

Impact of Micro Finance Through Amhara Credit and Saving Institution on Women Economic Empowerment



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Abstract: Women economic empowerment is one of the strategies aimed at enabling women in decision making, increment in income and asset ownership. The purpose of the study was to analyze the impact of micro finance through Amhara credit and saving institution on women economic empowerment. Qualitative and quantitative research approaches were used to obtain a reliable data. Data were derived from a questionnaire of a sample of 346 women clients of Amhara Credit and Saving Institution. In addition, six focus group discussions were conducted involving 48 women while in depth interviews were carried out with 6 micro finance leaders, and experts. Multiple Regressions, Independent t-test, Analysis of variance were employed for data analysis. The Regression result revealed that age, marital status, education level, credit amount, number of training have significant impact on women's economic empowerment. However, numbers of household and previous business experience have insignificant impact on women economic empowerment in the study areas. Independent t-test result revealed that Amhara credit and saving institution has significant impact on women's economic empowerment as measured by the increased participation of women in resource controlling, improved household income, asset possession levels, and saving.

Key words: Amhara Credit and Saving Institution (ACSI), Women economic empowerment, Impact, Micro finance.

I. INTRODUCTION

Economic empowerment is the capacity of women and men to participate in different activities, contribute to different development activities and get benefit from development and growth processes which recognize value of their contributions, accept and respect their right and negotiate for fair distribution of growth and development benefits (Addai, 2017). Empowering women economically increases women's access to resources, financial services, assets, skills development, and market information (Khadre, 2015). Women's participation in different economic activities and empowerment are the two fundamental strategies for women's rights and helps to have control over their household and influence in community (Gendernet, 2011).

Manuscript published on November 30, 2019.

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Microfinance has been considered as an effective tool to combat different problems of women, especially when it pertains to providing basic services such as savings, relatively affordable credit, and skill based training (Haimanot, 2007; Misrak, 2012). According to Zelalem and Chalchissa (2014) Microfinance is the provision of savings accounts, loans, insurance, money transfers and other banking services to customers that lack access to traditional financial services because of poverty. Microfinance institution has been considered as an economic development strategy plan to serve poor section of the society including women. The aim of micro finance institution is providing credit and saving service to the poor society who lacks access to traditional banks (Ashok et al, 2014). Microfinance institution plays a great role in different countries in alleviating poverty, creating job opportunities, developing businesses for unemployed people. Micro finance institution provides them an easy access to funds that contribute to better living standard for their families. Women in many studies reported their benefits from the participation in microfinance programs, participation lead to more freedom, greater independence and improvement in their business skills, more self confidence, and better self esteem (Haimanot, 2007; Addai, 2017). According to Khandare (2015), opportunities to take decision in the family and outside increased their economic situation, resulting in increasing their income and securing their future. As many researches show that, in order to get rid of women problems and enable women productive and powerful in their economic condition the role of financial institutions is very important. To address these problems of women, one of the strategic approaches is economic empowerment and using micro financing institutions is the one which is targeting on empowering women economically by providing working capital and training which enable them to generate independent income (Misrak, 2012; Loomba, 2017). In Amhara regional state the Amhara Credit and Saving Institution (ACSI) is the leading to realize women economic empowerment. The objective of the Institution is promoting micro and small enterprises to alleviate poverty and unemployment prevailing in Amhara Region through provision of sustainable financial and other related service with particular attention to women in urban and rural areas. However, there is not adequate practical research as to what extent ACSI has impact on women economic empowerment particular in urban areas where credit used in income generating activities.

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Therefore, the intention of this particular study is to measure the impact of ACSI on economic empowerment of women in which the government of Ethiopia has given top priority for support as main element of women empowerment.

II. NEED OF THE STUDY

Micro finance institutions able to attained considerable growth around the world with the promise of helping get rid of poverty. Main reason for the popularity and growth of the industry is its market friendly nature which is characterized by flexible lending mechanisms. However some researchers remain skeptical about the positive impact of microfinance and thus donors, government organizations, policy makers and stakeholders are showing much interest in understanding what works, and what does not work in microfinance (Sefa K., 2014). Evidence about the impact of microfinance interventions across the world remain very controversial and this is acting as a catalyst for research to conduct thorough empirical studies to ascertain the impact of microfinance. There is a need for more evidence to ascertain what the impacts of microfinance interventions. Different studies stresses the difficulty of making any generalized conclusions given the heterogeneity of micro finance interventions, contexts and impact assessment approaches. Odell (2010) and Achyut(2018) studies show positive impacts on micro businesses for both savings and credit micro finance clients, with the impact on income, poverty, education, health and empowerment. Stewart et al.(2010) made a systematic review of evidence from sub Saharan Africa .This review finds little positive impact of Micro finance on income, with micro finance in some cases having a negative impact. Their overall conclusion is that as microcredit has the potential for harm, promoting micro saving is a less risky strategy for reaching the poorest. There are many published studies linking micro finance institution to women economic empowerment. Most of the study focused on the role micro finance on women economic empowerment, poverty alleviation, and socio economic development through micro finance. Particularly in Ethiopia the concept of micro finance is at its infancy level that needs further investigation. Besides, so far to the best of the researcher's knowledge, there are only few studies conducted on this specific area in the context of Ethiopia, focusing on rural women economic empowerment however, the studies have not addressed the specific problem of urban women economic empowerment with respect to micro finance where credit used for income generating activities. Therefore, the current study will be an eye opener for further studies in the regional and national context. Due to the aforementioned reasons, the present study is intended to critically examine how micro finance access to credit and training has impact on women economic empowerment taking into account Amhara credit and saving institution.

III. MICRO FINANCE AND WOMEN ECONOMIC EMPOWERMENT

The role of credit in economic development is vital. It is vital input for income generating and productive activities. It helps to meet required capital for new start up business or

expansion of existing production (Dawit,2014). In addition to its role in meeting required capital in the productive sectors, credit also plays an important role in day to day life, as it helps in consumption smoothening, bridging the gap between present consumption and present income, especially in rural areas. Therefore, credit is needed for both production and consumption purposes by people and organizations (Mohapatra and Kishore, 2016). Micro finance also defined by different scholars in different ways. According Skarlatos(2004),Microfinance is banking the un bankable, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. According Robinson (2007), Microfinance institution refers to small scale financial services for both credits and deposits that are provided to people in both rural and urban areas. The definition by Lidgerwood (1999) is relatively broad. According to him micro finance refers to those financial services generally include savings and credit; however, some microfinance institutions also provide credit cards, payment services, money transfers, and insurance services. Many microfinance institutions also involved in social intermediation services like group formation, development of self confidence, and training in financial literacy and management capabilities among members. Thus, the concept of microfinance often includes both financial and social intermediations. Microfinance service empowers women economically by providing working capital to start new business or expand the existing one and allow them to get an independent monthly income and contribute to their households (Misrak, 2012). Microfinance provides financial services to low income clients those who lack access to banking and other related services (Oikocredit, 2004). According to Mudakappa(2014) Women in different countries are beneficiaries of microfinance beneficiaries. Microfinance provides different financial services which women need to start new business and to participate in different economic activities. Micro finance encourages gender equality by gives women confidence in different decision making, improves their status and helped women to be active in community affairs. Most of microfinance institutions in the world target women with the clear goal of empowering women economically. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged, helping them should be a priority agenda. Other researchers believe that making huge investment in women's capabilities brings women empowerment to make a choice which is a valuable goal in itself but it also contributes to greater economic growth and development. According to Dawit(2014) study lending to women are good credit risks, are less likely to misuse the loan, and are more likely to share the benefits with others in their household, especially their children. Running a successful business not only contributes to women's improved welfare; it contributes both directly and indirectly to their empowerment.

Different studies showed that through micro finance program, women’s businesses became more successful in increasing in working capital, improved relationships with suppliers and customers, more strategic planning and pricing, and diversification and expansion into more profitable product lines. According to Wanjiku and Njiru(2016)study , microfinance services have significant and positive effect on women empowerment .micro credit services provided financial access which provided women with working capital and startup capital, savings, training, leading to women engagement in income generating activities which have positive outcome on empowerment and women role in society and decision making. Rashid et al (2017) study mirrored out the effects of Microfinance on economic empowerment of Women Entrepreneurs in developing economies. From the analysis, the results showed that microfinance services act as a key fulcrum to women entrepreneurs’ economic empowerment. It was also found that the extent of Women economic empowerment correlates with Microfinance service. Microfinance plays important role in improving women decision making by contributing in economic activities. According to Gnawali(2018),Women empowerment is measured by economic participation, saving mobilization, training development and other factors. The study established that microfinance institutions plays a positive role on women who invest in them by increasing their well being, access to and control their resources, eradicating illiteracy among women, taking part in economic decisions and finally microfinance institution have improved women's self esteem.

IV. METHODOLOGY

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (kotare, 2014). In this study explanatory research design was employed. The study utilized cross sectional data; all relevant data were collected at a single point in time. The reason for preferring a cross sectional study is large data can be collected within limited time. In this study mixed research approach was used. Using qualitative and quantitative approaches together helps to cover each method’s weaknesses with strengths from the other approach.The study was conducted in Amhara Regional State, on Debrebirhan, Dessie, and Woldia towns of women taking a loan from Amhara credit and saving institution clients and incoming clients (women who registered to get credit but not clients).The total population of the study was 9543 women ACSI clients and incoming clients in three zonal town administrations. primary and secondary source of data were employed in the study .Even though the study is based on primary as well as secondary data, mainly the study focus on primary data due to shortage of sufficient secondary data on individual clients to know micro finance impact on women economic empowerment .To obtain primary data, a survey has been conducted at the household level through closed ended and open ended questionnaire. Moreover, focus group discussion and in depth interview were made with micro finance experts and managers.

Secondary data source were reports and documents of Amhara credit and saving institution.Multistage sampling technique was employed in this research. Amhara region has 10 zonal towns. The researchers take 3 zonal towns from 3 categories of towns from 10 zonal towns. The numbers of respondents included in the study for each town were determined using proportional allocation method based on the number of clients in each town using Amhara credit and saving institution data. Finally, respondents enrolled in the study were drawn using simple random sampling technique. The total population of this study, ACSI women clients served and non clients (incoming clients) on three zonal towns is 9543. The researcher used a formula developed by Yamane (1967) for sample size determination from the total population.

$n = \frac{N}{1 + N(e)^2}$ Where N=number of population, n=number of samples, 95% confidence leve. As a result 384 women were sample size for the study. A pilot study was conducted to refine the methodology and test instrument such as a questionnaire before administering the final phase. Questionnaires were tested on potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable. Issues raise by respondents were corrected and questionnaires were refined. Besides, proper detection by senior research was also taken to ensure validity of the instruments. To check internal consistency, reliability test were conducted in with a sample of 30 clients in Debrebirhan, Dessie, and Woldia towns and the Cronbach's alpha coefficient for the instrument was checked. Cronbach’s alpha was computed and was 0.85 which is higher than 0.7. Therefore, the instrument was reliable and used for the study. Independent t-test and multiple regressions model employed to measure the impact of micro finance on women’s economic empowerment. SPSS version 25 was used to analyze the data. The operational model for multiple regressions is:

$$CEEI = \beta_0 + \beta_1(AGE) + \beta_2(MARS) + \beta_3(EDUL) + \beta_4(BEP) + \beta_5(NHHM) + \beta_6(TRAЕ) + \beta_7(CUML) + \epsilon$$

- Where
- CEEI = Cumulative Economic Empowerment Index
- β_0 =Constant
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ = the coefficients
- AGE = Age
- MARS = Marital status
- EDUL = Education level
- BEP= Bussiness experiance
- NHHM=Number of house hold members
- TRAЕ = Training exposure
- CUML = Commutative loan amount received
- ϵ = error term

V. RESULT AND DISCUSSION

This section deals the result of the study. In order to accept the regression results, most common assumptions such as multicollinearity problem, linearity and normality assumptions should be considered and fulfilled. For this reason tests were conducted to check the assumptions of multiple linear regressions and assumptions were fulfilled (see the results on appendix).



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To estimate how well the independent variables predicted/explained the single outcome dependant variable, standard multiple linear regression analysis was conducted. Multiple linear Regression Analysis was used to determine whether the seven independent variables, which are age, marital status, education level, and previous business

experience, number of house hold, credit amount and number of training, have any significant effect toward economic empowerment of women in three town administrations.

Table 1. regression result

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	4.155	1.426		2.915	0.004
	age of respondent	1.307	0.233	0.28	5.615	0
	Marital status	1.75	0.809	0.113	2.164	0.031
	Level of education	1.43	0.26	0.266	5.496	0
	Previous business experience in year	0.183	0.163	0.059	1.122	0.263
	Number of household	0.151	0.314	0.028	0.482	0.63
	number of training	1.343	0.286	0.222	4.699	0
	credit amount	0.693	0.153	0.223	4.515	0
	R square = 0.380					
	Sig. = 0.000					
a. Dependent Variable: cumulative economic empowerment index						

The overall model explained 38 % of variance in women economic empowerment shows that the overall effect is statistically significant, $F(7,338) = 38$, $p < .05$, or that the variables have a significant combined effect on the dependent variable. A further inspection on the regression coefficients of individual predictor variables revealed that age (Beta = 0.28, $p < 0.05$); marital status (Beta = 0.113, $p < 0.05$), level of education (Beta = 0.266, $p < 0.05$); number of training (Beta = .222, $p < .05$); credit amount (Beta=0.223, $p < 0.05$), are significant predictors of overall economic empowerment of women in three town administrations. This finding revealed that age; marital status; education level; number of training; credit amount have significant positive effect on the economic empowerment of women in the study area. previous business experience (Beta =0.059, $p > 0.05$); number of house hold (Beta =0.028, $p > 0.05$) variables were found to be insignificant impact on women economic empowerment in the study area. The resulting predictive equation from the regression model using standardized coefficient is:
 Women economic empowerment (CEEI)= 4.155+ 0.28 (age) + 0.113(marital status) + 0.266(level of education) + 0.222(number of training) + 0.223(credit amount)
 Here, since previous business and number of household variables are not statistically significant impact on women economic empowerment, they are not included in the regression equation. The linear model developed above vividly shows that age, marital status, education level, number of training and credit amount do have positive

relationship with women economic empowerment and shows the relationship between the dependent variable and predictor variables in terms of a one unit positive change in one predictor variable will bring about a change in one unit of the dependent variables, economic empowerment.

This finding revealed that age has significant impact on women economic empowerment. An increase in the age of the women raises maturity and their confidence to earn more money, which leads to increases in their overall economic status of women. The result of the study is consistent with previous researchers. For example Rehman et al (2015) study found that age has profound impact on women's empowerment. Further, Ringkvist(2013) field study in Burma found that age seemingly has a positive effect on the economic empowerment of women. Marital status has significant positive impact on women economic empowerment. The married women were significantly more likely to be enjoying economic empowerment than unmarried, widow and divorced women. This finding is consistent with Addai(2017) finding. Conversely, Dawit(2014) study indicated that marital status has insignificant impact on women economic empowerment. The regression results revealed that the educated clients of micro finance were better placed In terms of effective usage of credit and training service and enjoying economic empowerment.

In other words, educated micro finance institution clients were found to have a positive impact on raising the economic status of women. Addai(2017) study also shows that education level has significant impact on women economic empowerment.Amount of credit has significant impact on women economic empowerment. The provision of credit service helps to improve the economic condition of women clients. The relationship between more amount of credit and economic empowerment appears that women in the higher credit amount are more likely to report about higher economic empowerment to those women who have received low amount of credit. The findings of this study are similar with the research findings of Khan and Noreen (2012) study in Pakistan. They found that credit through microfinance institution has a positive impact on economic empowerment of women. As can be evidenced in the regression result number of training provided by micro finance has significant effect and leads to women economic empowerment. Women who attended training more likely grows their business skill and attitude than who did not attend training. Micro finance provides training on credit usage, how to start new business and how to expand business. This ensures that women remain committed to the their business and are able to plan in advance as regards the operation of their business. Previous business experience has insignificant impact on women economic empowerment. There are contradictions of previous business experience for women economic empowerment. The contradictory status of previous business experience indicates that it is able to address some of the essential characteristics of contemporary society. The pervious

business experience of clients is insignificantly related to economic empowerment of women. Lack of initiative for setting up micro enterprises might be one of the causes that leads to weaken the economic position of old members. Moreover, currently micro finance provides credit for new university graduated as part of unemployment reduction program of the country. Those young educated graduates used the credit in productive business areas than old members who used the money for non productive areas and for house equipment and facilities. Independent t-test was used to determine whether there were any significant differences between the means of the indicators used to capture the impacts of micro finance and that of the main study variable of the impact of micro finance on women economic empowerment that they measure. This was to establish whether the relationship between these economic empowerment indicators(asset, income, saving) and the independent variable, micro finance service, was significant or insignificant in the study areas. Independent sample t test was conducted to determine the effect of micro finance on women asset, there was significant effect on asset between women micro finance clients and non clients $t(404) = -3.797, p = 0.00$. Independent t test result also showed that there was significant effect on income between women micro finance clients and non clients $t(404) = 5.218, P = 0.00$. Based on the result calculated the t statistical analysis of table below ,shows there is significant mean difference in saving amount of women clients and non clients $t(404) = 5.622, P = 0.00$. Therefore, microfinance institution plays a significant positive in women asset creation, income and savings.

Table 2. independent t test result

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
asset	Equal variances assumed	26.692	.000	3.797	404	.000	2.61339	.68819	1.26051	3.96627
	Equal variances not assumed			4.734	102.062	.000	2.61339	.55209	1.51833	3.70846
income	Equal variances assumed	.622	.431	5.218	404	.000	2.10703	.40381	1.31321	2.90086
	Equal variances not assumed			5.234	81.028	.000	2.10703	.40253	1.30612	2.90794
saving amount	Equal variances assumed	32.021	.000	5.622	404	.000	2.19663	.39072	1.42854	2.96472
	Equal variances not assumed			8.382	138.811	.000	2.19663	.26207	1.67846	2.71480

One way ANOVA was conducted to compare the effect of micro finance on asset among the three towns. There was insignificant mean difference on asset positions of women in the three towns $F(2,343) = .533, P > 0.05$. Similarly there is no significant mean difference on income of women in the three towns $F(2,343) = 2.044, P > 0.05$. The present study

results partly converge with prior studies that Amhara credit and saving institution has almost equal contribution throughout Amhara region (Misrak,2012;Ashagrie and Muluye,2017).

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Table 3 ANOVA result

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
asset	Between Groups	27.8	2	13.9	0.533	0.587
	Within Groups	8942.848	343	26.072		
	Total	8970.647	345			
income	Between Groups	33.923	2	16.962	2.044	0.131
	Within Groups	2846.323	343	8.298		
	Total	2880.246	345			
saving	Between Groups	170.173	2	85.087	10.315	0
	Within Groups	2829.226	343	8.248		
	Total	2999.399	345			
control	Between Groups	2.366	2	1.183	1.231	0.293
	Within Groups	329.52	343	0.961		
	Total	331.886	345			

Source: SPSS output from questionnaire 2018

To know the mean difference due to micro finance on saving amount among the three towns one way ANOVA was conducted. The result shows there is significant difference on saving amount of women in the three towns $F(2,343)=10.315, P<0.05$. This means at least one town mean is different. As it clearly seen in post hoc test the mean saving amount of women in Woldia is greater than Dessie and the mean amount of saving in Dessie is greater than Debrebirhan. Micro finance service in Woldia is more effective on women saving habit development than Dessie and Debrebirhan town administration.

VI. CONCLUSION AND RECOMMENDATION

6.1. Conclusion

Microfinance programme is helpful in empowering women economically. The education and training provided by microfinance programme lead to the development of the overall personality of the programme participants. The beneficiaries of the programme have higher levels of employment, income and participation in household financial decision-making as compared to non-participants. The results with respect to multiple regressions have presented several interesting observations. Different variables like age, education marital status, credit amount, number of training has significant relation to women economic empowerment. However, numbers of house hold, previous business experience have insignificant influence on the economic empowerment of women. Participation in the micro credit programme increases if the women are aged, educated, currently married, education levels of the heads of their families. The result of study concludes that the difference in asset, income, saving amount, is significant.

Therefore, one can easily conclude that micro finance plays a great role on improving women asset, income, and saving. Participation in micro finance program has led to greater level of women economic empowerment in terms of increase in economic status, knowledge of business activities, self confidence on participating in income generating activities, social and political awareness, developmental of organizational skills and mobility.

6.2. Recommendation

Enhancing microfinance service improves economic empowerment of women. Hence, it is recommended that Amhara credit and saving institution and policy makers should increase microfinance service to the poor and disadvantaged section of the society particularly paying much attention to women operating business or plan to start new business enterprises.

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Appendix
Regression model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.616 ^a	.380	.367	6.17635

a. Predictors: (Constant), number of training , credit amount, Level of education, Marital status, age of respondent, Previous business experience in year, Number of household members

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
comulative economic empowerment index	.091	346	.000	.976	346	.000

a. Lilliefors Significance Correction

Test for multicollinearity

	Model	Collinearity Statistics	
		Tolerance	VIF
	age of respondent	0.737	1.357
	Marital status	0.675	1.481
	Level of education	0.781	1.28
	Previous business experience	0.669	1.495
	Number of household members	0.533	1.876
	number of training	0.822	1.217
	credit amount	0.751	1.332

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Test of Homogeneity of Variance					
		Levene Statistic	df1	df2	Sig.
cumulative economic empowerment index	Based on Mean	1.475	7	338	0.175
	Based on Median	1.106	7	338	0.359
	Based on Median and with adjusted df	1.106	7	316.121	0.359
	Based on trimmed mean	1.531	7	338	0.156

Test for independence of error

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.616 ^a	.380	.367	6.17635	1.677
a. Predictors: (Constant), number of training , credit amount, Level of education, Marital status, age of respondent, Previous business experience in year, Number of household members					
b. Dependent Variable: cumulative economic empowerment index					

AUTHORS PROFILE



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