Importance of Islamic Microfinance for Poverty Reduction: Evidence from Ethiopia Islamic Microfinance Institutions

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Abstract : Purpose: This study investigates the impact of Islamic microfinance services on poverty alleviation in Ethiopia. Methodology: Employing a binary logistic regression model, this research analyzes the relationship between poverty reduction and a range of variables—income, education, household size, age, and savings—among clients of Islamic microfinance services. Data was collected through a semi-structured questionnaire administered to a purposive sample and complemented by semi-structured interviews with senior officials from Islamic microfinance institutions. Findings: The study reveals that income, education, household size, and age of clients are primary determinants of poverty reduction within the context of Islamic microfinance services in Ethiopia. Practical Implications: The findings offer valuable insights for policymakers and government agencies seeking to enhance the livelihoods of Islamic microfinance clients and reduce poverty. Originality/Value: This research contributes to the existing literature by elucidating the specific mechanisms through which income, education, household size, and age influence poverty reduction among clients of Islamic microfinance services in Ethiopia. Furthermore, it provides a novel perspective on the role of Islamic microfinance in the country, including its challenges and opportunities. Social Implications: The study underscores the imperative for governments and institutions to prioritize financial inclusion as a means of addressing poverty and inequality across all socioeconomic strata.
Keywords : microfinance, binary logistic model, poverty reduction, Ethiopia.
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