

Factors Influence the Growth of Women Owned Microfinance Institutions in Wolaita Zone, Southern Ethiopia

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Abstract

Objective: The aim of this study was to explain the factors influencing the growth of women owned microfinance institutions in Wolaita Zone, Southern Ethiopia.

Theoretical frame work: The financial, institutional and demographic factors are important tool that affects the growth of microfinance institutions.

Methods: The researchers used a simple random sampling method to select 399 respondents from the purposively selected districts of Wolaita Zone. The finding was analyzed using the software Packages such as SPSS and smart PLS-SEM. Descriptive and inferential statistics was used to analyze the data.

Results and conclusion: The findings show that factor loading, composite reliability, discriminant validity, and extracted variance factor by using measurement model results had good internal reliability and validity in the institutions. The structural model reveals that association between the latent variables of management, personnel, and financial factors in the microfinance institutions positively and significantly affects growth of women owned microfinance institutions. However, institutional and demographic factors except education did not significantly affect growth of women owned microfinance in the study area.

Implication of the research: This study contributes to the understanding of the affecting factors for the growth of women owned microfinance. Policy makers and implementers can take insights from the study to prepare action plans for the growth of microfinance institutions.

Originality/value: This research is recent and provides evidence on the less researched developing country context. The methodologies adopted to analyze the data adds to the novelty of the paper.

Keywords: Affecting; Factors; Growth; Women owned; Microfinance institutions

I. Introduction

Microfinance institutions assist the world's population in gaining access to financial services because commercial banks regard poor people as non-banks due to a lack of collateral (Roy, 2012; Wale, 2011). Microfinance has improved the quality of life for millions of people worldwide, particularly women in developing countries (Kurgat, 2019). Microfinance institutions are critical to reducing poverty, increasing women's empowerment, reducing gender inequality, and engaging financial facilities so that female participation from both the supply and demand sides can achieve sustainable development goals (Tandon, 2016). Institutional factors such as skill development, management quality, and technological advancement affect microfinance by reducing poverty, empowering women's voices, reducing dependency, and increasing the decision-making power of women (Khan et al., 2020).

The Ethiopian government has transformed the legal and administrative framework for microfinance institution formation into one of the most important tools for poor women (Mamaw et al., 2018). Microfinance has been established in Ethiopia in less than 20 years through well-established financial service providers for poor women in both urban and rural areas. Microfinance institutions in Ethiopia face challenges such as credit losses, limited lending funds, non-profitable issues caused by poor client business quality, and staff with limited technological and financial skills (Chala & Bessie, 2016). Microfinance loans can default in Ethiopia due to a lack of clear credit policies, putting borrowers at risk of losing their money and causing liquidity problems (Maina, 2014). This is based on the fact that Africa's microfinance institutions tend to be smaller and less advanced as compared to those in Asia and Latin America.

Women receiving advances from this institution are increasing in number, but the microfinance program remains in doubt due to Ethiopia's lack of credit accessibility (Bekele, 2013). Loan disbursement, low technological advancement, and a lack of skilled staff are all common problems in Ethiopian microfinance institutions' performance (Lemma, 2014). Financial sustainability is viewed as an additional tool to the establishment of microfinance institutions, which reach a large number of poor women, and is supported by high repayment rates and the need to stimulate their economic activity (Ahmed, 2018).

According to Gebisa & Dassa, (2019), the most difficult variables are ineffective advance utilization, limited credit size, a lack of skill development and take-up, a lack of saving, insurance, and a higher interest rate on the advance. Bezboruah & Pillai, (2013) suggesting that women in developing countries are more likely to seek loans from grassroots of microfinance institutions despite the approach of formal financial organizations. According to Esayas & Tolossa, (2015), many organizational, individual, and contextual variables became bottlenecks, while institutional variables were the key challenges for women's participation in the microfinance. Merrera et al., (2019) found that the level of capacity building were insignificantly affecting microfinance on women's empowerment. Bogale, (2019) concluded that the effect of microfinance institutions in Ethiopia on female violations is one of the main causes of poverty, low social development, and weaker administration.

Limitations of this study was women-owned microfinance institutions in Wolaita Zone, southern Ethiopia, are not growing at their full potential. Women have also shown a very limited growth trend, if not retardation, food insecurity among women entrepreneurs is high in this study area. Gender inequality, cultural and traditional practices, a lack of education, multiple roles, discrimination, and a lack of knowledge are just a few of the obstacles and limitations that women face in business. This study may assist, governments, policymakers, non-governmental organizations, donor communities, researchers, and financial institutions in developing appropriate policies that recognize women as essential actors in the country's economic existence and promote the growth of microfinance institutions. The growth of women-owned microfinance institutions, which affects the majority of developing countries, would like to improve the regulatory process, researchers' interest, and encourage them to conduct additional research in this field in other parts of the country.

2. Literature Review

2.1 Concepts of microfinance intuitions and women empowerment

The Norwegian Nobel Committee highlighted the development-enhancing component of microfinance while awarding the Nobel Peace Prize to Mohammad Yunus and Grameen Bank (Mersland et al., 2013). Microfinance institutions have played a critical role in enabling all unbanked people to overcome financial exclusion by providing low-income earners and communities with services such as savings accounts, credit cards, and micro-insurance and exchange for interest income to productive poor women to engage in economic activity (Gul et al., 2017; Issahaku Salifu, 2019; Mersland et al., 2013).

In 1994 and 1995, the Ethiopian government issued the "Licensing and Guidelines of Microfinance Proclamation" to monitor and control financial factors such as saving, micro-insurance, and credit for the country's poor (Gebremichael et al., 2012). Microfinance institutions aim to provide uncollateralized microcredit to economically disadvantaged women in Ethiopia who lack the collateral required by banking industry to credit access (Esubalew et al., 2013; Zamore et al., 2019).

Joanna Ledgerwood, (1999) concluded that microfinance institutions' goals as development organizations are to meet the financial needs of underserved markets as a means of achieving like assisting existing businesses in growing or diversifying their activities, and empowering women. Esayas & Tolossa, (2015) concluded that microfinance institutions in southern Ethiopia, as well as the women who benefit from them, could gain positive empowerment. Many organizational, individual, and contextual factors, on the other hand, became constraints, with organizational factors being the primary barriers to women's microfinance participation.

2.2 Demographic factors

Micro-borrowers' demographic characteristics can be defined by a number of parameters, including gender, age, marital status, educational level, and previous experience with the microfinance institution (Zohair, 2013). The ages and sizes of microfinance institutions have an impact on their performance, which measures the value of the loan portfolio and the benefits of economies of scale and scope in providing financial services. Multinational corporations become more efficient as a result, and their financial performance improves (Hermes & Hudon, 2018). The number of microfinance institutions and the clients they serve has increased dramatically. Age is denoted by the number of years an MFI has been in operation and also affects profitability (Dechasa & Cherinet, 2018).

According to Boateng et al., (2015), in microfinance institutions, older women have more experience in credit management than younger women over time, resulting in a superior reimbursement record. Narwal & Yadav, (2014); and Rashid, (2013) discovered that age has a negative impact on both profitability and outreach in microfinance. Nartea, (2012); Wijesiri & Meoli, (2015) discovered that elderly borrowers have a negative impact on productivity and repayment issues in microfinance. Mohammed, (2013) discovered that microfinance in Ethiopia's old age women clients has significantly higher savings advancement than other members. Cull et al., (2015) concluded that their financial performance and output are comparable to that of the best performing older microfinance institutions.

2.3 Institutional factors

Institutional factors such as rules, market systems, and regulations, as well as norms, values, and cultural perspectives, can all have an impact on microfinance performance (Hermes & Hudon, 2018). Poor risk management is another important factor in microfinance failure, with credit, liquidity, and operational risk identified as major risks (Banda, 2016). Organizational culture has received little research attention, especially in emerging industry sectors such as women's owned microfinance (Joseph & Kibera, 2019). In Ethiopia, microfinance institution conditions have revealed a shortage of trained personnel as well as a high turnover of experienced staff Lemma, 2014).

Microfinance, for example, can achieve cost efficiency, grow, and broaden its social outreach to help women (Aguilar & Portilla, 2019; Muneer, 2016). The perception of microfinance employees that using ICT will improve women's job performance can be defined as information technology in the microfinance business (Homaid, 2021). In comparison to students' perceptions of microfinance institutions, the governance implications continue to lack information, perspective, and knowledge (Zulpahmi et al., 2022).

. Microfinance institutions have enough freedom to develop policies, politics, and practices that are consistent with their ideology and provide a high level of accountability, transparency, and goals to women clients (Mersland et al., 2013; Omondi, 2014). A microfinance is a set of written instructions that establishes the terms and conditions for customer collection procedures,

guidelines, policies, qualification criteria, and the actions required of female managers (Maina, 2014).

According to Joseph & Kibera, (2019), institutional culture is the primary source of women's sustainable competitive advantage in microfinance. According to Chala & Bessie, (2016); Lemma, (2014), the main factors influencing microfinance performance in Ethiopia are a lack of staff experience and a skilled labor force that is insufficient. According to Anwar et al., (2023) a number of perceived problems exist, such as managers' and members' lack of economic understanding, limited and low general public participation, members' poor entrepreneurship skills, and ineffective implementation techniques and management in microfinance institutions.

According to Haruna et al., (2018), several microfinance institutions around the world are already using automated teller machine networks, smart card operations, and modern technology, and these developments have helped women improve the efficiency of their operations and customer satisfaction. Danga & Yusuph, (2019) discovered that when the management of each Ethiopian organization was asked if they were able to effectively follow their financial rules, 60% of the microfinance in the study did not follow their financial policies, rules, and standards.

2.4 Financial factors

Microfinance is essential for enabling women to contribute to their communities and households. The credit facility had the greatest impact on the company's performance (Kurgat, 2019). Women as credit beneficiaries has proven to be a very beneficial approach because, by accumulating credit through productive activities, small business owners can make money while also developing their way of life and status (Gram et al., 2019; Thorpe et al., 2016). Microfinance makes loans available to the poor directly, allowing them to become financially and economically self-sufficient (Hyland et al., 2020). Microfinance, also known as poor banking, aims to provide a diverse range of well-designed financial services, particularly loan services, in addition to non-financial services to current and prospective customers in a cost-effective and efficient manner (Daher & Le Saout, 2013; Homaid, 2021).

Micro-savings organizations are microfinance institutions founded with the goal of providing simple and secure ways to save, either for investment or as a hedge against economic shocks (Danga & Yusuph, 2019). Microfinance institutions should assist families in saving and provide the opportunity to open a savings account within the bank, and economic empowerment indicators should primarily focus on the financial situation of women (Alshebami & Khandare, 2015). Microfinance institutions help low-income clients save and protect their money (Thorpe et al., 2016). Annual lending rates for Ethiopian microfinance institutions range between 6.5 and 24 percent and are unequal to microfinance institutions in other countries (Belwal et al., 2012). Businesses have evolved in order to achieve long-term viability through profitable operations. The goal of social businesses is to generate financial benefits for the business's owners or stakeholders (Schmitt & Alberton, 2022).

Samer et al., (2015) discovered that a multinomial logistic regression model has a significant impact on women borrowers with three years of work experience when compared to modern

microfinance borrowers who have not received treatment. Kinde, (2012) concluded that the dependency ratio of microfinance institutions, as well as the cost per borrower, have an impact on Ethiopia's financial sustainability. Abera and Asfaw, (2019) discovered that in Ethiopia, microfinance institutions must distinguish the financial factors that positively influence loan repayment rates.

According to Nuri & Melese, (2020); Geleta, (2013); Chirkos, (2014), the effect of microfinance in Ethiopia on women's development, as measured by the expanded involvement of women, has progressed their savings trends. Esayas & Tolossa, (2015) found that the impact of microfinance in the case of OMFIs in southern Ethiopia on women's economic empowerment in terms of increased personal savings accounts. Yadeta's, (2020) result indicates that personal savings positively influence total women's strengthening in microfinance institutions.

According to Asmare et al., (2017), microfinance for women in Ethiopia increases the advance size given to members as much as possible to participate in them throughout, extending and differentiating their saving opportunity and decreasing the interest rates charged on advances, thereby lowering the obligation burden of clients. Destayhu, (2021); Mengstie & Singh, (2020) concluded that access to microfinance has been able to engage women financially by increasing revenue. Based on Al-shami et al., (2018), the impact of microfinance on female economic development is focused on the presence of women in economic sectors through the growth of financial services and their participation in the market for those services at the family and individual levels.

3. Methodology

3.1 Sample and data collection methods

The target populations were from five districts (Sodo Zuria, Humbo, Offa, Kindo Didaye, and Boloso Bombe). The total household female populations was 106,066 in the microfinance institutions, which were registered by the National Bank of Ethiopia in the Wolaita Zone, Southern Ethiopia. The researcher used the purposive sampling technique to select the studied districts due to costs, time, availability of data, and transport accessibility in the study area. Ten data collectors were recruited to collect data. Before data collection, Wolaita Zone administration issued letters to various authorities to help the author by inviting members and providing any pertinent data (Statistical, 2012). The authors provided one days of training to data collectors on the study's purpose, and data collection methods, as well as how to maintain social distance and wear a mask throughout the data collection time. The researchers applied Yemane (1967) formula to determine sample size. Based on Yamane (1967) for sample size formula at 95% confidence level, accepting sampling error 0.05

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{106,066}{1 + 106,066(0.05)^2} = 399$$

Where n= number of sample respondents

N= number of total population=106,066

e= sampling error

This study used mainly primary data collected from women owned business; and secondary data were also gathered from journals, reports, websites, and several books.

Table 1 distribution of the respondents

S.N	Districts	Total population	Sample size of the respondents
1	Sodo Zuria	12,810	48
2	Offa	26,212	99
3	Humbo	26,621	100
4	Boloso Bombe	20,945	79
5	Kindo Didaye	19,478	73
	Total	106,066	399

Source: Own sketch

Table 2 description and measurement variables

Variables	Description	Measurement method
Institutional factors	Institutional factors are conditions for informal and formal rules, administrative capabilities and social cohesion such as information technology(In1), skill development programs(In2), institution supported in creating suitable business ecosystem(In3), government policies(In4), weather condition(In5), and access to land(In6)	Likert scale(1-5)
Financial factors	Financial factors consists of firm value and capital structure such as working capital(Fin1), interest rate(Fin2), saving system(Fin3), insurance facilities(Fin4), and credit system(Fin5).	Likert scale(1-5)
Personnel function and management factors	The personnel function(PerFun) and management(Permgt) are most vital for the organizational development includes manage resources(Per1), confident about business acumen(Per2), financial management skills(Per3), manage difficult	Likert scale

	situations(Per4), and aware of external environment and build networks(Per5)	
Age	Age (Ag) is a measure of a person's lifetime at a certain period	Categorical
Education level	The level of education(Educl) comprises both formal and informal schooling.	Categorical variable

Source: Own sketch

3.2 Data Analysis

Descriptive statistics such as mean, maximum, minimum, standard deviation, normality of skewness and kurtosis, percentage, tables, charts and inferential statistics such as the econometric statistical methods by Smart Partial least square structural equation model (PLS-SEM) and model using Statistical Package for Social science (SPSS) software were used to analyze data. SEM (Structural Equation Model) is useful for testing effect of the level of third variables and latent (unobserved) variables. The residual error is the association between observed or dependent variables (Guo, 2013). The researcher analyzed data in the structural equation model (SEM) in two steps:

3.2.1 Step1: Measurement model

Measurement model compare convergent and discriminant validity of measurement (Ockey, 2014). The convergent validity can be better by evaluating average variance extracted and factor loading their constructed values should be greater than or equal to 0.5 whereas alpha and composite reliability (CR) the value greater than or equal to 0.7 for the sufficient to fit validity (Asad et al., 2020; Pinho et al., 2014).

Composite reliability (CR) $P_c = (\sum \lambda_i)^2 / [(\sum \lambda_i)^2 + \sum \text{var}(\epsilon_i)]$, where λ_i is lambda the outer loading to an indicator, and $\sum \text{var}(\epsilon_i) = 1 - \lambda_i^2$ case of standardized indicators should be more than 0.7.

Average Variance Extracted (AVE) is $AVE = (\sum \lambda_i^2) / [(\sum \lambda_i^2) + \sum \text{var}(\epsilon_i)]$ or $AVE = (\sum_i^i \lambda_i^2) / i$ where λ_i is the outer loading to an indicator, and $\sum \text{var}(\epsilon_i) = 1 - \lambda_i^2$ case of standardized Average Variance Extracted indicators should be more than 0.5. In order to ensure discriminant validity, the AVE of each latent variable should be higher than the squared correlations with all other latent variables. Thereby, each latent variable shares more variance with its own block of indicators than with another latent variable representing a different block of indicators. Cross-loadings offer another check for discriminant validity. If an indicator has a higher correlation with another latent variable than with its respective latent variable, the appropriateness of the model should be reconsidered (Asad et al., 2020).

Explanatory factor analysis is first step in the Structural Equation Model the data driven method used to investigate the existed theory about relationship between variables supported by

empirical data and to examine internal reliability. Factor analysis to test the hypothesis of observed variables in an existing data measure latent construct. EFA by using SPSS version 21 to test a new scale (Guo, 2013). EFA are the factors interpreted by using the loading the relationship between unobserved and observed factors. Data screening is used to confirm outliers are excluded, data transformation, data manipulation and reduce measurement error prior to data analysis (Ockey, 2014).

3.2.2 Step2: Structural model

The structural model helps to get fitness correlation between the variables by using path coefficients, p-value for significance, t-value, Beta coefficients, R-square to explain the relationship between latent variables and indicators, f-square the effect size less than 0.02 small and more than 0.35 better to fit, Standard Root Mean Square Residual (SRMR) used to compare the difference between observed and expected correlation matrix the value of zero is considered perfect to fit, Normal Fit Index (NFI) closer to one better to fit, Variance Influence Factor (VIF) for collinearity test, confirmatory factor and P-value the correlation between independent variables and dependent variable.

4. Results and discussions

4.1 Descriptive statistics

The researchers used to test normality by using the distributions of means, standard deviation, assess the symmetrical distribution of skewness for the variables stretches towards left or right; kurtosis the very narrow distributions with the majority of responses to the center or too flat their general guidelines between -1 and +1 normal distribution (Hair. et al., 2017).

Table 3. Descriptive statistics

Indicators	Mean	StanDev	Kurtosis	Skewness
Age	3.04	0.99	-0.71	0.53
Education level	3.36	1.00	-0.01	-0.05
working capital(Fin1)	3.65	1.18	-0.14	-0.16
Saving system(Fin3)	4.10	1.03	-0.08	-0.86
Insurance facilities(Fin4)	2.94	1.28	-1.06	-0.25
Credit system(Fin5)	3.64	1.04	-0.42	-0.25
Information technology(In1)	3.57	1.08	-0.54	-0.25
Skill development(In2)	3.61	1.08	-0.54	-0.22
Creating suitable business eco-system(In3),	2.75	1.35	-1.22	0.10
Government policies(In4)	3.97	1.16	-0.23	-0.85

Access to land (In5)	3.52	1.28	-1.19	-0.29
Manage resources(Per1)	3.93	1.02	-0.69	-0.54
Confident about business (Per2)	3.76	1.04	-0.65	-0.35
Financial management skills(Per3)	3.81	1.14	-0.31	-0.72
Aware of external environment and build networks(Per5)	3.67	1.08	-0.64	-0.35

Source: Own sketch

According to descriptive statistics, the mean distribution value ranges between 2.75-4.10, the institutional saving system (F3) had very great effect on the growth of women owned microfinance institutions as shown by a mean value of 4.10, furthermore, the respondents also indicated that table 3 for women owned microfinance growth low affected by a mean of 2.75. The total standard deviation values are approximately one (1), implying that both the average and the standard deviation are similar results among the indicating factors, indicating that there was no issue with normality among the independent variables. The skewness value was between 1 and -1 the variables were highly skewed for the normal distribution or asymmetrical in skewness, except two variables, it was skewed to left side, and the kurtosis value are negative, so that the distribution was flatter or less peaked than normal distribution of mean and standard deviation data (Hair et al., 2019; Tinega & Nyang'au, 2018).

4.2 Measurement model

The authors used the measurement model to evaluate the relationship between the latent variables and indicators by convergent validity measures such as factor loading, Composite Reliability (CR), and Average Variance Extracted (AVE) factors such as institutional, financial, personal functions, and management affect the growth of women owned microfinance institutions.

Table 4. Loading, Reliability, and Validity tests

Indicators	Factor		
	Loading	CR	AVE
MFI		0.701	0.55
Age	0.44		
Education level	0.96		
Financial average		0.8	0.501
Working capital(Fin1)	0.87		
Saving system(Fin3)	0.42		
Insurance facilities(Fin4)	0.66		
Credit system(Fin5)	0.75		
Institutional average		0.81	0.501

Information technology(In1)	0.7		
Skill development (In2)	0.8		
Creating suitable business eco-System(In3)	0.74		
Government policies(In4)	0.63		
Access to land (In5)	0.6		
Personnel function Confident about business (Per2)	0.71	0.8	0.6
Aware of external environment and build networks(Per5)	0.86		
Personnel management Manage resources(Per1)	0.9	0.703	0.52
Financial management skills(Per3)	0.5		

Source: own sketch

Abbreviations: CR-Composite Reliability, AVE-Average Variance Extracted.

In the above table 4 shows that the factor loadings indicators satisfied the threshold value of more than 0.6. This supports convergent validity; however, age, institutional saving system (Fin3), and confidence in financial management skills (Per3) were not satisfied reliability because women had small saving systems and low financial management skills in this microfinance institutions (Ali et al., 2016; Hair. et al., 2017). In the SPSS software test results, Bartlett s test value was P=0.000 indicating a significant relationship between the variables with a p-value less than 0.005, indicating that the information for both tests was suitable for explanatory factor analysis (Tinega & Nyang'au, 2018)

The researchers used to assess the internal consistency of reliability the composite reliability (CR) values are greater than 0.7 and the Average Variance Extracted (AVE) more than the recommended value of 0.5. The indicators indicate good internal reliability the amount of variance were consistent and the latent constructs such as institutional, financial, personnel, and management each have explained at least 50 percent of variance indicating that convergent validity was acceptable (Hair. et al., 2017).

Table 5. Discriminant Validity

Constructs	1	2	3	4	5
FinAV	0.694				
InAV	0.669	0.689			
MFIWE	0.465	0.394	0.744		
PerFun	0.641	0.533	0.384	0.793	
PerMgt	0.257	0.268	0.244	0.197	0.720

Source: Own sketch

According to table 5, the discriminant validity specifically measured the constructs as having no relationship. Discriminant validity score was found to be larger than the correlation between the study's variables, indicating good discriminant validity. The Kaiser-Meyer-Olkin (KMO) test value for the factors in this study was 0.856 higher than 0.7. Using the SPSS 26 version, we had discovered similar results when using explanatory factor analysis to investigate reliability, factor extraction, and variable correlation (Hair et al., 2019).

4.3 Structural model

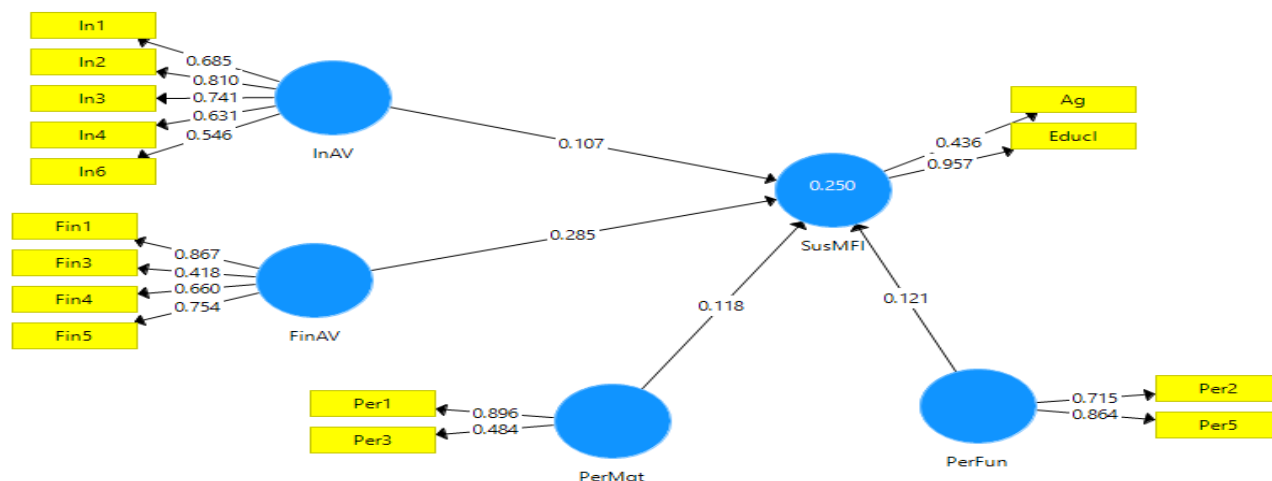
The structural model used to analysis the path, hypothesis, R-square, and significance of the study. The researcher also used to analysis the study by using the structural model to find the relationship between the financial, institutional, personnel, and management variables with women owned microfinance institutions on growth the degree of correlation as path coefficients.

Table 6. Structural estimates (Hypothesis testing)

Hypothesis	Beta	T-Value	P-Value	Decision
H1:FinAV -> GMFI	0.285	3.663	0.000	Supported
H2:InAV -> GMFI	0.107	1.535	0.125	Not supported
H3:PerFun -> GMFI	0.121	2.014	0.045	Supported
H4:PerMgt -> GMFI	0.118	2.653	0.008	Supported

Source: own sketch

Figure 1. Path coefficient



Source: Own sketch

Table 6 shows that the relationship between financial factors, personal function factors, and management capacity in microfinance institutions significantly and positively affects growth. The finding indicated that the financial factors affects the growth of women owned microfinance

($b = 0.285$, $t\text{-value} = 3.663$, and $p\text{-value}=0.000$) the correlation coefficient was significant and positive means that if we increase financial factors then the growth of microfinance institutions also increases. The effect of personnel function on the growth of women owned microfinance was significant and positive ($b = 0.121$, $t\text{-value} = 2.014$, and $p\text{-value} = 0.045$) implying that increases the personnel function leads to increases in the growth of microfinance institutions, and personnel management was positive and significantly affect the growth of women owned microfinance institutions ($b = 0.118$, $t\text{-value}=2.653$, and $p\text{-value}=0.008$) at the 95% this means that increases the personal management increase the growth of women owned microfinance institutions which are less than 0.05 .

As a result, hypotheses 1, 3, and 4 were supported by our studies. However, institutional factors had no effect on growth of women owned microfinance institutions in the study area (Tinega & Nyang'au, 2018). Furthermore, according to Figure 1, the path coefficients of the latent variables such as financial, institutional, personal, and management factors with their indicators explain 25% of the impact of growth in women owned microfinance (R^2). R-square is greater than the recommended 0.1 to fit the model.

Table 7. Model fit summary and collinearity statistics

Constructs	Indicators	VIF	f-square	SRMR	Chi-Square	NFI
MFI				0.118	913.65	0.5
	Age	1.025				
	Education level	1.025				
Financial Average		2.294	0.047			
	Working capital(Fin1)	1.701				
	Saving system(Fin3)	1.116				
	Insurance facilities(Fin4)	1.416				
	Credit system(Fin5)	1.350				
Institutional Average		1.903	0.008			
	Information technology(In1)	1.728				
	Skill development (In2)	1.869				
	Creating suitable business eco-System(In3)	1.680				
	Government policies(In4)	1.380				
	Access to land (In5)	1.140				
Personnel function		1.756	0.011			
	Confident about business (Per2)	1.076				
	Aware of external environment and build networks(Per5)	1.076				
Personnel management		1.091	0.017			

Manage resources(Per1)	1.002
Financial management skills(Per3)	1.002

Source: own sketch

Table 7 showed that the variance inflation factor (VIF) values ranged from 1.002 to 2.294, indicating that there was no multicollinearity between the institutional, financial, personnel, and management variables and their indicating variables. The effect size (f^2) of explanatory variables determines the goodness of fit of a model. A value less than 0.02 represents a small relationship, a value between 0.02 and 0.15 represents a moderate relationship, and a value greater than 0.35 represents a significant relationship between the variables (Elhadidi, 2020).

In this study, table 5 indicates the effect size (f^2) of the financial factors is 0.047, which shows that moderate, but other factors are less than 0.02, which are a small effect size relationship between the variables. The results show that the model fit by using the Standardized Root Mean Square Residual (SRMR) was 0.118, which was a small amount above the recommended value (0.10). However, the minimum difference between the Smart PLS-SEM and the observed correlation value of the variables in the institutions. The Normed Fit Index (NFI) is exactly equal to 0.5, which is computed with the Chi-square value (913.65) based on the threshold acceptable, so that the results shows that factors that affect the growth of women owned microfinance institutions in the study area (Hair. et al., 2017).

5. Discussion and Conclusions

The study's findings indicate that the growth of women owned microfinance institutions have a significant impact by measuring latent and indicating variables. Financial factors such as working capital, interest rate, insurance facility, and credit system have a significant effect growth of women owned microfinance institutions' ability to improve women's lives in the study area. Financial factors have a stronger relationship in the study area than other latent and indicating variables (Amentie et al., 2017; Irhoumah, 2020; Zulpahmi et al., 2022).

Management factors like resource management, financial managerial skills, and dealing with difficult situations, as well as personnel variables like being aware of the external environment and increasing confidence, all have a significant impact on growth of institutions in smart PLS-SEM measuring models. However, institutional factors such as training and skill development, technology knowledge, the business eco-system, women's land availability, the institution's outside weather condition, and government policy. As a result, Ethiopia lacks technical knowledge, technology, and government regulation.

Demographic factors such as age, work experience, size, marital status, and employment had no effect on women's empowerment in Ethiopia. External potential donors and other governments should intervene and support capacity building, policy reform, and information technology accessibility because the Ethiopian government has not prioritized microfinance to empower women.

This paper was only limited to the southern Ethiopia; therefore, further research should be done in other parts of Ethiopia to assess factors affecting the growth of women owned microfinance institutions. Further research is necessary as the findings were based on a relatively

small sample that may have influenced the nature of results that were obtained. There is need to expand on the sample size and carry out similar research in other counties. To augment the study findings, the study suggests that another study should be conducted to establish other contributors that affect growth of women owned micro and small agribusiness enterprises.

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