ENHANCING WOMEN ECONOMIC EMPOWERMENT THROUGH FINANCIAL INCLUSION:EVIDENCE FROM SMEs IN ETHIOPIA

Nguse T., Desalegn G., Oshora B., Tangl A.,
Nathan R.J., Fekete-Farkasne M.*

Abstract: Financial inclusion is considered one of the most effective catalysts for the economic growth of any nation. The study aims to examine the role of government policies and regulations on women's economic empowerment through financial inclusion: evidence from small and medium-sized enterprises in Ethiopia. To achieve the objective, this study used an explanatory research design and a mixed research approach. The study adopted both primary and secondary sources of data. Primary data was collected using questionnaires, and secondary data was collected from the review of different related works of literature, the internet, and journals. The target population of the study was all registered women entrepreneurs found in Addis Ababa. For this study, a judgment sampling technique was used to select respondents from women SMEs, and data were collected from 324 women-owned SMEs in Ethiopia. SMART-PLS version 3.3.5 was used to estimate both measurement and structural analysis of research variables. The study's finding implies that government policies and regulations positively and significantly affect women's economic empowerment in both direct and indirect effects. Besides, financial inclusion positively and significantly affects women's economic empowerment directly. Hence, the partial mediating role of financial inclusion is observed. More specifically, the study result implies that constraints on financial inclusion like a collateral requirement, start-up capital, illiteracy level, high-interest rate, bureaucratic procedures, and lack of technical skills hinder women's economic empowerment in Ethiopia. The study is novel in contributing contemporary empirical literature on the issue of women empowerment and financial inclusion in a single study and provides evidence for the governments to set different economic policies that deliberately affect the level of financial inclusion.

Keywords: Financial inclusion, women economic empowerment, SMEs in Ethiopia.

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* **Tiblets Nguse**, **Goshu Desalegn**, **Betgilu Oshora**, PhD Research Fellow, Hungarian University of Agriculture and Life Sciences, Hungary. **Anita Tangl**, Prof,PhD, Institute of Rural Development and Sustainable Economy, Hungarian University of Agriculture and Life Sciences, Hungary. **Robert Jeyakumar Nathan**, Prof,, PhD, , Faculty of Business, Multimedia University, Melaka, Malaysia. **Maria Fekete-Farkasne**, Prof, PhD, Institute of Agricultural and Food Economics, Hungarian University of Agriculture and Life Sciences. Hungary.
⌧corresponding author: Deresa.Goshu.Desalegn@phd.uni-mate.hu
⌧Baraki.Tiblets.Nguse@hallgato.uniszie.hu;olle.betgilu.oshora@phd.uniszie.hu;tangl@vajna.hu;robert.jeyakumar@mmu.edu.my;farkasne.fekete.maria@uni-mate.hu.

Introduction

The term "financial inclusion" has gained importance since the early 2000s as research findings suggest that financial exclusion increases the risk of poverty (Sarma & Pais, 2011, Dawood et al., 2019). Currently, it is popular in all countries regardless of their achievements in terms of the development of the economy (Watanapongvanich et al., 2021). The process of facilitating banking and financial services for individuals is called financial inclusion, which supports growth and the broader development goals of an economy (Thathsarani et al., 2021). Furthermore, financial inclusion can be explained as having access to and effectively using a range of appropriate financial services. Such services must be provided responsibly and safely to the consumer and sustainably to the provider in a well-regulated environment (Demirgüç-Kunt, Asli; Klapper, 2020).

Globally, financial inclusion is on the rise as an important policy tool in achieving Sustainable Development Goals (SDGs) (Demirgüç-Kunt et al., 2020). As such, policymakers have heightened interest in enhancing financial inclusion, especially in developing economies (Hess & Klapper, 2021; Low et al., 2021). Many of the 2030 SDGs have targeted the strengthening of financial inclusion, which is currently a key policy priority on most governments' agendas in developing nations. According to (Hess & Klapper, 2021), 1.2 billion adults throughout the world registered a bank or mobile money account between 2011 and 2017, with 515 million persons doing so since 2014. This indicates that 69 % of adults now have an account, up from 62 % in 2014 and 51 % in 2011. Furthermore, the study indicates that 94 % of adults have a bank account in high-income countries, but only 63 % do in low-income countries. To see the gender participation in general, only 65 % of women have an account, compared to 72 % of men. The 7 % gender difference gap was also observed in 2014 and 2011 as in 2017. More specifically, the gender gap in developing economies remained steady at 9 % (Demirgüç-kunt et al., 2020). The study conducted by (Kairiza et al., 2017) implies that such financial inclusion gaps between men and women were happened as the result of female-operated enterprises, in comparison with the male counterparts underperformed in terms of turnover, growth, or survival prospects as a result of lack of operating finances (Kairiza et al., 2017; Kézai et al., 2017).

Further, they cannot take advantage of business opportunities or counter systemic or idiosyncratic shocks to their enterprises (Demirgüç-Kunt, Asli; Klapper, 2020). In general, it is believed that a large portion of the population in developing countries operates in the cash-based informal economy (Demirgüç-Kunt, Asli; Klapper, 2020); hence, such a gap can be observed. As a result, financial inclusion initiatives of multilateral agencies are aimed at extending formal financial services to those who are currently not using such services. Inclusion into formal financial services enables people to manage their financial obligations efficiently, reduces poverty, and supports wider economic growth (Fareed et al., 2017). Hence, it is assumed that financial inclusion supports economic growth through increasing financial resources to support real economic activity, particularly for individuals and small and medium-sized enterprises (Arner et al., 2019, Alenoghena et al., 2020). In this regard, many studies are conducted on financial inclusion from different perspectives across the world. However, the issue of the gender gap is still an unanswered question. In the context of Africa, the low level of financial inclusion is attributed to lower income, an economy based on consumption, less investment, and slow economic growth (Demirgüç-Kunt, Asli; Klapper, 2020). As a result, financial inclusion has become a significant issue as many citizens, especially those women entrepreneurs, are still not able to access basic financial services and formal financial institutions (Mwobobia, 2012).

Ethiopia is a low-income country (LIC) with a fast-growing economy but a limited financial industry and financial services coverage (Zwedu, 2014). The principal financial institutions operating in Ethiopia were banks, insurance firms, and microfinance institutions. These financial institutions are growing at the fastest rate in recent years; however, many people remain without access to financial services in the country (Zwedu, 2014). Furthermore, in terms of individual characteristics, women's access to formal financial institutions is significantly lower than men's, with only 29.1 % of Ethiopian women having formal accounts at formal financial institutions and low economic participation with 16.5 %. As a result, financial inclusion is a critical step in development, as it allows women to save money and raise themselves out of poverty. Regarding this issue, some studies are conducted in Ethiopia, from different perspectives to examine the issue of financial inclusion. However, as far as the knowledge of the authors there are no studies conducted to examine how the government policies and regulations through financial inclusion are responding to women’s economic empowerment. Therefore, by taking into account the importance of the study and the above research gap, this study aims at examining the effect of government policies and regulations through financial inclusion on women’s economic empowerment in small and medium-sized enterprises found in Ethiopia. More specifically, the study tends to investigate the direct and indirect impact of government policies and regulations on women’s economic empowerment.

Literature Review

Financial inclusion can be defined as when individuals and businesses have access to useful and affordable financial products and services that meet their needs and are assumed to empower individuals and families, particularly women and poor people (Siddik, 2017). Furthermore, financial inclusion is defined as the degree of access of households and firms, especially poorer households and Small and Medium-sized Enterprises (SMEs), to financial services. According to the Šebestová & Sroka (2020), SMEs are a “major engine” of economic growth and socio-economic development and the achievement of numerous sustainable development goals (SDG). Financial inclusion may also be defined as the use of formal financial services by poor people (Hess & Klapper, 2021). Hence, as can be evidenced from different empirical studies, financial inclusion is on the rise as an important policy tool in achieving sustainable Development Goals (SDGs).

The NBE (2019) report shows that the Ethiopian financial sector has been aggressively expanding in terms of branch expansion and capital accumulation. For instance, in 2018 and 2019, Commercial banks alone increased the number of branches by 14.5% by opening 807 new branches. Moreover, the banks also increased their deposit mobilization by 23.2%, loan collection by 18.1%, and loan disbursement by 42.5%. Similarly, insurance companies and microfinance institutions have scaled up their services by expanding their network and product diversification. At present, of the 18 total banks operating in Ethiopia, 16 were private and 2 state-owned, and the number of insurance companies and microfinance institutions (MFIs) stood at 17 and 38, respectively. Similarly, insurance companies and MFIs have broadened their services by expanding their coverage and product diversification. The inclusion of the private sector in the financial sector provided an opportunity for access to credit services (Zwedu, 2014).

The National Bank of Ethiopia put in place its financial inclusion strategy with a vision of “achieving universal access to and use of a range of affordable and high-quality financial products and services in Ethiopia by 2025” (NBE, 2017). Although the MFIs have helped to reach the unbanked community, especially the poor, through mobilizing deposits, loans, and to some degree, micro-insurance products, the distribution in Ethiopia is still less widespread (Lakew & Hossein Azadi, 2020). Even though Ethiopia has achieved its rapid financial sector growth in the last couple of years, many households are still excluded from access to financial services in the jurisdiction. The analysis of the access and usage of financial services by individuals found that only 33.86 % of adults have an account with formal financial institutions. They use their account to keep money safe, send and receive payments, and get credit services and foreign exchange services (Andualem Ufo Baza & K Sambasiva Rao, 2017). Globally, women entrepreneurs have attracted a good quantity of attention due to the huge impact they need on the economy of each nation, particularly in their ability to form jobs for themselves and others, alleviate poverty, and be elementary drivers of economic growth and development (Bohuslava, 2018; Tanti et al., 2021). The entrepreneurial process drives economic activities significantly. In many countries, including Ethiopia, women's entrepreneurship is an increasingly rising phenomenon. Usually, women initiate their business with limited money collected by savings from family expenditures, relatives, or other sources. To get a bank loan, women are required to put collateral security (Mulili, 2020). But, they do not have sufficient fixed capital to place as collateral or a guarantor to get a small loan from the bank. Increasingly, women's entrepreneurship is seen as a live wire for the social and economic transformation of the society due to the critical role they play both within the realms of households and the community. Women disproportionately face barriers to access that prevent them from participating in the economy and improving their livelihoods (Kairiza et al., 2017). Even though more women than ever before have access to formal financial services, account ownership is increasing due in large part to the adoption of mobile money, a persistent 9 % gap between men's and women's usage of financial services in developing economies. In Ethiopia, the importance of enterprises owned by women entrepreneurs is noticed in different documents like industrial policy, SMEs development strategy, and the growth and transformation plans I and II to accelerate growth and reduce poverty (Meressa, 2020). Despite this, the growth and performance of women-owned SMEs remain a concern, although women's entrepreneurship has gained popularity in the country, with a growing number of women starting and running their businesses (Andualem & Rao, 2017). Financial inclusion and women entrepreneurship concern policymakers because of their impact on job creation, economic growth, and women empowerment (Fareed et al., 2017). Access to accounts and savings and payment mechanisms increases savings, empowers women, and boosts productive investment and consumption. Access to credit also has positive effects on consumption, employment status and income, and some aspects of mental health and outlook (Thathsarani et al., 2021).

Ethiopia has been ranked as the 150th hardest country in the world in terms of access to credit, and the development of Micro and Small Enterprises (MSEs) is hindered by the availability of financial services (Meressa, 2020). Though efforts have improved things, only 1.9% of small enterprises have credit facilities. Among firms that applied for a loan or line of credit in the last fiscal year (2019), 57.3% and 87.9% of applications submitted by micro and small firms, respectively, were rejected (Baza & Rao, 2017). The physical barriers, such as access to bank branches and ATMs; bureaucratic barriers, such as difficulty to get credits and saving products by the poor, due to market failures, such as constraints to accessing due to regulations and structure of financial institutions; and financial barriers like the minimum cost of opening a saving account and fixed transaction costs are important obstacles to use financial services in Ethiopia.

Women's empowerment is a critical component of progress and development. The advancement of a country is aided by gender development. Individuals' identities and powers are realized via empowerment in all aspects of life. It entails increased access and autonomy in terms of knowledge, resources, and decision-making, i.e., being free of the constraints imposed on individuals by society's customs, beliefs, and practices (García-Machado et al., 2020). Women face injustice and vulnerability in all aspects of life, including economic, social, political, educational, health care, nutrition, rights, and the law. In every aspect of existence, women are repressed. To combat the socially created gender basis, women need to be empowered in all aspects of life. In addition to this, most women in developing countries are not empowered (Siddik, 2017). Among the financial institutions that aim to fill the existing gap, microfinance is considered a powerful tool for self-empowering poor people, mostly women (Dawood et al., 2019). Moreover, the finding by Shkodra et al. (2021) recognized the importance of financial inclusion as it targets poor households, particularly poor women-headed farming households living in rural areas. Women in these countries are trying to make ends meet in their homes. Women oversee a large portion of the planet. However, the benefits they receive in exchange for their work are insignificant. Moreover, financial inclusion also empowers women by ensuring their financial stability; such women are better positioned to accumulate money, weather economic shocks, and manage their finances more effectively even when their circumstances change (Mulili, 2020). In addition to this, financial inclusion is also one way to achieve women's economic empowerment because it allows individual women and men, as well as businesses, to conduct bank transactions, save and borrow money, purchase life and non-life insurance, and contribute to micro-pension funds, all of which contribute to economic growth. As a result, it is the role of government and financial institutions to propose various avenues for women's economic empowerment through financial inclusion. Table 1 summarises the proxy variables used in measuring financial inclusion from different perspectives.

Table 1. The summary of proxy variables used in measuring financial inclusion.

No	Proxy variables used for financial inclusion	**Sources**
1	Financially literate, limited financial ability, low level of financial literacy and Literacy level	(Rink et al., 2021)
2	Financially literate, and lack of finance, problems with the city council. Lack of collateral, the high interest charged on loans	(Kara et al., 2021)
3	Inadequate capital, lack of management & financial skills, inadequate loan amount, lack of loan collateral, lack of training in business skills, and low literacy levels	(Manwari et al., 2017)
4	collateral dispute, lengthy process, complicacy in loan processing, complex application procedures, and high collateral requirements	(Ghosh et al., 2018)
5	difficulty in raising capital, lack of collateral, the high interest charged on loans	(Panda, 2018)

As can be observed in Table 1, financial inclusion has been used as a measure through different variables by many scholars. Hence, by taking into account the studies conducted by other scholars, the current study applies the level of the reluctance of financial sectors to provide long term finance, the level of required collateral security, the level of required interest rate, the level of required technical skills, and the level of bureaucratic procedures of accesses to finance, as a proxy to measure the financial inclusion. Based on previously conducted studies and empirical evidence, the study has developed the following hypotheses and conceptual framework for the study.

H1: Government policies and regulations positively and significantly affect women's economic empowerment.

H2: Financial inclusion positively and significantly affects women's economic empowerment.

H3: Financial inclusion has a significant mediating role between women's economic empowerment and government policies and regulations.

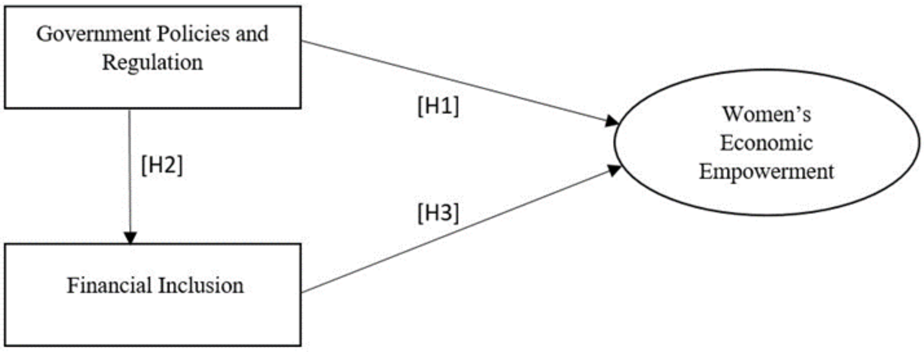

Figure 1: Conceptual framework of the study.

Research Methodology

A mixed research approach (both quantitative and qualitative) was applied in this study. The rationale for combining both quantitative and qualitative data is to neutralize the limitations of applying a single approach (Frels & Onwuegbuzie, 2013). Furthermore, the study used an explanatory and descriptive research design to examine the relationship between variables. The data was collected from primary and secondary sources (Hox & Boeije, 2004). The primary data was used through surveys and questionnaires for collecting information. The questionnaires are prepared with the closed-ended type of questions by grouping the proxy questions under the constructed variable of the study and sent to the sample of study respondents to give responses, whereas secondary sources of data were generated through a review of relevant documents, works of literature on the topic, the internet, and journals. The study used woman entrepreneurs actively doing their business in Addis Ababa as the target population of the study.

A judgmental sampling technique was used to select respondents from the total population of the study. In doing so, the study set a criterion for selecting respondents. The criteria of selection were based on the experience of having a women-founded business or having experience applying for business loans before and the educational background of the respondents.

The questionnaire was prepared to measure the dependent variable (women's economic empowerment) of the study with seven proxy measures questions, such as financial ability to meet emergencies, increased saving and investment, increased source of income, improved living standard, better medical facility, increased productivity, and increased position in the family. Financial inclusion, which is operationalized as a direct and mediating variable in this research, is measured by five proxy questions (reluctance of financial institutions to provide long-term finance, lack of collateral security, level of interest rate, lack of technical skills, and bureaucratic procedures). Furthermore, government policies and regulations were measured by proxy questions like introducing new policies and regulations through financial inclusion for women's economic empowerment and providing incentives to encourage women entrepreneurs.

With the number of scale points, a five-point Likert scale recommended by (Dawes, 2008) was used to make it easier for respondents to answer research questions. Specifically, the response options range from strongly disagree (1) to strongly agree (5). The questionnaire was distributed in two different ways. Initially, the study distributed the questionnaire through different Facebook groups and telegrams to receive desirable feedback from respondents. In doing so, the study attempted to identify those with prior experience with social media. Collecting data in this manner allowed researchers to reduce data collection time and avoid physical contact during the Covid-19 era. Secondly, questionnaires were distributed physically in the absence of respondents on social media. The data were collected for three months between September 12 and December 12, 2021 (3 months period).

When the size of the population is large and previous researches are unavailable to determine the variability of an estimate over all possible samples, thus the sample size is calculated for the favorable case p= q= 0.5 (Corbetta, 2003). Accordingly, this study used the recommendation by Corbetta (2003) in determining the standard deviation, 95% confidence interval, and a 5% sampling error in calculating the sample size. Thus, the sample size for this study was determined with the use of the Topman formula as presented below:

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

n = required sample size
z = degree of confidence (i.e. 1.96)
p = probability of positive response (0.5)
q = probability of negative response (0.5)
e = tolerable error (0.05)

Therefore, $n = \frac{(1.96)^2*0.5*0.5}{(0.05)^2} = 384.16 = 384$

From 384 questionnaires distributed, 324 completed responses were obtained and finalized for analysis, and analysis was made using a structural and measurement model using SMART-PLS 3 (version 3.3.5).

Research Results

The researchers distributed a total of 384 questionnaires to women SMEs, and 324 questionnaires were filled and returned (84.37% response rate). Table 2 presents demographic information of respondents, which shows their age distribution and industry of SME.

Table 2. Age distribution of the respondents.

	Age category	Frequency	Percent
	18-25	19	5.86
	26-30	118	36.42
	31-40	169	52.16
	41-60	18	5.56
	Total	324	100.0

As shown in Table 2, the majority of the respondents in the study are between the ages of 31 and 40. The second-largest age group of respondents is between the ages of 26 and 30. Respondents between the ages of 18 and 25 made up the third-largest group, while those between the ages of 41 and 60 made up the smallest group. It is observed that the majority of respondents are between the ages of 26 and 40, which is considered productive age to start a business.

Table 3. Main activities of women enterpreneres.

	Frequency	Percent
Service Sector	12	3.7
Construction	14	4.32
Merchandise	66	20.37
Manufacturing	226	69.75
Minning	4	1.23
Others	2	0.63
Total	324	100.0

Mining, merchandising, manufacturing (metalwork industry, woodwork industry, molding, soap and detergent, machinery, and others), service sector, agricultural products and construction were the main sectors and activities that women entrepreneurs were engaged in. According to the data gathered to determine the primary activity of the enterprises, the majority of women-owned small and medium-sized businesses participating in this study are in the manufacturing industry (69.75 percent). As evidenced by the respondents' response rate in the preceding table, the second-largest group of respondents is from the merchandising industry (20.37 percent).

The construction industry has the third-largest number of respondents (4.32 percent). Among the activities, the manufacturing sector has a line share of close to 70% of respondents, followed by others.

Descriptive statistics of each indicator

This study used financial inclusion as the mediating variable to examine the effect of government policies and regulations on women’s economic empowerment. To measure the level of financial inclusion and exclusion by women entrepreneurs, the study used the following financial inclusion constraints as a proxy to measure the variable. The constraints identified are; the reluctance of financial institutions to provide loans to women entrepreneurs, the level of collateral requirements for getting funds, the level of interest rate on loans, and the bureaucratic procedures of financial institutions. The following (Table 4) of the study shows the descriptive statistics of each construct variable used in the study.

Table 4. Descriptive statistics of each indicator.

Financial inclusion indicators	**Mean**	**SD**
Financial institutions are reluctant to provide long term finance	3.94	1.0135
Lack of collateral security	3.88	1.0480
High interest rate	4.00	0.9948
Lack of technical skills	3.89	0.9726
Bureaucratic procedures of financial institutions	3.68	0.9802
Women's Economic Empowerment indicators		
Able to meet emergencies	3.83	0.9527
Promote saving and investment	4.20	0.7130
Increase source of income	3.70	0.9781
Improved living standards	3.68	1.0001
Increase better medical facility	3.89	0.9726
Increased position in the family	3.93	0.9443
Increase productivity	4.14	0.7322
Government Policies and Regulation		
Lack of sufficient government support	4.34	0.5736
Lack of appropriate regulation	3.92	0.9914

The recommendation presented by (Bryman, 2008) was employed in this study to assess the overall response value of each indicator used under each variable. According to the author, the explaining power of each indicator may be interpreted using the mean value of the indicators. That is, indications with a mean score of 1–2.61 are deemed the lowest mean score, 2.62–3.41 is the average/moderate score, 3.42–4.21 is the good/high score, and 4.22–5 is the very good score. Hence, the following section of the study discusses the descriptive statistics of each indicator. Table 2 of the study reveals the major constraint to having access to finance (financial inclusion) by women in SMEs, Women's Economic Empowerment indicators, and Related Government Policies and Regulations on Women's Economic Empowerment, respectively.

Financial institutions' reluctance to provide long-term finance receives a high score under (Bryman, 2008) criteria with a mean value of 3.94 and a standard deviation of 1.0135. The result also implies that, on average, the majority of respondents agree that the first constraint to financial inclusion in small and medium-sized enterprises is financial institutions' reluctance to provide long-term financing. The indicator's standard deviation indicates how far each observation deviates from its mean value.

Furthermore, the result implies that women entrepreneurs are highly constrained to be financially inclusive because the collateral requirement made by financial institutions to provide a loan, high level of interest rate, lack of technical skills, and bureaucratic procedures of financial institutions is also the major constraint to women's financial inclusion as same as explained earlier under (Bryman, 2008) criteria.

The result also implies that, on average, the majority of respondents agreed that the constraint to financial inclusion included in the study is high affects the women's economic empowerment in SMEs, as evidenced in Ethiopia.

The study finding implies that all constraints on financial inclusion are found to prohibit women's economic empowerment in general. However, the high level of interest rate, the reluctance of financial institutions to provide a loan to women entrepreneurs and collateral requirements are observed as the leading constraints of women's economic empowerment. This implies that the lack of collateral security and reluctance of financial institutions to provide a loan is the major factor that hinders women in SMEs from accessing the financial assistance offered by the financial institutions. The finding of this study supports the finding established by (Kara et al., 2021), (Manwari et al., 2017) and (Ghosh et al., 2018), which suggest that a lack of collateral security and financial institutions' reluctance to issue a loan are the main barriers limiting women from making use of financial assistance.

Regarding Women's Economic Empowerment indicators, most of the respondents replied that after they availed themselves of financial inclusion programs, they brought a great change to their economy. They were asked to rate their agreement from strongly agree to strongly disagree with the improvements made. The result, as depicted in Table 2 above, found that after availing of financial inclusion programs, they brought great changes, such as being able to meet emergencies, increase saving and investment, increase the source of income, improve living standards, increase better medical facility, increase position in the family and increase productivity, as stated previously under (Bryman, 2008) criteria. As a result, each indicator has a mean value greater than 3.42 but less than 4.2. In this case, the average level of all respondents on women's economic empowerment is high, which is assumed to mean that the indicators are agreed on because each indicator has a mean value of close to 4, which is ranked as agreed on the question. Therefore, it can be understood that access to financial inclusion for women improved their economic situation. The finding of this study is consistent with the finding established by the researchers (Kara et al., 2021, Manwari et al., 2017, Ghosh et al., 2018). As a result, it can be argued that financial inclusion enhances women's economic empowerment in emerging economies like Ethiopia.

Finally, the data collected showed that the major obstacle to women's empowerment regarding government policies and regulations is the lack of sufficient government support and incentives, followed by a lack of appropriate regulation for woman entrepreneurs for financial inclusion. This implies that the government regulations and incentives are not necessary steps to empower women entrepreneurs. Therefore, to empower women entrepreneurs economically, the government shall create a conducive business environment and provide access to financial inclusion because the development of women would lead to the better development of the family and the nation.

After discussing the respondent's responses to the construct variables of the study, the authors were interested in investigating the relationship between construct variables. In doing so, the study was estimated with two estimation techniques of the partial least squares equation modeling techniques, namely measurement and structural model. The early one helps investigate the relationship between the outer factor and its construct, and the latter one is useful for examining the relationship between construct variables. In doing so, SMART-PLS 3 (version 3.3.5.) software was used. In the following section of the study, the results of each model are presented as follows.

Measurement Model Analysis

The study used an outer (measurement) model to examine the relationships between the latent variables and their measures. Items measuring financial inclusion were reverse-coded to make them positive before the analysis so that all items from all factors are in the same direction (positive) during the path modeling. The outer loading of the measures is found to be strongly associated with the construct since all have factor loading values of greater than 0.70 (Gefen & Straub, 2005). Furthermore, the first component of the measurement model, which is supposed to be reliability analysis, was performed with composite reliability and Cronbach alpha. In line with the benchmark of (Sarstedt et al., 2020), the cut-off point for composite reliability and Cronbach alpha is supposed to be greater than 0.70. Hence, the reliability analysis test result implies all variables have a test result greater than the cut-off point (Table 5). The second component of the measurement model (convergent validity) was performed and found the validity of data with an average variance extracted value of greater than 0.50 (Sarstedt et al., 2020) (Table 5). The issue of collinearity was tested through the variance inflation factor. According to (Sarstedt et al., 2020), the variance inflation factor should be less than 10 to ignore the collinearity issue. Hence, based on this argument, the study concluded that there is no evidence for the existence of collinearity between variables since the value of the variance inflation factor is less than 10 for all variables (Table 5).

Table 5. Reliability analysis, convergent validity, and collinearity statistics.

The model type –Reflective	Outer loading	Alpha	CR	AVE	VIF
Financial Inclusion		*0.862*	*0.91*	*0.645*	
FI1 (Reluctance)	0.801				1.84
FI2 (Interest rate)	0.829				2.22
FI3 (Collateral)	0.797				1.87

FI4 (Technical skills)	0.758				1.88
FI5 (Bureaucratic procedures)	0.827				2.07
Government Policies		*0.821*	*0.918*	*0.848*	
GP1 (Regulations and Policies)	0.923				1.94
GP2 (Incentives)	0.9.19				1.94
Women Entrepreneur		*0.878*	*0.902*	*0.590*	
WE1(Productivity)	0.846				1.58
WE2(Income)	0.764				2.35
WE3(Saving and investment)	0.846				3.33
WE4(Medical facility)	0.872				3.14
WE5(Emergency meet)	0.747				2.40
WE6(Living standard)	0.834				3.11
WE7(Position in family)	0.748				1.86

Besides, the discriminant validity was performed through the heterotrait-monotrait ratio. In this case, if the value of the heterotrait-monotrait ratio of the constructed variable is less than 80 %, the discriminant validity can be viable (Gefen & Straub, 2005). The following Table 6 shows that HTM ratio of the construct variables is less than 80 % cut-off point. Hence, the study has no issue regarding data validity.

Table 6. Reporting Discriminant Validity through Heterotriat-monotrait ratio.

Variable	FI	GPR	WEE
Financial inclusion			
Government policies and regulations	0.369		
Women economic empowerment	0.638	0.172	

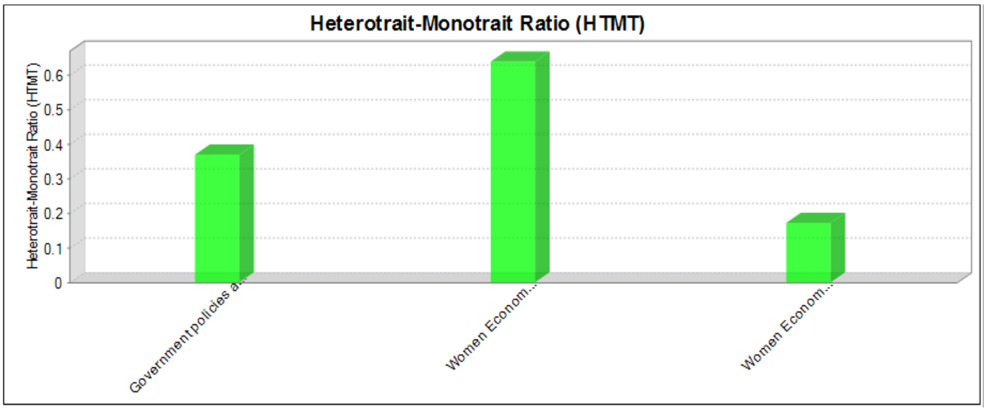

Figure 2: Discriminant Validity report through Heterotriat-monotrait ratio.

Structural Model Analysis

The study used structural model assessment to examine the relationship between the variables proposed. In doing so, the authors examined the indirect effect (effect of government policies and incentives on women's economic empowerment through financial inclusion as mediating variable) and the direct effect (effect of financial inclusion and government policies on women's economic empowerment). As stated in the hypothesis of the study. H1 evaluates whether government policies positively and significantly affect women's economic empowerment. The result of the structural model analysis implies that government policies and incentives have a positive and significant effect on women's economic empowerment, with a significance level of 10 %. The path coefficient $(\beta = 0.163, t - statistics = 1.950, p - value = 0.051)$ implies that government policies and incentives directly affect women's economic empowerment positively and significantly. However, the level of significance is low, as the study accepts the 10 % significance level. Moreover, an increase in government regulations regarding women's economic empowerment, policies, and incentives cause women's economic empowerment to increase by the value of the beta coefficient. The finding of the study is supported by the working hypothesis.

Furthermore, H2 of the study evaluates whether financial inclusion positively and significantly affects women's economic empowerment. The result of the structural model analysis implies that financial inclusion has a positive and significant effect on women's economic empowerment with a path coefficient $(\beta = 0.770, t - statistics = 13.384, p - value < 0.001)$.. The result implies that an increase in the level of financial inclusion causes the women's economic empowerment to increase by the beta coefficient and is statically significant (Table 7).

Table 7. Hypothesis testing and Model Summary.

Hypothesis	Direct	SD	T-Statistics	P values	Decision
H1: GP‣‣‣WEE	0.770	0.058	1.960*	0.051	supported
H2: FI‣‣‣WEE	0.163	0.106	13.384***	0.000000	supported
H3: GP‣‣‣ FI	0.315	0.084	2.968***	0.000000	supported
Model fit WEE	R-square 69.8%		Adjusted R^2 69.2%		

Note: *t > 1.96 at * p < 0.05; t > 2.58 at ** p < 0.01; t > 3.29 at *** p < 0.001*

The R square, which shows the goodness of fit (Teoh et al., 2011) of the model, was performed to investigate how much % the age of the dependent variable is explained by independent variables (Israeli, 2007). The result of R square shows that financial inclusion and government policies collectively explain women's economic empowerment by 69.8 %. The remaining % of 30.8 is explained by other independent variables.

Mediating analysis

The study also examines if financial inclusion has a mediating role between government policies and women's economic empowerment. H3 of the study evaluates whether financial inclusion has a mediating role between government policies and women's economic empowerment. The result of the structural model analysis implies that financial inclusion has a positive and significant mediating role with path $coefficient\ (\beta = 0.243, t - statistics\ = 3.11, p - value\ < 0.01)$. This means that government policies and regulations affect women's economic empowerment through financial inclusion. Hence, it can be concluded that the effect of government policies and regulations on women's economic empowerment is direct and indirect since the p-value of the effect is significant as $(\beta = 0.163, t - statistics\ = 1.960, p - value\ < 0.051)$ and $(\beta = 0.243, t - statistics\ = 3.11, p - value\ < 0.01)$. In the total effect, financial inclusion has a partial mediation between government policies and regulations, and women's economic empowerment since both direct and indirect effect of structural model analysis result shows a significant effect (Table 8).

Table 8. Result of moderating analysis.

Indicators		Coefficient	SD	T - Statistics	P values
Total effect	GPR‣‣‣ WEE	0.406	0.123	3.303***	0.0000
Direct effect	GPR‣‣‣ WEE	0.163	0.083	1.960*	0.051
Indirect effect	GPR‣‣‣FI‣‣WEE	0.243	0.079	3.057***	0.002

The study aims at examining the role of government policies and regulations in enhancing women's economic empowerment through financial inclusion, as evidenced by SMEs in Ethiopia. In this regard, most of the previously conducted studies are more or less stacked to examine financial inclusion determinants at the macro and micro levels. However, seeing how government policies and regulations in the framework of financial inclusion affect women's economic empowerment is found important, especially for developing economies where a high number of gender-based lack of access to finance is witnessed. The study found a positive and significant direct effect of government regulations and policies on women's economic empowerment with coefficient ($\beta = 0.163, t - statistics\ = 1.950, p - value = 0.051$) hence H1 of the study is accepted and ($\beta = 0.770, t - statistics\ = 13.384, p - value = 0.001$), indirect relationship between government policies and regulations and women's economic empowerment. The result meets our expectations, and the justification for the positive relationship is an increase in government policies, regulations and incentives for women's economic empowerment to promote the level of entrepreneurs involved in SMEs in Ethiopia. However, the level of significance of these variables is low as the study accepted a 10 % significance level. Hence, government policies and regulations are more helpful for women entrepreneurs through financial inclusion. Besides, the study also highlights the mediating role of financial inclusion between government policies and regulations and women's economic empowerment.

The study's finding supports the hypothesis that government policies and regulations positively and significantly affect women's economic empowerment through financial inclusion with P-value < 0.0001. Hence, the mediating role of financial inclusion (H3) is accepted with $coefficient\ (\beta = 0.243, t - statistics\ = 3.11, p - value\ < \ 0.01)$. More specifically, financial inclusion has also been found positively and significantly related to women's economic empowerment, which implies that an increase in financial inclusion has a positive and significant effect on women's economic empowerment. Hence, H2 of the study is accepted ($\beta = 0.770, t - statistics\ = 13.384, p - value\ < \ 0.001$) to summarize, the study finding confirms that government policies and regulation have a positive and significant relationship with women's economic empowerment both directly and indirectly. Hence, H1 (GPR‣‣‣WEE), H2 (FI‣‣‣WEE), and H3 (GPR‣‣‣FI‣‣‣WEE) are accepted. However, it is more significant through financial inclusion.

Conclusion

The empowerment of women is one of the most important issues in developing countries. It is well-documented that women are more likely than men to spend their income on household and family needs (Nathan et al., 2022). Therefore, increasing women's access to finance will enable women to contribute to household income. This, in turn, will translate into improved standards of living. For this consideration, this study was conducted to assess women's economic empowerment through financial inclusion in the case of Ethiopia. The finding of the study implies that government policies and regulations through financial inclusion have a positive and significant effect on empowering women's economies. More specifically, the study confirms that the major constraints to financial inclusion by women-owned SMEs are the lack of collateral security, high-interest rates, lack of technical skills, high bureaucratic procedures, and financial institutions' reluctance to provide long-term finance by considering the degree of influence. In addition to this, the majority (72.2%) of the respondents replied that the government did not give attention to supporting women entrepreneurs in SMEs. However, the finding implies that, after availing of financial inclusion programs, women entrepreneurs become economically empowered, such as being able to meet emergencies, increase savings and investment, improve medical facilities, increase their position in the family, and increase productivity. The finding of this study lends credit to the study conducted by Rink et al. (2021), Kara et al. (2021), Manwari et al. (2017), Ghosh et al. (2018) and Panda (2018), which imply that a lack of collateral and financial institutions' reluctance to offer a loan are the main barriers preventing women from seeking financial assistance. As a result, this study finds that financial inclusion boosts women's empowerment in emerging economies like Ethiopia. Hence, it can be concluded that government support for women-owned businesses, such as policy development and legal infrastructure and incentives, empowers women entrepreneurs, which is lacking in Ethiopia.

Women's financial inclusion is an important component in eliminating poverty among women and in the community, but due to a variety of obstacles, as explained in this study, their participation is not maximizing their growth potential. As a result, this study could serve as a resource for government officials and financial institutions to take the appropriate steps to simplify credit processes and suggest the implementation of necessary long-term policies to ensure that women can participate financially and make positive changes in their lives. Furthermore, the government shall provide basic financial literacy and training to women entrepreneurs, as most do not have a fundamental understanding of finance that allows them to make informed decisions about their money's current and future use and management. This research is also critical in justifying the need for interest rate reductions. If the interest rate is cut, more entrepreneurs will be able to start businesses, and current SMEs will be able to borrow. Policymakers could include knowledge of financial technology for women entrepreneurs as current studies find them useful in improving women's role in entrepreneurship (Setiawan et al., 2021).

One limitation of this study is that it was conducted among women entrepreneurs in Addis Ababa city administration, as a wider sample size was not possible at the time of this study due to distance, accessibility, war and pandemic issues. Future studies could expand this research to include women from rural populations and measure their entrepreneurship activities.

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ZWIĘKSZANIE WŁASNOŚCI GOSPODARCZEJ KOBIET POPRZEZ WŁĄCZENIE FINANSOWE: DOWODY Z MŚP W ETIOPII

Streszczenie: Włączenie finansowe uważane jest za jeden z najskuteczniejszych katalizatorów wzrostu gospodarczego każdego narodu. Z tego powodu w Agendzie na rzecz zrównoważonego rozwoju 2030 uznano, że osiągnięcie celów zrównoważonego rozwoju może być trudne bez równouprawnienia płci i wzmocnienia pozycji ekonomicznej kobiet. Jednak w krajach rozwijających się, takich jak Etiopia, istnienie różnic między płciami w dostępie do finansowania nadal stanowi przeszkodę w osiągnięciu ekonomicznego upodmiotowienia kobiet i równości płci. W rezultacie niniejsze badanie ma na celu zbadanie roli polityk rządowych i przepisów dotyczących wzmocnienia pozycji ekonomicznej kobiet poprzez włączenie finansowe: dowody z małych i średnich przedsiębiorstw w Etiopii. Aby osiągnąć ten cel, w badaniu wykorzystano projekt badań wyjaśniających i mieszane podejście badawcze. W badaniu przyjęto zarówno pierwotne, jak i wtórne źródła danych. Dane pierwotne zebrano za pomocą kwestionariuszy, a dane wtórne zebrano z przeglądu różnych powiązanych dzieł literatury, Internetu i czasopism. Populacją docelową badania były wszystkie zarejestrowane kobiety-przedsiębiorcy z Addis Abeby. W tym badaniu zastosowano technikę doboru próby w celu wybrania respondentów z kobiecych MŚP, a dane zebrano z 324 należących do kobiet MŚP w Etiopii. Do oszacowania zarówno pomiaru, jak i analizy strukturalnej zmiennych badawczych wykorzystano SMART-PLS w wersji 3.3.5. Wyniki badania sugerują, że polityka i regulacje rządowe mają pozytywny i znaczący wpływ na wzmocnienie pozycji ekonomicznej kobiet zarówno w postaci bezpośrednich, jak i pośrednich skutków. Poza tym włączenie finansowe pozytywnie i znacząco wpływa bezpośrednio na wzmocnienie pozycji ekonomicznej kobiet. W związku z tym obserwuje się częściową mediacyjną rolę włączenia finansowego. Dokładniej rzecz ujmując, wynik badania sugeruje, że ograniczenia dotyczące włączenia finansowego, takie jak wymóg zabezpieczenia, kapitał początkowy, poziom analfabetyzmu, wysokie stopy procentowe, procedury biurokratyczne i brak umiejętności technicznych, utrudniają wzmocnienie pozycji ekonomicznej kobiet w Etiopii. W oparciu o wyniki badania, zaleca się, aby urzędnicy rządowi i bankowi centralnemu tworzyli nowe polityki i przepisy poprzez włączenie finansowe, które sprzyjają wzmocnieniu pozycji ekonomicznej kobiet poprzez uwzględnienie tych ograniczeń. Badanie jest nowatorskie w dostarczaniu współczesnej literatury empirycznej na temat upodmiotowienia kobiet i integracji finansowej w jednym badaniu i dostarcza dowodów na to, że rządy ustalają różne polityki gospodarcze, które celowo wpływają na poziom integracji finansowej

Słowa kluczowe: włączenie finansowe, wzmocnienie pozycji ekonomicznej kobiet, MŚP w Etiopii.

通过普惠金融增强妇女的经济权能：来自埃塞俄比亚中小企业的证据

摘要：**普惠金融被**认为是任何国家经济增长最有效的催化剂之一。出于这个原因，2030 **年可持**续发展议程认识到，如果没有性别平等和妇女经济赋权，实现可持续发展目标可能会很困难。然而，在埃塞俄比亚这样的发展中国家，在获得资金方面存在的性别差距仍然是实现妇女经济赋权和性别平等的障碍。因此，本研究旨在研究政府政策和法规在通过金融包容性增强妇女经济权能方面的作用：来自埃塞俄比亚中小企业的证据。为了实现这一目标，本研究采用了解释性研究设计和混合研究方法。该研究采用了主要和次要数据来源。主要数据是通过问卷调查收集的，次要数据**是通**过对不同相关文献、互联网和期刊的审查收集的。该研究的目标人群是在亚的斯亚贝巴发现的所有注册女企业家。在本研究中，使用判断抽样技术从女性中小企业中选择受访者，并从埃塞俄比亚的 324 **家女性**拥有的中小企业中收集数据。SMART-PLS 3.3.5 **版用于估**计研究变量的测量和结构分析。研究结果表明，政府政策和法规对妇女的经济赋权产生了直接和间接的积极和显着影响。此外，普惠金融对女性的经济赋权有积极而显着的直接影响。因此，观察到普惠金融的部分中介作用。更具体地说，研究结果表明，对金融包容性的限制，如抵押要求**、启**动资金、文盲水平、高利率、官僚程序和缺乏技术技能，阻碍了埃塞俄比亚妇女的经济赋权。根据研究结果，建议政府和中央银行官员通过金融包容性制定新的政策和法规，考虑到这些限制因素，从而有利于妇女的经济赋权。该研究在单一研究中提供了有关妇女赋权和金融包容性问题的当代实证文献，并为政府制定不同的经济政策以故意影响金融包容性水平提供了证据

关键词：金融包容性、妇女经济赋权、埃塞俄比亚中小企业