for multiple regression was determined to be $50 + 8 * 3 = 50 + 24 = 74$ using a method by Tabachanick and Fidell (2007) of $N > 50 + 8 * m$ (where m

= the amount of independent variables) and with $m = 3$ since there were 3 independent variables employed. Regression analysis was accordingly judged appropriate for testing the investigation's questions and objectives because 312 participants were included in the study. In order to obtain adequate variances, the investigator ensured that the surveys would be completed by multiple those surveyed, so ensuring a separate set of observations.

Test of Normalcy

By analysing the data's skewness and kurtosis, the distribution's level of normalcy was evaluated (Kothari, 2008). According to Kothari (2008), a severe skew-index value of 3.0 or more indicates a very skewed variable, while a severe kurtosis index of 8.0 or higher indicates an excessive kurtosis. According to Hair et al. (2010), the smallest amount that the premise of normalcy is violated is when an index is less than an absolute value of 2.0 for skewness and an absolute value of 7.0 for kurtosis. As demonstrated in Table 4.17 below, the outcomes of the test of normality for the dependent and independent variables showed skewness and kurtosis in the range of -1 and +1. This suggests that the normalcy requirement was met. It was determined that the data may be used for inferential analysis as a result.

Table 4.17: The Research Parameters' Test of Normality

Variables	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Group Lending	312	-0.032	.138	-0.945	.275
Small Business Lending	312	-0.262	.138	0.052	.275
Saving Mobilization	312	0.124	.138	-0.523	.275
Financial Inclusion	312	0.044	.138	-0.582	.275

Source: Data from a Survey Results (2023)

Test of Linearity

Utilizing the Pearson's correlation coefficient, the investigation examined whether there was a linear association among the independent and dependent variables. The findings are shown in Table 4.18 below.

Table 4.18: Outcomes of the Linearity Assessment

		Test Outcomes	In Summary
Group Lending	Pearson Correlation	.809**	Linear Relationship
	Sig. (2-tailed)	.000	
	N	312	
Small Business Lending	Pearson Correlation	.802**	Linear Relationship
	Sig. (2-tailed)	.000	
	N	312	
Saving Mobilization	Pearson Correlation	.808**	Linear Relationship
	Sig. (2-tailed)	.000	
	N	312	

Source: Data from a Survey Results (2023)

Multicollinearity

In accordance with the Variance Inflation Factor (VIF) and its inverse tolerances, testing was carried out to determine regardless of multicollinearity could pose a significant barrier to the study. The tests' outcomes are shown in Table 4.19 down below. The VIF for each of the predictor elements was less than 10. Since the explanatory factors lacked strong correlation, there was no reason for concern. Regression analysis could be used to test the predictions using this set of data.

Table 4.19: Outcomes of the Multicollinearity Measures

Variables	Tolerance	VIF	Remark
Group Lending	0.484	2.066	Absence of multicollinearity
Small Business Lending	0.412	2.430	Absence of multicollinearity
Saving Mobilization	0.399	2.504	Absence of multicollinearity

Source: Data from a Survey Results (2023)

Three predictors of multiple linear regression models were put forth in an effort to determine the most effective collection of predictors of Financial Inclusion (FI). Group Lending (X_1), Small Business Lending (X_2) and Saving Mobilization (X_3), were the three predictor variables. The following formula represented the suggested multiple linear regression framework:

$$Y(\text{FI}) = \beta_0 + \beta_1(X_1) + \beta_2(X_2) + \beta_3(X_3) + \varepsilon$$

The R-squared and Adjusted R-squared statistics of the model were 0.821 or (82.1%) and 0.819 or (81.9%), accordingly, as can be seen in the regression model description of Table 4.20 below.

Table 4.20: Overview of the Regression Analysis Framework

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.906 ^a	.821	.819	1.38541
a. Predictors: (Constant), Saving Mobilization, Group Lending, Small Business Lending				
b. Dependent Variable: Financial Inclusion				

Source: Data from a Survey Results (2023)

Group lending, small business lending, and saving mobilization were among the independent variables with an 82.1% predictive effect on alterations to the dependent variable (financial inclusion). The study's independent variables accounted for 81.9% of the variation in the dependent variable (FI), according to the Adjusted R-squared result. Therefore, the remainders of 18.1% of the alterations in the dependent variable (FI) were caused by other causes outside the purview of the aforementioned model or research.

The F-statistics and probability (F-statistics) for the regression are displayed in Table 4.21 below, which is the ANOVA outcome. The null hypothesis of the F-statistic, according to which the Adjusted R-squared is equal to zero, failed at the 1% level of relevance. Substantial statistical importance is shown by the F-value of 0.000, which improved the model's validity and dependability. This indicates that there is a direct correlation among each of the three predictor elements (group lending, small business lending, and saving mobilization) and financial inclusion (FI), as the slope of the computed linear regression model line is larger than zero. This suggests that Financial Inclusion (FI) is significantly predicted by each of the three explanatory factors.

Table 4.21: The ANOVA Outcomes

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2706.218	3	902.073	469.983	.000 ^b
	Residual	591.166	308	1.919		
	Total	3297.385	311			
a. Dependent Variable: Financial Inclusion						
b. Predictors: (Constant), Saving Mobilization, Group Lending, Small Business Lending						

Source: Data from a Survey Results (2023)

The results of the widely used multiple regression method (see Table 4.22 below) showed that Financial Inclusion (FI) could be explained by all three independent or predictor elements. Alternatively, every independent variable had a significant impact on the variance in the dependent variable Financial Inclusion (FI). The regression coefficients in Table 4.22 below were considered substantial at the 95% level, yielding an alpha value of 5%. As a consequence, the unstandardized beta coefficients for Group Lending, Small Business Lending and Saving Mobilization were 0.427, 0.483, and 0.465 accordingly from the regression result. According to Table 4.22 below, the predicted model looked like this:

$$Y(FI) = 0.343 + 0.427X_1 + 0.483X_2 + 0.465X_3$$

Table 4.22: Examining the Regression Model's Parameter Evaluation

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.343	.620		.553	.581		
	GL	.427	.038	.387	11.167	.000	.484	2.066
	SBL	.483	.058	.312	8.287	.000	.412	2.430
	SM	.465	.056	.319	8.348	.000	.399	2.504
a. Dependent Variable: Financial Inclusion								
FI = Financial Inclusion, GL = Group Lending, SBL = Small Business Lending, SM = Saving Mobilization								

Source: Data from a Survey Results (2023)

According to Table 4.22's unstandardized beta coefficients of the regression model, Small Business Lending has the most, statistically significant, beneficial effects on Financial Inclusion ($\beta_2 = 0.483$, $t = 8.287$, $p < 0.05$). This indicates that Financial Inclusion will rise by 0.483 for every unit increase in Small Business Lending. This implies that in order to improve the financial inclusion of the clients of Addis Ababa's MFIs, the administrators of those institutions should focus more on lending to small businesses. Second, and significantly and favorably suggesting that Saving Mobilization has an impact on Financial Inclusion, are the unstandardized beta coefficients of Saving Mobilization ($\beta_3 = 0.465$, $t = 8.348$, $p < 0.05$). According to this, there will be a 0.465 increase in financial inclusion for every unit increase in saving mobilization. Lastly, with $\beta_1 = 0.427$, $t = 11.167$, $p < 0.05$, Group Lending showed the lowest positive and significant value to affect Financial Inclusion. Findings showed that there is a 0.427 unit increase in Financial Inclusion for every single unit increase in Group Lending.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The following section includes an overview of the results, conclusions from the analytical section, and suggestions from the investigator on how to enhance the contribution of MFIs to financial inclusion in Addis Ababa.

5.2. An Overview of the Results

The purpose of this study was to look into how MFIs contribute to financial inclusion in Addis Ababa. 384 questionnaires were given out to the population's chosen MFI clients with the objective to gather primary data; only 312 of the 384 completed questionnaires were received, completed, and subjected to sample random sampling techniques for analysis. The purposeful sampling approaches were employed to choose 10 MFIs' top executives, supervisors, professionals, and development professionals for key informant interviews, out of the 23 MFIs that were identified in Addis Ababa.

The outcomes of the group lending descriptive statistics showed that the capacity to obtain funds with no a guarantee, co-guarantee loans, member self-selection and screening, and peer monitoring of borrowed loans were all highly valued features of the group lending process, and consequently of financial inclusion, by the clients of MFIs in Addis Ababa. In addition, the outcomes of the interviews indicated that the MFIs in Addis Ababa engage in group borrowing or lending through co-guarantee loans, member self-screening and selection, and peer monitoring of borrowed loans. These practices are crucial for group lending and, as a consequence, helpful in promoting financial inclusion. This result is consistent with research by Kaua et al. (2020) and Dar and Ahmed (2020).

According to the descriptive statistics on small business lending, the clients of microfinance institutions (MFIs) in Addis Ababa demonstrated that the sector is growing and that it cares about the prosperity of small businesses. It is constantly innovating its product and service delivering by providing small businesses with fast loans; however, the interest rates charged by these institutions are the highest, surpassing even those of conventional commercial

banks. Since the majority of people living in Addis Ababa are impoverished and economically disadvantaged as well as small businesses without having access to financing from banks and other officially recognized financial institutions, the MFIs in the city are used as a source of finance for these groups of people as well as small businesses themselves, according to the top executive officers, supervisors, specialists, and development professionals who were interviewed about the MFIs. This finding demonstrated how small company loans led to the underprivileged people in the city being financially included. The findings of Anokye-Wusu and Owusu-Ansah (2021) corroborated this conclusion.

In regards to the outcome of the descriptive statistics regarding the mobilization of savings among MFI clients in Addis Ababa, it was found that the services provided by MFIs directly influence the mobilization of savings, which in turn affects financial inclusion in the context of micro-deposits and client willingness to open an account. In addition, the results showed that MFIs are succeeding in marketing investment possibilities and client-referral loans. According to the participants to the interviews, the MFIs in Addis Ababa offer microsavings to help the underprivileged and impoverished deposit their cash securely while offering them the chance to get a return on their investments, which ultimately leads to the mobilization of savings. To put it another way, the city's MFIs allowed the underprivileged to stash money in a secure location to cover their needs for emergencies, use, and liquidity. This result runs counter to research by Goedecke et al. (2018), which found that many microfinance clients had little to no saving culture.

The findings of the descriptive statistics on financial inclusion revealed that the clients of microfinance institutions (MFIs) in Addis Ababa demonstrated that the rise in financial inclusion can be attributed to the MFIs' establishment of a regulatory framework through the expansion of the availability of access points, enhancement of their financial capabilities, and creation of efficient plans to eradicate the financial limitations of both individuals and enterprises. The city's MFIs are also concentrating on targeting underprivileged groups, like women and entrepreneurs in both urban and rural areas. They are also pushing people to use financial services, moving from financing access to account usage. This result is consistent with the research that Chikalipah (2018) conducted.

In accordance with their age, volume (the amount of borrowers), and scope of operations (gross loan portfolio), the 23 MFIs in Addis Ababa were evaluated for performance. The bulk of MFIs in Addis Ababa are categorized as mature MFIs since they have been in operation for more than eight years and have a sizable gross loan portfolio, with most of them totaling greater than ETB50 million. However, their number of current borrowers is relatively low. The 23 MFIs in Addis Ababa provided loans to 556,436 consumers in 2023, according to the AEMFI. One of the biggest MFIs, Vision Fund, is responsible for 35% of all borrowers. The two biggest MFIs, Vision Fund and Bussa Gonofa, constituted 53% of the overall subscriber base.

Concerning the saving mobilization or performance as of December 2022 the MFIs in Addis Ababa accumulated 1.5 billion birr in saving mobilization out of this more than 968 million birr in voluntary savings and more than 559 million birr in compulsory savings. This result indicated that the MFIs in Addis Ababa used more of voluntary savings rather than compulsory savings to mobilize saving in the city and that can result less burdensome to the customer, but are still not optimal. Besides the contribution of Vision Fund in terms of domestic savings mobilization was 35% in Addis Ababa.

According to the study, MFIs play a crucial role in giving those who are impoverished access to finance through group lending, collateral-free borrowing, peer monitoring of loans, group self-screening, and loan co-guaranteeing. The study also showed that MFIs are very important for financing to small businesses and encouraging those who are not served by traditional banks to save money. Moreover, MFIs play a role in poverty alleviation and support economic development among poor, profit generation and financial investment and government policy instruments and humanitarian tool.

According to the study, the main obstacles that prevent the impoverished from obtaining credit services are stringent and expensive requirements for collateral, which they are unable to afford, high fees for transactions related to small loans, the exclusion of these individuals from formal financial institutions, and laborious and drawn-out approval processes.

According to MFIs' current performance in the 2022–2023 fiscal year, 23 MFIs provide services to 556,436 account holders and more than 500,000 borrowers who have taken out 3.3 billion Birr in outstanding credit. This suggested that the city's microfinance industry is

doing well thus far. Nevertheless, the demand for credit cannot be met by the MFIs' current capacity due to the overwhelming need for financial services. The MFIs operating in Addis Ababa are unable to meet the need for consumer credit and the demand from SMEs.

Small business lending has the biggest significant and beneficial impact on financial inclusion ($\beta_2 = 0.483$, $t = 8.287$, $p < 0.05$) in the regression analysis among the significance of MFIs dimension and financial inclusion. Savings mobilization comes in second with $\beta_3 = 0.465$, $t = 8.348$, $p < 0.05$), and group lending has the least positive and significant impact to have an effect on financial inclusion ($\beta_1 = 0.427$, $t = 11.167$, $p < 0.05$). Additionally, all three of the MFIs' functions substantially explained the variances in financial inclusion among the MFIs in Addis Ababa by 81.9%; however, other variables beyond the purview of this study account for the remaining 18.1% of the variance in financial inclusion.

5.3. Conclusions

This study's primary goal was to look into how MFIs contribute to financial inclusion in Addis Ababa. The study's findings led to the subsequent deductions:

The primary lending approach of the MFIs in Addis Ababa is group lending, and they offer small loans to people who don't have accessibility to banking services. Co-guarantee loans, member self-screening and selection, and peer monitoring of borrowed loans were employed in group lending or borrowing, which is helpful for financial inclusion.

The MFIs in Addis Ababa are primarily created to offer financial services, specifically microloans, to small businesses and disadvantaged to middle-class people in general. This has led to the financial inclusion of marginalized communities in the city, and small business lending has a major and beneficial effect on financial inclusion.

The MFIs in the city are mobilizing funds through tactics including mandatory and voluntary savings in order to raise their capital. The Ethiopian MFIs have employed mandatory savings to cultivate a saving culture. Additionally, the MFIs in Addis Ababa are utilizing awareness-raising campaigns to get new clients to join them by giving them access to credit and encouraging them to open accounts. This led to the impoverished and underprivileged communities in the city being mobilized to save, or included, and this has a direct correlation with financial inclusion.

As of December 2022 the MFIs in Addis Ababa accumulated 1.5 billion birr in saving mobilization out of this more than 968 million birr in voluntary savings and more than 559 million birr in compulsory savings. Therefore, the MFIs in Addis Ababa used more of voluntary savings rather than compulsory savings to mobilize saving in the city. Furthermore, the contribution of Vision Fund in terms of domestic savings mobilization was 35% in Addis Ababa.

In Addis Ababa, MFIs play a crucial role in giving the underprivileged access to finance through group lending, collateral-free borrowing, peer monitoring, group self-screening, and loan co-guaranteeing. Also the MFIs play a great role in small business lending, saving mobilization, in poverty alleviation and support economic development among poor, profit generation and financial investment and government policy instruments and humanitarian tool.

The main obstacles that prevent the impoverished from obtaining credit services are the stringent and expensive requirements for collateral, the costly nature of small-loan transactions, the exclusion of official banking institutions, and the laborious and drawn-out loan application processes. Financial systems must employ creative methods for proper targeting and credit distribution mechanisms in order to provide financial products and services to the underprivileged and maintain the productive usage of loans.

As of right now, Addis Ababa's microfinance industry is doing well, according to MFIs' performance. Nevertheless, the need for credit cannot be met by the MFIs' current capacity due to the overwhelming need for financial services. The MFIs operating in Addis Ababa are unable to meet the need for consumption credit and the need from SMEs.

The outcome of the regression indicates that the three functions of microfinance institutions (group lending, small company lending, and mobilizing savings) have a noteworthy and favorable impact on financial inclusion. As a result, it was determined that when the three aforementioned roles of MFIs grow by a specific percentage, financial inclusion will likewise grow by a similar amount. Additionally, this study showed that group lending and saving mobilization were the two MFI characteristics that had the greatest positive and substantial effects on financial inclusion in Addis Ababa's MFIs, after small business lending. Ultimately, all three of the MFIs' functions significantly described the variances in financial

inclusion across the MFIs in Addis Ababa by 81.9%; however, other factors outside the purview of this study account for the remaining 18.1% of the variance in financial inclusion.

5.4. Recommendations

The purpose of this study was to look into how MFIs contribute to financial inclusion in Addis Ababa. After analyzing the data and drawing conclusions, the researcher sent along the following suggestions, which could have an impact on management:

- Savings mobilization and group lending were shown to have a large and good impact on financial inclusion in the MFIs in Addis Ababa, while small business lending was found to have the most impactful function of the MFIs dimensions. In order to boost the financial inclusion of the city's clients, the MFI managers in Addis Ababa must focus their efforts primarily on small company loans.
- In Addis Ababa, the microfinance industry has been crucial in giving those without access to banks' services the ability to obtain credit. MFIs offer small loans through group lending, which is their primary lending technique. The microfinance industry in the city is doing well thus far. However, because of the huge need for financial services, the MFIs' current capacity is unable to meet the need for credit. The demand from SMEs and for consumption loans is more than what the MFIs in Addis Ababa can provide. Therefore, MFI management needs to continuously develop the services and products they offer, such quick loans to small businesses, in order to bring in more money.
- When developing new products and services, MFIs in Addis Ababa must take the demands of the Muslim community in the city into account, as there are currently few items available to fulfill their needs.
- In Addis Ababa, there is a great need for microfinance services. Only roughly 20% of the potential demand of low-income households is currently met by MFIs. This presents MFIs with chances to broaden their reach and provide the underprivileged with demand-driven financial services. Financial inclusion and outreach will surely improve with the development of products and services tailored to the needs of women and the Muslim community, particularly in the area of microfinance.

- Although right now there is relatively little competition among MFIs, among MFIs and formal banks, and among MFIs and SACCOs, this is likely to change in the years to come. Competition need to be viewed as a chance for MFIS to boost productivity, enhance offerings, and draw in new customers.
- With traditional banks offering limited services, some MFIs have developed dramatically. MFIs can participate in universal banking without deviating from their primary objective of offering low-income families financial services.
- Limited outreach is a major problem for MFIs in Addis Ababa, especially when it comes to women. Supply-driven financial solutions, which are not designed with women's needs in mind, contribute to this in part. Female involvement may also be discouraged at MFI by the staff's male preponderance.
- It is important to reconsider the left out of the most disadvantaged and impoverished groups. This may be partially due to the inherent flaws in the group lending process as well as certain MFIs' overemphasis on financial sustainability.
- Since the majority of MFIs in Addis Ababa offer group loans, it would be beneficial for them to keep up this practice in order to attract more clients and lower operating costs per borrower.

REFERENCES

- Abel, B. B. (2020). Financial Inclusion in Burundi: The Use of Microfinance Services in Semi-Urban Areas. *Journal of Economic Development*, 45(3), 101-116.
- Abel, S., Mutandwa, L., & Le Roux, P. (2018). A Review of Determinants of Financial Inclusion. *International Journal of Economics and Financial Issues*, 8(3), 1–8.
- Alemu, B. A. (2006). Microfinancing and Poverty Reduction in Ethiopia. A Paper Prepared under the Internship Program of IDRC, ESARO, Nairobi, 2006.
- Allen, F., Demircuc-Kunt, A., Klapper, L., & Martinez Peria, M. S. (2012). The Foundations of Financial Inclusion: Understanding Ownership and Use of Formal Accounts. Policy Research Working Paper 6290, the World Bank Development Research Group Finance and Private Sector Development.
- Alliance for Financial Inclusion. (2013). *Defining and Measuring Financial Inclusion*. T. Tiriki & I. Faye Eds. African Development Bank Group.
- Alliance for Financial Inclusion. (2017). Defining Financial Inclusion. In *Guideline Note No* (pp. 28). Financial Inclusion Strategy Working Group.
- Alliance for Financial Inclusion. (2022). Enhancing Financial Inclusion in Rural Areas. In *Guideline Note No* (pp. 50). Financial Inclusion Strategy (FIS) Peer Learning Group.
- Altarawneh, Y., Al-Nuaimi, M., & Al-Nimri, A. (2020). The Determinants of Financial Inclusion in Latin America and Europe (Brazil and Romania Case). *Systemic Reviews in Pharmacy*, 11(12), 192–196.
- Al-Sayaad, J., Rabea, A. and Samrah, A. (2006). *Statistics for Economics and Administration Studies*. Dar Hafez, Jeddah: Kingdom of Saudi Arabia.
- Anokye-Wusu, A.G. & Owusu-Ansah, K. (2021). Microfinance Institutions and Financial Inclusion in Ghana. *Research Gate*, 1 – 13.
- Armedáriz, B., & Morduch, J. (2010). *The Economics of Microfinance*. Cambridge, USA: MIT Press.
- Arya, P. K., & Seth, V. K. (2014). Financial Exclusion and Inclusion: An International Perspective. *International Journal of Management, IT and Engineering*, 4(10), 210.
- Awaworyi, C.S. (2018). Sustainability and Depth of Outreach: Evidence from Microfinance Institutions in Sub-Saharan Africa. *Development Policy Review*, 36, 676-695.
- Badar, R., Anwar, S., & Naqvi, S. A. A. (2020). Financial Inclusion and Determinants in South Asian Countries. *Journal of Accounting and Finance in Emerging Economies*, 6(2), 623–633.
- Barajas, A., Beck, T., Belhaj, M., & Naceur, B. (2020). Financial Inclusion: What have we learned so far? What do we have to learn? IMF Working Paper No. WP/20/157, International Monetary Fund.
- Bhattacharjee, A. (2012). *Social Science Research: Principles, Methods, and Practices*. USA: University of South Florida, Global Text Project.
- Bruhn, M., & Love, I. (2014). The Real Impact of Improved Access to Finance: Evidence from Mexico. *The Journal of Finance*, 69(3), 1347–1376.
- Consultative Group to Assist the Poor (CGAP) (2003). Definitions of Selected Financial Terms, Ratios, and Adjustments for Microfinance. Microfinance Consensus Guidelines. Washington, D.C. <http://www.cgap.org/p/site/c/template.rc/1.9.2784>

- Chapagain, R., & Aryal, R. (2018). Microfinance Intervention and Livelihood Status: A Case of Gramin Bikash Bank Limited. *Saptagandaki Journal*, 9, 62-72.
- Chen, W. & Yuan, X. (2021). Financial Inclusion in China: An Overview. *Frontiers of Business Research in China*, 15(4), 1 – 22.
- Chikalipah, S. (2018). Does Micro-Savings Stimulate the Financial Performance of Microfinance Institutions in Sub-Saharan Africa? *Journal of Economic Studies*.
- Chikalipah, S., & Makina, D. (2019). A Survey of Microfinance Institutions and Informal Finance in Africa. In *Extending Financial Inclusion in Africa* (pp. 113-135). Academic Press.
- Chomen, D.A. (2021). The Role of Microfinance Institutions on Poverty Reduction in Ethiopia: The Case of Oromia Credit and Saving Share Company at Welmera District. *Future Business Journal*, 7(44).
- Cobb, J. A., Wry, T., & Zhao, E. Y. (2016). Funding Financial Inclusion: Institutional Logics and the Contextual Contingency of Funding for Microfinance Organizations. *Academy of Management Journal*, 59(6), 2103–2131.
- Cochran, W. (1977). *Sampling Techniques* (3rd ed.). New York: Jhon Wiley & Sons.
- Corbetta, P., (2003). *Social Research: Theory, Methods and Techniques*. Sage.
- Creswell, J. (2009). *Business Research Methods: Qualitative, Quantitative, and Mixed Methods Approaches* (2nd ed.). California: Sage Publisher.
- Dacanay, J. C., Bienvenido, N., & Patricia, B. (2011). Microfinance, Financial Inclusion and Financial Development: An Empirical Investigation with an International Perspective. *Proceedings of the International Conference on Managing Services in the Knowledge Economy, July 13-15, 2011*, pp. 153-173.
- Dar, A. B., & Ahmed, F. (2020). Financial Inclusion Determinants and Impediments in India: Insights from the Global Financial Inclusion Index. *Journal of Financial Economic Policy*.
- Frels, R. K., Onwuegbuzie, A. J., (2013). Administering Quantitative Instruments with Qualitative Interviews: A Mixed Research Approach. *Journal of Counseling and Development*, 91(2), 184–194.
- Gashaw, D., & Gebe, Y. (2017). Financial Inclusion in Ethiopia: Using LSMS (Ethiopia Socioeconomic Survey) data. *Ethiopian Journal of Economics*, XXVI (2), 31–57.
- Gautier, T., Luc, N., & Djimoudjiel, D. (2020). Dynamic Analysis of Determinants of Financial Inclusion in Cameroon. *European Scientific Journal*, 16(36), 1.
- Gebremichael, G.G., & Chawla, A.S. (2016). Outreach and Sustainability of Microfinance Institutions of Ethiopia: A Case Study on Specialized Financial and Promotional Institution (SFPI). *International Journal of Management and Commerce Innovations*, 3(2), 1024-1046.
- Getaneh G. (2005). *Regulating Microfinance in Ethiopia: Making it More Effective*. Amhara Credit and Savings Institution (ACSI) April 2005.
- Giday, H. G. (2023). Financial Inclusion and Its Demand-Side Determinants: Evidence from Ethiopia. *Cogent Economics & Finance*, 11(1), 1 – 28.
- Global Partnership for Financial Inclusion. (2020). G20 2020 Financial Inclusion Action Plan.
- Goedecke, J., Guérin, I., d'Espallier, B., & Venkatasubramanian, G. (2018). Why Do Financial Inclusion Policies Fail in Mobilizing Savings from the Poor? Lessons from Rural South India. *Development Policy Review*, 36, 201-219.

- Gumel, G. B. (2011). Micro Finance Institutions in Nigeria Outreach and Sustainability: Questionnaire Survey Findings. *International Journal of Business and Social Science*, 2(9), 126-129.
- Gupta, S., & Sharma, M. (2021). A Demand-Side Approach to Measuring Financial Inclusion: Going Beyond Bank Account Ownership. Working Paper Series No. WP-2021-05, Dvara Research.
- Gyasi, R. M., Adam, A. M., & Phillips, D. R. (2019). Financial Inclusion, Health-Seeking Behavior, and Health Outcomes among Older Adults in Ghana. *Research on Aging*, 41(8), 794-820.
- Hair, J., Anderson, R., Babin, B., & Black, W. (2010). *Multivariate Data Analysis: A Global Perspective* (7th ed.). Upper Saddle River, NJ: Pearson Education.
- Hanning, A., & Jansen, S. (2010). Financial Inclusion and Financial Stability: Current Policy Issues. Asian Development Bank Institute. Tokyo: ADBI Working Paper Series.
- Hasan, A.A. (2018). Performance Analysis of Microfinance Institutions in Ethiopia. *International Journal of Business and Management Invention (IJBMI)*, 07(04), 55–66.
- Hermes, N., Lensink, R., & Meesters, A. (2018). Financial Development and the Efficiency of Microfinance Institutions. In *Research Handbook on Small Business Social Responsibility*. Edward Elgar Publishing.
- Hess, J., & Klapper, L. (2021). *Financial Inclusion, Women, and Building Back Better*. <https://openknowledge.worldbank.org/ accessed on 10.01.2022>
- İbrahim, B. O., & Rifat, K. A. (2020). Provincial Financial Inclusion in Turkey: Measurement and its Spatial Determinants. *Ege Academic Review*.
- Joshi, P. (2011). Financial Inclusion and Financial Literacy. BI. *OECD Seminar- Roundtable on the Updates on Financial Education and Inclusion Programs in India*, 28, 2011. <https://www.oecd.org/finance/financial-education/48303408.pdf>
- Kaua, C. G., Thenya, T., & Mutune, J. M. (2020). Analysis of Informal Microfinance Institutions Structures in relation to Performance in Tharaka South Sub-county, Kenya. *European Journal of Sustainable Development*, 9(3), 457-457.
- Khan, S. T., Bhat, M. A., & Sangmi, M. U. D. (2020). Impact of Microfinance on Economic, Social, Political and Psychological Empowerment: Evidence from Women's Self-help Groups in Kashmir Valley, India. *FIIB Business Review*.
- Lanie, T. (2017). Demand-Driven Determinants and Self-Reported Barriers to Financial Inclusion in the West African Economic and Monetary Union (WAEMU). *Journal of Economics and International Finance*, 9(11), 120–130.
- Ledgerwood, J. (1999). *Microfinance Handbook: An Institutional and Financial Perspective*. Washington, DC, USA: World Bank.
- Legas, Y. (2010). Performance Evaluation of the Commercial Bank of Ethiopia: Pre and Post Liberalization. *Unpublished MSc Thesis, Department of Accounting and Finance, Mekelle University*.
- Lopez, T., & Winkler, A. (2018). The Challenge of Rural Financial Inclusion—Evidence from Microfinance. *Applied Economics*, 50(14), 1555-1577.
- Massa, I. (2013). *DFIs Support to Financial Inclusion in Africa* (T. Tiriki & I. Faye, Eds). African Development Bank Group.
- Mhlanaga, D., & Denhere. (2020). Determinants of Financial Inclusion in Southern Africa. *Studia Universitatis Babeş-Bolyai Oeconomica*, 65(3), 39–52.

- Milana, C., & Ashta, A. (2020). Microfinance and Financial Inclusion: Challenges and Opportunities. *Strategic Change*, 29(3), 257-266.
- Mohammed, F., Barrowclough, M. J., Kibler, M. L., & Boerngen, M. A. (2020). Measuring Usage of Formal Financial Services as a Proxy for Financial Inclusion. *Agricultural Finance Review*.
- Mohan, R. (2006). Economic Growth, Financial Deepening, and Financial Inclusion. *Reserve Bank of India Bulletin*, 1305.
- Morka, E.M. & Wamatu, J. (2020). Ethiopian Microfinance Assessment Report: A Case for Entrepreneurship Skills Development for Youth in Sheep Fattening. *Working Paper of International Center for Agricultural Research in the Dry Areas (ICARDA)*, October 2020.
- Mugenda, O., & Mugenda, A. (2003). *Research Methods: Qualitative and Quantitative Approaches*. Nairobi: African Centre for Technology Studies (ACTS) Press.
- Náñez Alonso, S. L., Jorge-Vazquez, J., & Reier Forradellas, R. F. (2020). Detection of Financial Inclusion Vulnerable Rural Areas through an Access to Cash Index: Solutions Based on the Pharmacy Network and a CBDC. Evidence-Based on Ávila (Spain). *Sustainability*, 12(18), 7480.
- National Bank of Ethiopia (NBE). (2017). *National Financial Inclusion Strategy*. <http://www.nbe.gov.et>
- National Bank of Ethiopia (NBE). (2022). Annual Report, 2020/21. Addis Ababa.
- National Bank of Ethiopia (NBE) (2023). *Microfinance Institutions: The Need for Capital*. Deep Dive: February 2, 2023, <https://kflip.info/2023/02/02/microfinance-institutions-the-need-for-capital/>
- Ndanshau, O. A., & Njau, E. (2021). Empirical Investigation into Demand-Side Determinants of Financial Inclusion in Tanzania. *African Journal of Economic Review*, IX (I), 172–190.
- Nunnally, J. (1978). *Psychometric Theory* (2nd ed.). New York: McGraw-Hill.
- Ozili, P. K. (2020). Theories of Financial Inclusion. *Munich Personal RePEc Archive*, Paper No. 101810. <https://mpra.ub.uni-muenchen.de/101810/>.
- Özşuca, E. (2019). Financial Inclusion in Turkey: Evidence from Individual Level Data. *Ankara Üniversitesi SBF Dergisi*, 74(4).
- Rashdan, A., & Noura, E. (2020). The Determinants of Financial Inclusion in Egypt. *International Journal of Financial Research*, 11, 1.
- Park, C. Y., & Mercado JR, R. O. (2018). Financial Inclusion, Poverty, and Income Inequality. *The Singapore Economic Review*, 63(01), 185-206.
- Park, C. Y., & Mercado, R. V. (2021). Financial Inclusion: New Measurement and Cross-Country Impact Assessment 1. In *Financial Inclusion in Asia and Beyond* (pp. 98-128). Routledge.
- Rao, K. S., & Baza, A. U., (2017). Barriers to Access to and Usage of Financial Services in Ethiopia. *Business and Economic Research*, 7 (1), 139-149.
- Robinson, M. (2001). *The Microfinance Revolution: Sustainable Banking for the Poor*. Washington, DC: The World Bank.
- Samineni, S., & Ramesh, K. (2020). Measuring the Impact of Microfinance on Economic Enhancement of Women: Analysis with Special Reference to India. *Global Business Review*.
- Sarma, M. (2008). Financial Inclusion and Development: A Cross-Country Analysis.

- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students* (5th ed.). London: Pearson Education Limited.
- Schreiner, M. (2002). Aspects of Outreach: A Framework for Discussion of the Social Benefits of Microfinance. *Journal of International Development*, 14(5), 591-603.
- SEEP Network and Alternative Credit Technologies (2005). Measuring Performance of Microfinance Institutions, A Framework for Reporting, Analysis, and Monitoring. *SEEP Network*, Washington, D.C.
- Seifu A. (2002). The Demand for Micro Credit Services in the Afar National Regional State: The Case of Gewane Woreda. *MSC Thesis of Department of RLDS*.
- Shkodra, J., Ymeri, P. and Ibishi, L., (2021). Role of Microfinance Institutions for Developing Women Entrepreneurship – The Case Study of Kosovo. *Economics and Sociology*, 14(1), 120–129.
- Siddik, M. N. (2017). Does Financial Inclusion Promote Women Empowerment? Evidence from Bangladesh. *Applied Economics and Finance*, 4(4), 169-177.
- Stein, P., Randhawa, B., & Bilandzic, N. (2011). *Toward Universal Access: Addressing the Global Challenge of Financial Inclusion*. International Finance Corporation.
- Tabachnick B., & Fidell L. (2007). *Using Multivariate Statistics* (5th ed.). Boston: Pearson Education.
- Taye, D. (2023). Central Bank Sevenfold Microfinance Capital Threshold. January 21, 2023, from The Reporter.
- Thatsarani, U. S., Wei, J. & Samaraweera, G. R. (2021). Financial Inclusion's Role in Economic Growth and Human Capital in South Asia: An Econometric Approach. *Sustainability*, 13(8), 4303.
- Tiriki, T., & Faye, I. (2013). *Financial Inclusion in Africa*. African Development Bank Group.
- Tuesta, D., Sorensen, G., Haring, A., & Cámara, N. (2015). Financial Inclusion and its Determinants: The Argentine Case. Working Paper No. 15/03, *BBVA Research*.
- United Nations Conference on Trade and Development. (2021). Financial Inclusion for Development: Better Access to Financial Services for Women, the Poor, and Migrant Workers, United Nations.
- Workineh, A. (2022). Understanding Financial Inclusion in Ethiopia. *Cogent Economics & Finance*, 10:1, 2071385.
- World Bank. (2014). *Global Financial Development Report 2014: Financial Inclusion*. <https://doi.org/10.1596/978-0-8213-9985-9>
- World Bank (2017). Global Financial Inclusion (Findex) Database. Retrieved from <https://globalfindex.worldbank.org/>
- World Bank (2018). Understanding Poverty: Overview of Financial inclusion. Retrieved from <https://www.worldbank.org/en/topic/financialinclusion/overview>
- World Bank (2019). Getting Credit Rank. In Doing Business Dataset. Retrieved from <https://datacatalog.worldbank.org/rankgetting-credit-1most-business-friendly-regulations>.
- World Bank. (2020). *Ethiopia Living Standards Measurement Study (2018–2019)*. Microdata.
- World Bank. (2022). Ethiopia: The Path to an Efficient, Stable and Inclusive Financial Sector. Internal Report, Unpublished. World Bank, Washington, DC.

- Yangdol, R., & Sarma, M. (2019). Demand-Side Factors for Financial Inclusion: A Cross-Country Empirical Analysis. *Sage Journals*, 56(2–3).
- Yoshino, N., & Morgan, P. (2016). Overview of Financial Inclusion, Regulation, and Education. ADBI Working Paper 591. Tokyo: Asian Development Bank Institute. <http://www.adb.org/publications/overview-financial-inclusion-regulation-and-education/>
- Zeller, M., & Meyer, R. L. (Eds.). (2002). The Triangle of Microfinance: Financial Sustainability, Outreach, and Impact, *International Food Policy Research Institute*, Washington, D.C.
- Zins, A., & Weill, L. (2016). The Determinants of Financial Inclusion in Africa. *Review of Development Finance*, 6(1), 46–57.

APPENDIX

Appendices 1: Questionnaires

Addis Ababa University

College of Business and Economics

Department of Accounting and Finance

Dear respondent,

Meron Jemal, an Addis Ababa University student, is conducting this research to partially meet the criteria for a master's degree in accounting and finance. I'm working on a study called "The Role of Microfinance in Financial Inclusion in Addis Ababa City" right now. I would want to respectfully request that you be considered as one of the most excellent and respectable respondents chosen for this study.

In order to provide a representative finding on the present situation of The Role of Microfinance in Financial Inclusion in Addis Ababa City, do help me by providing accurate and comprehensive information.

The questionnaire is private, and taking part is 100% voluntary.

In conclusion, I hereby certify that whatever information you choose to share with me will remain private and be utilized exclusively for academic purposes. No reply from a specific person will be recognized as such, and the respondent's identity will not be disclosed to the public or publicized. All data will only be utilized for academic research.

With best regards,

Meron Jemal

Guidelines

1. You don't have to write your name
2. Put a tick mark (√) in the relevant block to show your answers to statements in the Likert scale style and questions with multiple choices.

Note: You can reach the investigator at the subsequent address if you need any more questions, remarks, or explanations:

Name: Meron Jemal

Mobile: 0912706000

E-mail: mamisha1270@gmail.com

I sincerely appreciate the time you have and crucial assistance in advance.

Part I: Participants' Socioeconomic Backgrounds

Kindly enclose the preferred letter

1. Gender
 - a. Male
 - b. Female
2. Age
 - a. 20-29 years
 - b. 30-39 years
 - c. 40-49 years
 - d. Above 50 years
3. Marital status
 - a. Married
 - b. Single
 - c. Divorced
 - d. Widowed
4. Level of education
 - a. Certificate and below
 - b. Diploma
 - c. First degree
 - d. Master's degree and above
5. Monthly income (in Ethiopian Birr)
 - a. 2001-4000 birr
 - b. 4001-6000 birr
 - c. 6001-8000 birr
 - d. Above 8000 birr

Part II: Reasons for Joining Microfinance and Years of Patronage

Kindly enclose the preferred letter

6. Reasons for joining microfinance
 - a. Quick loans
 - b. Less paperwork
 - c. No collateral
 - d. Come down to my level
 - e. No particular reason
 - f. Others
 - g. No response
7. Years of patronage (support)
 - a. 0-4 years
 - b. 5-9 years
 - c. 10 years and above
 - d. No response

Part III: Role of Microfinance Institutional Services on Financial Inclusion

The following is an overview of the key variables influencing the role of institutional services for microfinance in financial inclusion practices. Kindly specify the extent to which your microfinance takes these variables into account. Once you've gone over each factor, consider how it relates to your microfinance and mark (√) the options that apply. In this case, 1 is strongly disagree, 2 is disagree, 3 is unsure, 4 indicates agree and 5 is highly agree. Please check the following statements to see how much you agree with them.

Group Lending and Financial Inclusion

Code	Remarks Regarding Group Lending	1	2	3	4	5
GL1	Making more informed choices while maintaining financial resources is aided by services provided by microfinance.					
GL2	I see group lending as an important means of borrowing money without collateral					
GL3	Participants of the collective make certain that every individual pays back their loan by co-guaranteed it for one another.					
GL4	Ensuring that group members assume whole accountability for repaying loans can be achieved by letting them choose and self-screen applicants rather than the MFIs.					
GL5	Peer tracking is an efficient way to ensure that loans are returned.					

Small Business Lending and Financial Inclusion

Code	Remarks Regarding Small Business Financing	1	2	3	4	5
SBL1	Funding to small-scale enterprises is growing in the microfinance industry.					
SBL2	These days, MFIs are worried about smaller firms' survival.					
SBL3	MFIs are always coming out with new goods and services to cater to small-scale enterprises.					
SBL4	If you comparing MFIs with conventional banks, MFIs offer faster loans at greater rates of interest.					

Saving Mobilization and Financial Inclusion

Code	Remarks Regarding Saving Mobilization	1	2	3	4	5
SM1	The finances from MFIs are kept for further lending					
SM2	I can put every day's earnings into an account that I have.					
SM3	I am readily available opening an account for savings with my MFIs.					

SM4	I receive offers on potential investments.					
------------	--	--	--	--	--	--

Part IV: Financial Inclusion Dimensions

The following is a list of the Financial Inclusion Dimensions items. Please specify the extent to which your microfinance institution has adopted these Financial Inclusion Dimensions items. Once you have looked about each of these characteristics, consider how they apply to your case and mark (√) the options that best fit your needs. Where 1 indicates strongly disagree, 2 indicates disagree, 3 indicates neutral, 4 indicates agree, and 5 indicates strongly agree.

Financial Inclusion Dimensions

Code	Statements on Financial Inclusion	1	2	3	4	5
FI1	To facilitate the utilization of accounts for transactions, MFIs are establishing the necessary rules and regulations.					
FI2	MFIs are expanding access points					
FI3	MFIs are improving financial capability					
FI4	MFIs are developing effective strategies to eliminate financial shortcomings of individuals and businesses effectively.					
FI5	MFIs are concentrating on addressing underprivileged groups, like women and entrepreneurs in rural as well as urban regions.					
FI6	MFIs are promoting the utilization of financial products and services to shift from financing provision to account usage.					

I want to thank you again!!

Appendices 2: The Current Status of MFIs and their

Performance in Addis Ababa

MFIs Operating in Addis Ababa

No	Name of Microfinance Institution	Date of Establishment
1	Gasha Micro Financing S. Co.	15/05/1998
2	Vision Fund Microfinance Institution S. Co.	17/06/1998
3	Africa Village Financial Services S. Co. (AVFs)	17/06/1998
4	Aggar Micro Finance S.Co.	18/03/2004
5	Digaf Micro Credit Provider S. Co.	28/07/2005
6	Tesfa Micro Finance Institution S. Co.	03/01/2008
7	Lideta Micro Finance Institution S.C.	17/04/2012
8	Kershi Microfinance Institution S.C.	05/06/2017
9	Sheger Microfinance Institution S.C.	10/7/2018
10	Grand Microfinance Institution	24/10/2019
11	Bussa Gonofa Micro Financing S. Co.	24/10/2006
12	Meklit Micro Finance Institution S. Co.	16/02/2000
13	ESHET Micro Finance Institution S.Co.	09/04/1997
14	Metemamen Micro Financing Institution S. Co.	09/04/1997
15	Harbu Micro Financing Institution S. Co.	09/04/1997
16	Lefayeda Credit and Saving S.Co.	02/06/2009
17	Dynamic Micro Finance S. Co.	12/05/2009
18	Nisir Micro Finance Institution S.Co.	07/05/2014
19	Peace Microfinance Share Company	18/11/1999
20	Debo Microfinance Institution S.C.	03/08/2018
21	Yemsirach Microfinance Institution S.C.	23/07/2018
22	KAAFI Microfinance Institution S.C.	18/12/2019
23	Specialized Financial and Promotional Institution S.Co.	25/11/1997

Source: NBE (2023)

Customers Performance at MFIs (Credit Outreach)

No.	Name	No. of Active Borrowers	No. of Women Borrowers	Loans Outstanding
1	Aggar	20,185	6,686	431,212,416
2	AVFs	16,261	9,507	25,896,713
3	Bussa Gonofa	96,032	64,962	228,300,297
4	Digaf	1,316	728	1,811,182
5	Eshet	21,825	8,372	75,840,115
6	Gasha	7,854	1,155	25,071,641
7	Harbu	41,695	18,119	150,663,106
8	Grand	2,319	915	9,207,753
9	Meklit	10,107	4,449	139,528,425

10	Metemamen	29,003	17,572	216,962,472
11	PEACE	26,937	18,140	190,811,863
12	SFPI	36,075	19,665	304,371,074
13	Kershi	5,151	1,968	41,565,156
14	Vision Fund	197,418	98,318	1,187,280,972
15	KAIFI	13,253	6,809	135,148,238
16	Lefayeda	1,496	635	1,696,719
17	Dynamic	1,215	774	1,347,454
18	Sheger	17,632	2,593	63,622,405
19	Tesfa	1,381	566	1,576,641
20	Lideta	4,353	3,216	12,759,201
21	Nisir	1,020	332	69,778,216
22	Yemsirach	2,578	1,461	13,385,898
23	Debo	1,330	651	2,130,194
Total		556,436	287,594	3,329,968,151

Source: AEMFI (2023)

Saving Performance of MFIs in Addis Ababa

No.	Name	Voluntary Saving	Compulsory Saving	Total Saving
1	Aggar	99,401,707	50,515,425	149,917,132
2	AVFs	1,273,736	9,283,145	10,556,881
3	Bussa Gonofa	5,271,440	36,404,783	41,676,223
4	Digaf	1,471,630	802,145	2,273,775
5	Eshet	21,744,713	12,787,954	34,532,667
6	Gasha	10,271,790	7,506,034	17,777,824
7	Harbu	30,342,222	26,522,498	56,864,720
8	Grand	1,029,733	1,716,490	2,746,223
9	Meklit	20,969,467	31,445,171	52,414,638
10	Metemamen	78,100,166	32,703,971	110,804,137
11	PEACE	23,045,149	60,173,016	83,218,165
12	SFPI	80,204,525	61,427,857	141,632,382
13	Kershi	7,248,263	4,864,070	12,112,333
14	Vision Fund	353,147,418	178,919,467	532,066,884
15	KAIFI	61,581,803	12,060,092	73,641,895
16	Lefayeda	2,094,957	245,872	2,340,829
17	Dynamic	1,815,249	1,200,753	3,016,002
18	Sheger	15,882,464	16,664,620	32,547,084
19	Tesfa	1,120,485	873,021	1,993,506
20	Lideta	4,241,747	2,890,017	7,131,764
21	Nisir	142,884,361	5,552,432	148,436,793
22	Yemsirach	4,365,947	4,076,494	8,442,441
23	Debo	1,134,188	798,500	1,932,688

Total	968,643,158	559,433,825	1,528,076,983
--------------	--------------------	--------------------	----------------------

Source: AEMFI (2023)

Appendices 3: Interview Questions for the MFIs Chief Executive Officers

Addis Ababa University

College of Business and Economics

Department of Accounting and Finance

In order to assess the role of microfinance in financial inclusion in Addis Ababa City, a set of questions for interviews has been produced for use with executives, supervisors, specialists, and development professionals of MFIs:

1. What are the roles of microfinance institutions?
2. What are the obstacles to financial inclusion or availability of financing?
3. Is your microfinance involved in group lending to the local population?
4. What is the association of between group lending and financial inclusion?
5. How does lending to small businesses affect financial inclusion?
6. Which saving mobilization techniques do you employ to raise your microfinance's capital?
7. What is the relationship among financial inclusion and mobilization of saving?
8. What is the present state of affairs and efficacy of your MFIs in Addis Ababa City?