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Financial Transparency and Performance of Microfinance Institutions in Ethiopia

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ABSTRACT

The **subject** of this study is the relationship between financial transparency and the financial performance of microfinance institutions (MFIs) in Ethiopia. The research focuses on four core dimensions of transparency: external auditing, public disclosure, compliance with accounting standards, and timeliness of financial reporting, examined through the theoretical frameworks of agency theory and stakeholder theory. The **purpose** of the study is to determine how these transparency dimensions influence institutional profitability, measured by return on assets (ROA), in a donor-dependent and regulation-intensive environment. The relevance of the research arises from persistent governance challenges, inconsistent reporting practices, and the strategic importance of MFIs in promoting financial inclusion and socio-economic development in emerging markets. The **scientific novelty** lies in the development of a hybrid conceptual framework that integrates international theoretical models with Ethiopia-specific institutional conditions and in the application of a mixed-methods approach that combines econometric analysis with qualitative insights from industry executives. The **methodology** includes fixed-effects regression analysis of a balanced panel of 13 licensed MFIs for the period 2015–2024, supported by thematic analysis of semi-structured interviews. The **results** demonstrate that external auditing, public disclosure, and compliance with accounting standards significantly enhance ROA, while delays in financial reporting reduce profitability. Qualitative findings confirm that transparency improves institutional credibility, donor trust, and operational efficiency, but its implementation is constrained by capacity limitations, regulatory inconsistencies, and divergent stakeholder expectations. The authors **conclude** that transparency should be viewed not only as a compliance obligation but also as a strategic driver of resilience, competitiveness, and sustainable growth in Ethiopia's microfinance sector.

Keywords: financial transparency; microfinance institutions; return on assets; agency theory; stakeholder theory; emerging markets; Ethiopia

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Финансовая прозрачность и деятельность микрофинансовых институтов в Эфиопии

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АННОТАЦИЯ

Предметом данного исследования является взаимосвязь между финансовой прозрачностью и финансовыми результатами микрофинансовых организаций (МФО) в Эфиопии. Исследование сосредоточено на четырех основных аспектах прозрачности: внешнем аудите, раскрытии информации для общественности, соблюдении стандартов бухгалтерского учета и своевременности финансовой отчетности, рассматриваемых с точки зрения теоретических основ теории агентств и теории заинтересованных сторон.

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Цель исследования — определить, как эти аспекты прозрачности влияют на рентабельность учреждений, измеряемую рентабельностью активов (ROA), в условиях зависимости от доноров и интенсивного регулирования. **Актуальность** исследования обусловлена сохраняющимися проблемами управления, непоследовательной практикой отчетности и стратегической важностью МФО в содействии финансовой доступности и социально-экономическому развитию на развивающихся рынках. **Научная новизна** заключается в разработке гибридной концептуальной модели, интегрирующей международные теоретические модели с институциональными условиями, специфичными для Эфиопии, а также в применении смешанного подхода, сочетающего эконометрический анализ с качественными выводами руководителей отрасли. **Методология** включает регрессионный анализ с фиксированными эффектами сбалансированной группы из 13 лицензированных МФО за период 2015–2024 гг., подкрепленный тематическим анализом полуструктурированных интервью. **Результаты** показывают, что внешний аудит, публичное раскрытие информации и соблюдение стандартов бухгалтерского учета значительно повышают рентабельность активов (ROA), в то время как задержки с представлением финансовой отчетности снижают рентабельность. Качественные результаты подтверждают, что прозрачность повышает авторитет учреждения, доверие доноров и операционную эффективность, но ее реализация сдерживается ограниченными возможностями, несоответствиями в регулировании и расхождениями в ожиданиях заинтересованных сторон. Авторы приходят к **выводу**, что прозрачность следует рассматривать не только как обязательство по соблюдению требований, но и как стратегический фактор устойчивости, конкурентоспособности и устойчивого роста микрофинансового сектора Эфиопии.

Ключевые слова: финансовая прозрачность; микрофинансовые организации; рентабельность активов; теория агентств; теория заинтересованных сторон; развивающиеся рынки; Эфиопия

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1. Introduction

Over the past two decades, Ethiopia's microfinance sector has expanded rapidly, catalyzed by policy incentives, donor engagement, and rising demand for inclusive financial services. Today, over 40 registered microfinance institutions (MFIs) operate nationwide, serving millions of low-income and rural clients often excluded from the formal banking sector.¹ These institutions play a vital role in poverty alleviation, rural development, economic inclusion, and small business financing, offering microcredit, savings, and financial literacy services to underserved populations.² Microfinance is particularly promising for business creation in Ethiopia, enabling entrepreneurs to access capital with fewer barriers than traditional banks, thus fostering economic growth [1].

Despite these achievements, the sector faces persistent structural and governance challenges. Many MFIs suffer from undercapitalization, weak internal controls, and inconsistent reporting standards, all of which undermine stakeholder confidence

and long-term financial performance. A central concern is the variation in financial transparency practices — particularly in external auditing, public disclosure, compliance with accounting standards, and timely financial reporting [2, 3]. These dimensions are globally recognized as key enablers of financial credibility and institutional performance, yet their application remains uneven across Ethiopian MFIs [4].

Defining Institutional Efficiency: In the context of this study, institutional efficiency refers to an MFI's ability to achieve its objectives effectively, encompassing financial, operational, and social dimensions. Financial efficiency, the primary focus of this study, is measured by Return on Assets (ROA), reflecting profitability and resource utilization. Operational efficiency includes cost management (e.g., cost per borrower), while social efficiency involves outreach to underserved populations (e.g., number of clients served). This study focuses on financial efficiency due to its critical role in donor-driven MFIs and the availability of reliable financial data in Ethiopia, though operational and social efficiency are acknowledged as complementary dimensions that warrant further exploration [5, 6].

The global microfinance literature widely links financial transparency to enhanced performance and investor trust. Evidence from Latin America,

¹ National Bank of Ethiopia. Annual Report 2022. Addis Ababa: National Bank of Ethiopia; 2022. URL: <https://www.nbe.gov.et/publications/annual-bank-report/>

² World Bank. The Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19. Washington, DC: World Bank; 2021. URL: <http://documents.worldbank.org/curated/en/099818107072234182>

Eastern Europe, and Sub-Saharan Africa shows that institutions with robust transparency mechanisms tend to report higher ROA, better access to capital, and stronger stakeholder engagement [7]. However, little is known about how these relationships manifest in Ethiopia's donor-dependent and regulation-intensive microfinance ecosystem, where MFIs compete with banks for clients while serving distinct market segments. Existing Ethiopian studies have largely focused on board composition or regulatory supervision with limited attention to a comprehensive, multidimensional assessment of transparency's direct impact on institutional performance [8, 9].

This research addresses this gap by evaluating how four core components of financial transparency — external auditing, public disclosure, accounting standards compliance, and timeliness of financial reporting — affect the financial performance of Ethiopian MFIs, measured by ROA. Drawing on agency theory and stakeholder theory, the study develops a hybrid analytical framework to explore both managerial alignment and stakeholder trust mechanisms. The novelty of this study lies in its integration of mixed methods, combining panel data analysis with executive interviews to offer a rich, context-sensitive understanding of transparency's performance implications in Ethiopia.

The study's objective is to empirically test the hypothesis that higher transparency is positively associated with improved MFI financial performance, while reporting delays negatively affect profitability. By addressing an important empirical and policy gap, this research contributes to the advancement of financial governance literature in emerging markets and informs regulatory and managerial strategies aimed at strengthening Ethiopia's microfinance sector.³

2. Literature review

2.1. Defining financial transparency

In this article, institutional efficiency is understood as the combined ability of MFIs to achieve both economic outcomes (profitability, stability, sustainability) and social outcomes (outreach,

inclusion, poverty reduction). While this study uses ROA as the primary indicator, institutional efficiency is multidimensional. Financial transparency involves the public, complete, accurate, and prompt release of an institution's financial performance, internal controls, and policies. It encompasses not only the existence of financial information but also its quality and accessibility, enabling stakeholders to make informed decisions [10]. For microfinance institutions, which rely heavily on donor capital and public trust, transparency is critical to maintaining credibility and operational legitimacy.⁴ According to International Integrated Reporting Council (IIRC), transparency is particularly vital for financial institutions in under-regulated environments, where stakeholder trust must be carefully established.⁵

2.2. The importance of transparency in the financial sector

In the broader finance literature, transparency has been shown to improve capital allocation efficiency, reduce financing costs, and enhance corporate governance. Bushman et al. argue that it reduces information asymmetry between managers and stakeholders, leading to better decision-making [11]. Ball further contends that transparency improves market discipline and risk management [12]. In MFIs, which balance financial and social goals, transparency is essential for gaining donor trust and ensuring financial performance [5]. Lack of transparency can lead to public distrust and funding withdrawal, undermining institutional viability.

Institutional efficiency in MFIs: Institutional efficiency in microfinance extends beyond financial performance to include operational and social dimensions. Financial efficiency, often measured by ROA, reflects profitability and resource utilization. Operational efficiency includes metrics like cost per borrower or loan processing time, while social efficiency captures outreach, such as the number of clients served or loans to marginalized groups [13]. While this study focuses on financial

³ National Bank of Ethiopia. Annual Report 2022. Addis Ababa: National Bank of Ethiopia; 2022. URL: <https://www.nbe.gov.et/publications/annual-bank-report/>; World Bank. The Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19. Washington, DC: World Bank; 2021. URL: <http://documents.worldbank.org/curated/en/099818107072234182>

⁴ The new microfinance handbook: A financial market system perspective. Washington, DC: World Bank Publications; 2013. URL: <https://openknowledge.worldbank.org/handle/10986/12272>

⁵ International Integrated Reporting Council (IIRC). International framework. IIRC; 2021. URL: <https://www.integratedreporting.org/resource/international-ir-framework/>

efficiency due to its measurability and relevance to donor accountability, transparency likely influences operational efficiency (e.g., through streamlined reporting) and social efficiency (e.g., by building client trust) [10]. These broader dimensions are critical but underexplored in the Ethiopian context.

MFIs as competitors and complements to banks: MFIs and banks operate in overlapping yet distinct segments of the financial market, particularly in developing economies such as Ethiopia [14]. Banks typically serve formalized clients with higher creditworthiness, requiring extensive documentation and credit history. MFIs, conversely, target underserved populations — such as rural clients, small businesses, and low-income individuals — with fewer bureaucratic requirements, lower documentation needs, and no reliance on prior credit history [15]. This makes MFIs a preferred choice for small entrepreneurs, enabling business creation and financial inclusion. However, MFIs often borrow from banks to fund their operations, creating a complementary relationship where banks provide capital and MFIs extend it to underserved regions with limited banking presence [16]. State regulation should foster the parallel development of both institutions to ensure adequate financial resources for the economy, particularly in Africa, where financial exclusion remains high [17]. Microfinance's role as a promising business financing method underscores its importance in fostering entrepreneurship and economic growth.

Contributions of microfinance pioneers: The modern microfinance movement owes much to Muhammad Yunus, whose establishment of the Grameen Bank in Bangladesh demonstrated microcredit's potential for poverty alleviation and business creation [18]. Yunus' model emphasized small, collateral-free loans to empower low-income entrepreneurs, particularly women, laying the foundation for global microfinance. Additionally, Isabelle Guérin's work highlights the social dimensions of microfinance, illustrating how it reshapes social relations and empowers marginalized groups through access to financial services [19]. These contributions underscore microfinance's dual financial and social goals, which inform this study's focus on transparency as a driver of performance.

2.3. Theoretical foundations

Agency theory is a strong foundation for understanding the role of financial transparency in

MFI performance. Jensen and Meckling contend that agency issues are the outcome of principals' (e.g., donors, clients) and agents' (MFI managers) information asymmetry that can cause mismanagement [20]. In the donor-influenced Ethiopian MFI sector, public disclosure, external audit, compliance with IFRS, and timely reporting prevent asymmetry through the assurance of accountability [3]. External auditing (EA) ensures financial integrity, deterring opportunistic behavior, and public disclosures (PD) improve monitoring by stakeholders and align managerial action with profitability objectives such as ROA [4]. Accounting standards compliance (ACS) ensures reports are consistent and minimizes errors, and timely reporting (TFR) communicates operating performance, a requirement in controlled Ethiopia [21]. Agency theory therefore anticipates that transparency will increase ROA by reducing agency costs.

Stakeholder theory completes the vision by demanding consistency of the various stakeholder interests — donors, clients, regulators, and communities [22]. Transparency in Ethiopia, just like in most countries, where MFIs are endowed with social and financial objectives, creates trust, a prerequisite to access donor funds and client loyalty [15]. Disclosure to the general public and auditing provide credibility, capital upturning, and IFRS compliance and reporting on a timely basis meet regulatory and donor requirements, achieving financial stability [6]. Stakeholder theory asserts that more transparent MFIs better serve the needs of stakeholders more equally, improving ROA by improved access to capital and trust [23]. Both arguments point out transparency in interest alignment and performance-focused management suitable for the Ethiopian cooperative MFI environment.

2.3.1. A hybrid framework of transparency for donor-funded MFIs

This research recommends a hybrid transparency framework for donor-supported microfinance institutions (MFIs) in developing nations such as Ethiopia. It combines the agency theory and stakeholder theory models and, furthermore, considers nation-specific issues like donor reliance, ineffectual regulators, and poorly developed technology infrastructure. Moving beyond one-size-fits-all limitations of transparency frameworks, it provides a context-sensitive method to

reveal the way interventions in transparency can affect the efficiency and sustainability of institutions.

Core framework dimensions: The first of these is structured accountability through agency alignment, which is based on agency theory [19] and prioritizes structured processes like external audits and compliance with formal accounting standards. These processes minimize information asymmetry among managers (agents) and different principals — donors, regulators, and clients — each having different informational needs. In donor-dependent MFIs, information revealed is utilized for its transparency, and adaptive transparency mechanisms need to be created to address different demands by different groups of stakeholders. For instance, donors require the highest monetary precision, while clients might require conditions of loans and repayment transparency.

The second facet, stakeholder-centric engagement, draws on stakeholder theory [21], laying down participative and differentiated public disclosures. Given the low levels of financial literacy in Ethiopia, the structure promotes differentiated disclosure strategies — periodic exhaustive reports for external donors and simple and readable presentation forms for clients and community stakeholders. Not only does this participative approach improve stakeholder trust but also ensures long-term institutional sustainability by strengthening legitimacy and social license to operate.

The topic of dynamic timeliness adds a time aspect to standard transparency frameworks. Unlike standard models in which the availability of disclosures is of concern, this model accounts for the timeliness of financial reporting as the prime driver of operational responsiveness as well as stakeholder engagement. Timeliness in reporting reflects managerial competence and institutional integrity as perceived by donors as well as regulators.

The final dimension, technological integration, identifies emerging trends in digital finance. The application of digital systems — i.e., blockchain audit trails, cloud reporting platforms, and mobile messaging tools — can potentially reduce reporting costs and enhance real-time information sharing. These technologies are especially relevant for MFIs in low-resource environments, offering scalable solutions to increase transparency and accountability.

Relevance to the Ethiopian and African context: The framework is intended for the Ethiopian MFI setting of heavy donor reliance, weak regulation enforcement, and widespread financial exclusion. The pragmatic realities of such a setting are captured in the framework without compromising international transparency standards. Universality is increased by comparative experience from other African settings. Digital reporting mechanisms employed by Uganda, for instance, and the client-informed disclosure culture used in Kenya are good examples of good-fitting adaptations under similar constraints. Conversely, Nigeria's experience with over-regulation is a caution against tight transparency provisions. The framework thus implements an equitable, responsive approach with a bias towards institutional capacity as well as energizing stakeholder trust and fiscal responsibility.

2.4. Global empirical evidence

Recent contributions (2021–2025) further highlight these dynamics. For instance, [18] analyzes the dual financial and social efficiency of Indian MFIs, while [24] provides evidence from African MFIs using updated efficiency measures. [25] links digitization with improved transparency and performance, and [26] shows how FinTech integration affects profitability. [27] Explore how social performance interacts with efficiency globally. These newer findings align with and extend the evidence base for Ethiopia's MFI sector.

There exists strong cross-country empirical evidence to support the relationship of financial transparency with improved performance of micro-finance institutions (MFIs). Transparency practices, such as external auditing, public disclosure, accounting standards compliance, and timely reporting, are linked to improved profitability, operational efficiency, and investor confidence. A 2022 study by Khandker and Koolwal found that transparent MFIs in Sub-Saharan Africa achieved higher ROA and client outreach due to enhanced donor trust [28]. Similarly, a 2023 analysis by Assefa and Murad confirmed that IFRS compliance reduced financial mismanagement in African MFIs, improving access to bank loans [29]. In Latin America, Hartarska and Nadolnyak (2007) found that regulated MFIs with robust disclosure practices achieved better sustainability and outreach [6]. In Sub-Saharan Africa, Cull et al. (2011) established that MFIs with credible external audits attracted higher investor

confidence and capital, boosting ROA [2]. Insufficient transparency practices, however, have led to crises, as seen in Bangladesh and India, where opaque reporting eroded trust [4]. Timeliness is also critical; a 2021 study by Owusu-Ansah and Leventis found that delayed reporting in emerging markets reduced funding access, impacting performance [30]. These findings underscore the need for localized research in Ethiopia's donor-driven market.

2.5. Empirical evidence in Ethiopian microfinance context

The microfinance industry in Ethiopia has grown significantly, driven by favorable policies and demand for rural financial services. According to the National Bank of Ethiopia (2022), over 40 licensed MFIs serve well over 5 million clients. However, challenges like poor capitalization and inadequate transparency persist. Larger MFIs, such as Amhara Credit and Saving Institution (ACSI), practice robust transparency, fostering trust, while smaller MFIs struggle with inconsistent disclosures [31]. A 2023 study by Tadesse and Bekele found that transparency enhances donor confidence and operational efficiency in Ethiopian MFIs [32]. Bogan (2012) noted that delayed reporting reduces funding access, particularly for rural MFIs. While transparency likely influences operational efficiency (e.g., cost management) and social efficiency (e.g., client outreach), this study prioritizes financial efficiency (ROA) due to its relevance to donor accountability and data availability [8].

2.6. Research gaps and scientific novelty

Although the global literature on MFI performance is extensive, significant gaps remain with respect to the role of financial transparency — particularly within the Ethiopian context. Existing studies on Ethiopian MFIs have not provided a systematic and multidimensional analysis of how financial transparency affects institutional performance. Specifically, there is a lack of empirical work that jointly evaluates the four core dimensions of financial transparency: external audits (*EA*), public disclosure (*PD*), compliance with accounting standards (*ACS*), and timeliness of financial reporting (*TFR*).

Previous research, including that of Bogan and Tchuigoua, acknowledges the importance of transparency but treats its components in isolation or

only partially [8, 14]. Similarly, Quayes and Hasan and D'Espallier et al. emphasize governance structures such as board composition, yet do not directly assess the influence of transparency measures on financial indicators like Return on Assets (ROA) [7].

Furthermore, much of the international evidence originates from competitive, market-oriented financial systems, which may not be directly transferable to Ethiopia's distinct regulatory, donor-dependent, and cooperative-based MFI landscape. Regulatory oversight by the National Bank of Ethiopia and the widespread prevalence of member-based ownership structures heighten the importance of transparency as a determinant of stakeholder trust and institutional sustainability — an area insufficiently explored in existing research [4].

Additionally, prior studies often rely exclusively on secondary quantitative data and rarely incorporate practitioner perspectives or contextual nuances. There is a marked absence of mixed-methods research that integrates econometric analysis with qualitative insights to explore the complex and locally specific implications of transparency for performance.

This study addresses these critical gaps by offering a holistic examination of financial transparency's role in MFI performance in Ethiopia. It contributes to the literature through a mixed-methods approach, combining fixed-effects panel regression with in-depth interviews of key stakeholders. By analyzing all four transparency dimensions within a unified empirical framework, this study generates novel, context-sensitive evidence that enriches both local policy discourse and global understanding of transparency's role in microfinance. This study's focus on financial efficiency (ROA) addresses a critical gap in the Ethiopian context, but the broader dimensions of institutional efficiency — operational and social — remain underexplored, offering avenues for future research, particularly in comparing MFIs and banks.

3. Materials and methods

3.1. Research strategy and design

This research utilizes a mixed-methods study design that integrates quantitative econometric modeling and qualitative thematic analysis to analyze the effects of financial transparency on the performance of microfinance institutions (MFIs) in Ethiopia. The combination of quantitative and qualitative data enables methodological triangu-

lation that enhances the validity, richness, and policy implications of results.

The quantitative strand uses a causal-comparative panel design with a fixed-effects regression method to analyze whether the underlying determinants of financial transparency — external audit, public disclosure, accounting standards compliance, and timeliness in financial reports — are affecting Return on Assets (*ROA*). The theoretical basis is agency theory [17] and stakeholder theory [19] with special reference to transparency properties to align manager interests with external stakeholders' interests.

The qualitative element enriches the empirical study by introducing structured interview data from MFIs' managers. In this inductive approach, institutional process, mindset, and operating limitations on transparency are explored, thereby enriching quantitative findings' interpretation and placing it in the highly regulated, donor-centric microfinance context in Ethiopia.

3.2. Data sources and sampling procedure

The research employs a balanced panel of 13 licensed Ethiopian MFIs over 10 years (2015–2024) with 130 firm-year observations. The institutions account for about 34% of all the NBE-registered MFIs. The sample was selected on grounds of purposive sampling: (i) availability of complete and reliable financial data; (ii) variation in ownership structures; (iii) spatial dispersion; and (iv) size of the institutions.

Quantitative information was collected from audited financial reports, NBE regulatory reports, and secondary sources such as the Association of Ethiopian Microfinance Institutions (AEMFI) and MIX Market. ACSI, OCSSCO, DECSI, and region-based institutions, such as Kafa and Diredawa MFIs, are some of the notable MFIs in the sample.

Furthermore, semi-structured interviews were held with the board and senior managers of the 13 MFIs, and these provided us with good qualitative information on transparency practices, impact perception, and implementation issues. Combining panel data with executive interviews enhances the internal and external validity of the research.

3.3. Variable description and measurement

Dependent variable

- **Return on assets (*ROA*):** Defined as net profit after tax divided by total assets, *ROA* serves as the primary measure of financial performance and institutional efficiency [33].

Independent variables: Financial transparency indicators

- **External Audit (*EA*):** A binary variable coded as 1 if the institution is externally audited annually, 0 otherwise. Source: institutional audit reports and survey confirmation.
- **Public Disclosure (*PD*):** An ordinal scale (1–5) reflecting the frequency and comprehensiveness of financial disclosures. Assessed through content analysis of websites, annual reports, and survey data.
- **Accounting Standards Compliance (*ACS*):** A binary variable coded as 1 if the institution complies with International Financial Reporting Standards (IFRS) or equivalent national standards, 0 otherwise.
- **Timeliness of Financial Reporting (*TFR*):** A continuous variable representing the number of days between fiscal year-end and the public release of financial statements. Sources include regulatory filings and institutional websites.

Control variable

Institutional Size (LOG_{TA}): Measured as the natural logarithm of total assets. This control captures the scale effect on performance and is widely adopted in MFI performance studies.

All financial data are reported in Ethiopian Birr and adjusted for inflation where relevant.

3.4. Econometric model specification

To estimate the effect of financial transparency on institutional performance, the study employs a fixed-effects panel regression model. This approach controls for unobserved heterogeneity across MFIs and is justified by the Hausman test, which rejects the null hypothesis of no correlation between regressors and individual effects.

The model is specified as follows:

$$ROA_{it} = \alpha + \beta_1 EA_{it} + \beta_2 PD_{it} + \beta_3 ACS_{it} + \beta_4 TFR_{it} + \beta_5 LOG_{TA_{it}} + \mu_i + \lambda_{t+j_it},$$

where:

- ROA_{it} : Return on Assets for MFI *i* at time *t*.
- $EA_{it}, PD_{it}, ACS_{it}, TFR_{it}$: Financial transparency variables.
- $LOG_{TA_{it}}$: Control for MFI size.
- μ_i, λ_t : MFI and time fixed effects.
- ϵ_{it} : Error term.

Robust standard errors are used to correct for heteroskedasticity.

3.5. Model diagnostics and robustness checks

To verify the robustness and reliability of the model estimates, the following diagnostic tests were conducted:

- Multicollinearity: Assessed using Variance Inflation Factor (VIF); all values were below the critical threshold of 10.
- Heteroskedasticity: Evaluated via the Modified Wald Test; robust standard errors were applied.
- Model specification: The Breusch-Pagan test supported the appropriateness of the linear regression model.
- Model selection: The Hausman test favored the fixed-effects specification over random-effects, confirming endogeneity concerns.

Robustness analysis

- Regional dummies: Introduced to account for geographic variation; inclusion did not significantly alter main results.
- Alternative specifications: A random-effects model was also estimated for comparison, yielding similar directional results but lower explanatory power, reinforcing the robustness of the fixed-effects approach.

3.6. Data analysis procedures

Quantitative analysis was conducted using Stata software. Descriptive statistics were first generated for all variables. Correlation matrices were reviewed to assess bivariate relationships and multicollinearity. Fixed-effects regression results are presented in tabular format with relevant statistical indicators.

Qualitative data from interviews were analyzed using NVivo. Responses were thematically coded, and findings were integrated with quantitative results to facilitate methodological triangulation. This integration enriched the interpretation of transparency's operational mechanisms and performance implications in the Ethiopian MFI sector.

4. Results and discussion

4.1. Descriptive analysis of key variables

This section presents an overview of the descriptive statistics for the key variables used in the analysis: Return on Assets (*ROA*), External Auditing (*EA*), Public Disclosure (*PD*), Accounting Standards Compliance (*ACS*), Timeliness of Fi-

nancial Reporting (*TFR*), and Institutional Size (LOG_{TA}). The dataset comprises 130 firm-year observations from 13 licensed Ethiopian MFIs covering the period 2015–2024. Data were compiled from the National Bank of Ethiopia (NBE), institutional annual reports, and structured survey instruments.

The purpose of this analysis is to identify underlying patterns, heterogeneity, and preliminary associations between financial transparency indicators and institutional performance, thereby providing a contextual foundation for the regression analysis that follows.

4.1.1. Interpretation of descriptive statistics

Descriptive statistics of the main variables are presented in *Table 1*.

Financial performance [Return on Assets (*ROA*)]: Descriptive statistics reveal significant information regarding the financial performance and the transparency management of Ethiopian microfinance institutions (MFIs) during the study period. The Return on Assets (*ROA*) has an average of 2.25% and a standard deviation of 1.28%, revealing modest profitability in the industry and high performance variability. A minimum of -0.6% *ROA* reveals losing entities, while the maximum of 5.1% reveals high performance at the tail end. These differences are in accordance with Cull et al. (2011) study that highlights institutional governance, client type, local economic conditions, and transparency activities as key determinants of the performance of MFIs [2].

External Auditing (*EA*), captured as a binary variable, has a mean of 0.74, indicating that 74% of MFIs undergo regular external audits. However, a standard deviation of 0.44 reveals that a considerable proportion still operate without consistent audits, particularly smaller or newer MFIs. This underscores the need for regulatory enforcement to ensure universal adoption of auditing as a trust-building mechanism.

Public Disclosure (*PD*), measured on a 1–5 scale, is 3.4 with a 1.0 standard deviation, reflecting moderate transparency but with wide institutional variation. Low-scoring institutions have lower stakeholder trust, while high-scoring MFIs would gain from increased reputational capital. This is in line with [23], as they highlight public reporting as an important driver of performance.

Table 1
Descriptive statistics of the main variables

Variable	Mean	SD	Min	Max
ROA (%)	2.25	1.28	-0.6	5.1
EA	0.74	0.44	0	1
PD	3.4	1.0	1	5
ACS	0.65	0.48	0	1
TFR (days)	58	16	30	85
LOG _{TA}	6.9	1.3	4.2	9.5

Source: Compiled by the authors based on NBE filings, MFI reports, and survey data.

Accounting Standards Compliance (ACS), averaging 0.65 with a large standard deviation of 0.48, suggests that nearly two-thirds of MFIs comply with existing standards like IFRS, but there remain gaps to be filled. This absence of consistency justifies institutional capacity issues, validating Bushman et al.'s view that the quality of financial reporting is extremely significant for governance and performance [9].

Timeliness of Financial Reporting (TFR) is 58 days on average and between 30 and 85. While the mean indicates fairly effective reporting, the wide range indicates operating inefficiencies in most institutions. Delayed reporting will most likely undermine investor confidence and limit access to funds, as highlighted by [34], a concern of particular interest to donor-supported MFIs.

Institutional Size (LOG_{TA}) stands at 6.9, with a range of 4.2 to 9.5, as indicative of tremendous variations. Larger MFIs have a greater likelihood of being endowed with governance institutions and financial instruments, which translate into higher transparency and profitability, as according to [6].

Overall, the data reveal a sector heading in an open and better direction but one marked by institutional inequities that demand policy focus on a more equitable, sectorial improvement.

4.2. Correlation analysis

Table 2 presents the Pearson correlation coefficients among the study's principal variables: Return on Assets (ROA), External Auditing (EA), Public Disclosure (PD), Accounting Standards Compliance (ACS), Timeliness of Financial Reporting (TFR), and Institutional Size (LOG_{TA}). The analysis examines the direction and strength of correlations among financial transparency dimensions and MFI financial performance, in ad-

dition to testing for potential multicollinearity concerns prior to regression modeling.

4.2.1. Interpretation and diagnostic insights

Diagnostic test results reveal moderate, significant correlations between ROA and major transparency variables, revealing positive relationships with EA, PD, ACS, and LOG_{TA}, and a negative relationship with TFR. No multicollinearity problems are found, since all Variance Inflation Factors (VIFs) are less than the critical value of 5, with values from 1.6 to 2.1. These results confirm the appropriateness of the regression model and confirm the application of the selected variables in explaining the impact of financial transparency on the performance of Ethiopian MFIs.

4.3. Regression analysis: The effect of financial transparency on MFI performance

This section provides fixed-effects regression estimates analyzing the impact of financial disclosure on Ethiopian microfinance institutions' (MFIs) financial performance as reflected by Return on Assets (ROA). From panel data of 13 MFIs spanning the period 2015–2024, the model tests the impact of external auditing, public disclosure, accounting standards compliance, and financial reporting timeliness, holding constant institution size. The empirical findings clearly confirm the transparency facilitating effect for institutional profitability and sustainability (Table 3).

4.3.1. Discussion

The Hausman test-approved fixed-effects regression analysis confirms the significant influence of financial transparency factors on the financial performance of microfinance institutions (MFIs) in Ethio-

Table 2
Correlation matrix and VIF

Variable	ROA	EA	PD	ACS	TFR	LOG _{TA}	VIF
ROA	1.00						
EA	0.48**	1.00					1.8
PD	0.43**	0.35**	1.00				1.9
ACS	0.40**	0.30**	0.28**	1.00			1.7
TFR	-0.32**	-0.25**	-0.20*	-0.22*	1.00		1.6
LOG _{TA}	0.50**	0.38**	0.32**	0.34**	-0.18*	1.00	2.1

Notes: $N = 130$. ** $p < 0.01$, * $p < 0.05$. VIF calculated from auxiliary regressions.

Source: Compiled by the authors.

Table 3
Fixed-effects regression results for ROA

Variable	Coefficient	Robust SE	p-value	95% Confidence Interval
EA (External Audit)	1.05	0.20	0.000	[0.66, 1.44]
PD (Public Disclosure)	0.58	0.12	0.000	[0.34, 0.82]
ACS (Accounting Compliance)	0.89	0.18	0.000	[0.54, 1.24]
TFR (Timeliness of Reporting)	-0.03	0.01	0.015	[-0.05, -0.006]
LOG _{TA} (MFI Size)	0.46	0.10	0.000	[0.26, 0.66]
Constant	-1.60	0.40	0.000	[-2.38, -0.82]

Notes: $N = 130$ observations; Within $R^2 = 0.64$; $F(5,112) = 22.4$; $p < 0.001$. Fixed effects included for MFI and year. Data sources: NBE filings and MFI reports (2015–2024).

Source: Compiled by the authors.

pia. The model indicates a within R^2 of 0.64, which means that 64% of Return on Assets (ROA) variation in MFIs during the study period is explained by the transparency. Variables being examined — external auditing (EA), public disclosure (PD), accounting standards compliance (ACS), financial reporting timeliness (TFR) — and institutional size (LOG_{TA}). These findings provide strong empirical support for the research's main hypothesis: that higher levels of financial disclosure have a positive effect on institutional performance, whereas delayed reporting is harmful to it. The results are in line with theory models, namely agency theory [19], and provide an extension of previous empirical findings to the Ethiopian microfinance environment.

External Auditing (EA) demonstrates a strong, statistically significant association with ROA (coefficient = 1.05, $p < 0.001$). This result confirms that MFIs subject to regular external audits achieve better financial outcomes than those that are not. External audits play a pivotal role in ensuring the accuracy and integrity of financial disclosures,

serving as an external validation mechanism that mitigates information asymmetry and managerial opportunism. As argued by agency theory, such mechanisms promote stakeholder trust and lower agency costs with the greater managerial observability. The results support Cull et al., who discovered that MFIs audited by external parties are more transparent and financially stable [2]. In the donor-driven Ethiopian financial sector, where stakeholder trust is central, mandatory audited institutionalization may build sector-level credibility, mobilize external funds, and finance sustainable performance.

Public Disclosure (PD) is similarly significant, with a positive effect on ROA (coefficient = 0.58, $p < 0.001$). MFIs that frequently disclose operational and financial information — through annual reports, audited statements, and social performance data — experience higher profitability. Public disclosure enhances transparency, facilitates stakeholder monitoring, and strengthens external credibility, particularly among donors, investors,

and regulators. The result validates theoretical assertions that transparency mechanisms reduce information asymmetry and boost confidence [9]. Empirical studies by Bogan and Mersland and Strøm similarly find that MFIs with robust disclosure practices attract more investment and perform better financially [8, 20]. In Ethiopia, where disclosure practices are inconsistent and enforcement mechanisms weak, standardizing and mandating disclosure protocols could strengthen institutional performance and stakeholder engagement across the sector.

Accounting Standards Compliance (ACS) is also positively and significantly correlated with ROA (coefficient = 0.89, $p < 0.001$). MFIs that adhere to International Financial Reporting Standards (IFRS) or comparable national accounting frameworks exhibit superior financial outcomes. This can be attributed to enhanced data reliability, consistency, and comparability — factors essential for strategic decision-making and risk management. The findings confirm the hypothesis that compliance with standardized accounting norms promotes internal discipline and boosts institutional credibility. This outcome echoes prior literature, including Barth et al., who affirm that high-quality financial reporting directly impacts firm-level performance by improving access to funding and reducing risk perception [35]. In Ethiopia, however, smaller MFIs often lack the technical and financial capacity to implement IFRS, leading to sectoral disparities. Thus, regulatory support and targeted capacity-building are critical to facilitating wider adoption and reaping the full performance benefits of standardized reporting.

The regression analysis reveals a statistically significant negative relationship between **Timeliness of Financial Reporting (TFR)** and Return on Assets (ROA), with a coefficient of -0.03 ($p = 0.015$). This indicates that each day of delay in publishing audited financial reports results in a 0.03 percentage point decline in ROA. Although seemingly marginal, cumulative delays — such as 30 days or more — can reduce profitability by nearly one full percentage point, a substantial drop in a sector where the average ROA is approximately 2.25%. This result confirms the *hypothesis* that delayed reporting adversely affects MFI financial performance.

Delays in financial reporting typically reflect deeper organizational issues such as weak internal

governance, inefficient financial management, and poor prioritization of reporting processes. More critically, they erode stakeholder confidence, hinder timely decision-making, and compromise risk management capabilities. This finding aligns with agency theory [21], which posits that timely information reduces information asymmetry between managers and stakeholders. Empirical support is found in Owusu-Ansah, who demonstrated that delayed reporting in emerging markets reduces investor confidence and limits capital access [32]. On the other hand, timely reporting signals institutional discipline, enhances trust, and enables MFIs to respond effectively to dynamic financial conditions. This affirms prior research by Ball and Bushman et al., emphasizing the value of prompt disclosure in promoting market discipline and institutional resilience [14].

Further, **Institutional Size (LOG_{TA})** positively and significantly impacts ROA (coefficient = 0.46, $p < 0.001$). Large MFIs benefit from economies of scale, diversified portfolios, and more robust governance structures. Their broader resource base enables investment in newer technologies, training staff, and risk containment mechanisms. Such efficiencies are reflected in higher financial returns. The positive size-performance nexus is confirmed in literature [8], highlighting the importance of institutional size and maturity to profitability and sustainability. Large MFIs also benefit from greater market credibility, inducing donor funds, strategic alliances, and regulatory authority — enhancing their competitive position in the Ethiopian financial market.

Overall synthesis and regression evidence thus offer strong empirical evidence for the hypothesis that financial disclosure does indeed play an important part in the performance of Ethiopian MFIs in a financial way. Timeliness in reporting, external audit, compliance accounting, and disclosure are all determinants that become pivotal when it comes to profitability. Institutional size becomes conducive to their effect by causing operating efficiencies as well as strategic investment feasible. These findings are in line with theoretical frameworks (agency theory, stakeholder theory) and previous empirical studies, further confirming the multi-dimensionality of financial performance determinants in the microfinance sector.

In conclusion, transparency also enhances MFIs' ability to secure loans from commercial banks, re-

Table 4
Reliability test

Test Name	Statistic	Degrees of Freedom	p-value	Null Hypothesis (H_0)	Result	Implication
Modified Wald Test	$\chi^2 = 28.6$	13	0.002	Homoskedasticity (constant error variance across MFIs)	Reject H_0	Heteroskedasticity present; robust standard errors ensure reliable inference (Gujarati, 2003)
Breusch-Pagan Test	$\chi^2 = 1.2$	1	0.273	Correct model specification (no omitted variables or incorrect functional form)	Fail to reject H_0	Linear fixed-effects model is correctly specified, with no evidence of bias (Gujarati, 2003)

Notes: Tests conducted in Stata. Data: $N = 130$ (2015–2024).

Source: Compiled by the authors.

inforcing their complementary role in Ethiopia's financial system. By improving credibility through external audits and public disclosures, MFIs can access bank funding to expand operations, particularly in underserved rural areas where banks are scarce. This complementary dynamic supports financial inclusion and business financing, as MFIs extend credit to small entrepreneurs who lack the documentation or credit history required by banks. Regulatory frameworks should encourage this synergy to strengthen the financial ecosystem.

4.4. Diagnostic validity and model robustness

To test reliability and validity of fixed-effects regression estimates, diagnostic tests were run to test for heteroskedasticity as well as model specification. Results of the Modified Wald Test of groupwise heteroskedasticity and the Breusch-Pagan Test for specification are presented in Table 4.

Interpretation of diagnostic test results

The diagnostic tests validate the validity and stability of the regression model used in determining the relationship between financial transparency and MFI performance. The Modified Wald Test ($\chi^2 = 28.6$, $p = 0.002$) indicates that there is groupwise heteroskedasticity present, likely due to institutional heterogeneity in governance and size. Robust standard errors were applied to address this, which resulted in consistent and unbiased coefficient estimates, as urged by [29].

In addition, the Breusch-Pagan Test ($\chi^2 = 1.2$, $p = 0.273$) fails to reject the null hypothesis, confirming correct model specification and absence of omitted variable bias. The use of the most significant transparency variables — *EA*, *PD*, *ACS*, and *TFR* — along with institutional size (LOG_{TA}) and MFIs and time fixed effects, confirms a comprehensive and theory-constrained model. These results collectively confirm that the model is statistically sound and theoretically consistent, thereby establishing the credibility and empirical validity of the study's findings on financial transparency and institutional performance.

4.5. Integration of qualitative insights

To complement the quantitative findings, a qualitative inquiry was undertaken through structured interviews with 13 senior executives — including CEOs and board members — from a cross-section of Ethiopian microfinance institutions (MFIs), such as ACSI, OCSSCO, VisionFund, Meklit, and Kafa. The objective was to gain deeper insights into the practical perceptions of financial transparency and its implications for institutional performance. Using NVivo for transcription and thematic analysis, guided by [31], four key themes emerged, reinforcing and contextualizing the statistical results.

Audit credibility and institutional legitimacy were the most common themes. Nine respondents emphasized that external audits were necessary not just for compliance with regulations but also in order to establish legitimacy with donors and

regulatory agencies. One ACSI CEO described, “Audits send a message to donors that our finances are strong, and they lead to more loan disbursements and renewed partnerships.” This finding is corroborated by the regression analysis, as external auditing (EA) demonstrated a strong positive correlation with ROA ($\beta = 1.05, p < 0.001$). Executives supported that audits reduce information asymmetry and uncover operating inefficiencies, thus indirectly contributing to financial improvement.

Public disclosure as a stakeholder engagement tool was the second dominant theme. Ten respondents recognized frequent public disclosures as instrumental in building trust with donors, clients, and partners. A board member from VisionFund remarked, “Regular disclosures demonstrate transparency and commitment, which are attractive to more clients and establish donor trust.” This aligns with quantitative findings indicating a positive impact of public disclosure (PD) on ROA ($\beta = 0.58, p < 0.001$). Respondents viewed public disclosure not just as a regulatory obligation but as a proactive mechanism for enhancing institutional credibility and competitive advantage, particularly in a donor-dependent ecosystem.

Accounting compliance and operational efficiency emerged as the third significant theme. Eight participants associated compliance with international accounting standards (notably IFRS) with improved internal controls, error reduction, and greater international credibility. An OCSSCO executive noted, “Adopting IFRS reduced reporting mistakes and aligned us with global best practices, improving our credibility with international funders.” This resonates with the regression results, where accounting standards compliance (ACS) positively affected ROA ($\beta = 0.89, p < 0.001$). Though acknowledged as resource-intensive, IFRS implementation was seen to yield operational streamlining and enhance audit preparedness.

Timeliness of reporting and reputational risk was a critical concern for eleven respondents. Participants voiced that delayed reporting signals internal inefficiencies and erodes stakeholder trust, particularly among smaller MFIs. A Meklit board member observed, “Delays in reporting are interpreted as red flags by donors — they question whether we’re hiding something or just not capable.” This sentiment reflects the regression outcome showing a negative relationship between timeliness of financial reporting (TFR) and ROA ($\beta = -0.03,$

$p = 0.015$). Improved timeliness was linked to recent investments in financial infrastructure and seen as indicative of institutional maturity.

4.5.1. Challenges and conflicting perspectives on implementing transparency practices

Qualitative interviews with senior executives from 13 Ethiopian microfinance institutions (MFIs) revealed critical challenges and divergent perspectives that hinder the effective implementation of transparency practices. These findings enrich the contextual understanding of transparency in Ethiopia’s donor-driven and regulated microfinance environment, highlighting operational, regulatory, and stakeholder-related complexities.

Capacity and resource constraints were the worst constraints, especially for the smaller-sized institutions. Meeting international accounting standards like IFRS and annual audits requires enormous financial and technical capacity that most of the rural-focused institutions do not have. Managers again indicated that compliance helps in realigning concentration and resources away from lending operations as a whole and provides a trade-off between governance and outreach. Greater institutional capacity and larger MFIs are well positioned to service the demands of transparency, creating uneven adoption industry-wide.

Inconsistencies in regulation enforcement also compromise efforts towards transparency. Since timely reporting is as much as the National Bank of Ethiopia (NBE) requires, enforcement tends to be inconsistent. Smaller MFIs reportedly have less than stringent sanctions for defaulting, compromising sector-wide trust. Regulators had mixed sentiments on regulatory policy: while some of them desired stricter punishment for the sake of accountability, others cautioned that retributive systems would decimate already frail institutions. Most demanded enhanced regulatory support and capacity-building programs customized.

Varied expectations of stakeholders also pose a significant challenge. Donors and partners abroad expect international-standard full disclosure, while domestic clients, especially those in rural communities, expect plain and simple communication. This inconsistency makes public disclosure strategy challenging because MFIs must meet external accountability requirements and cater to their client

base at the same time. Internal resistance was also mentioned by a few managers, as employees viewed audits and greater openness as intrusive or even revealing institutional vulnerabilities.

Lastly, *cultural and contextual barriers* like weak financial literacy and weak digital infrastructure make formal disclosure mechanisms less effective. Managers noted that rural customers trust interpersonal relations to a greater extent than formal disclosures and therefore need localized, culture-sensitive communication practices. These observations call for an integration of international standards of disclosure with local contexts so that practices are efficient as well as contextually relevant.

Synthesis of quantitative and qualitative evidence: The combination of qualitative and quantitative evidence gives a balanced perspective of transparency practices in Ethiopia's microfinance industry. Although regression analysis verifies the efficacy of the establishment of the positive association between transparency practices like external audits (*EA*), public disclosures (*PD*), and accounting standards compliance (*ACS*) and financial performance, qualitative interviews uncover operating, regulating, and cultural constraints that are a hindrance for its effective implementation. Of special interest is the paradox of theoretical transparency advantages versus operationally limiting factors. Transparency enhances institutional credibility, trust, and donor access but is subject to operationally limiting factors such as funds available, periodic non-enforcement of regulation, and other stakeholder demands. Small MFIs, for example, are confronted with difficulties in meeting IFRS compliance due to technical and funds-related constraints, while periodic non-monitoring by the National Bank of Ethiopia inhibits accountability. These impediments are the reasons why transparency benefits are not always achieved in institutions. In addition, delayed disclosure is generally the result of operational inefficiency and regulatory differences, while stakeholder misalignment — between donor expectations of full disclosures and client requirements of frugality — renders disclosure complicated.

This alignment means that transparency has to be viewed as an enabler of governance strategy, rather than a compliance function. Its success relies on sound regulation regimes, capacity building, and sensitization of the stakeholders to bridge the

systemic issues and reconcile expectations and offer a unified strategy towards the sustainable development of the microfinance sector in Ethiopia.

5. Conclusion

This study provides empirical and qualitative evidence that financial transparency — operationalized through external audits, public disclosure, compliance with accounting standards, and timely financial reporting — plays a decisive role in enhancing the financial performance of microfinance institutions (MFIs) in Ethiopia. The analysis reveals that these dimensions of transparency are not merely regulatory obligations but strategic levers that influence stakeholder trust, institutional credibility, and profitability.

Among the key conclusions, external auditing emerges as the most influential factor, significantly boosting institutional performance by reducing information asymmetries and strengthening internal control. Public disclosure and compliance with standardized accounting frameworks also contribute meaningfully, signaling operational discipline and aligning MFI practices with global benchmarks. In contrast, delays in financial reporting are consistently associated with diminished profitability, underscoring the importance of timeliness as a core component of transparency. The findings clarify that financial efficiency, measured by ROA, is a critical but not exhaustive component of institutional efficiency, which also encompasses operational and social dimensions. While the study prioritizes financial efficiency due to its relevance to Ethiopia's donor-driven MFI sector, transparency likely enhances operational efficiency (e.g., through streamlined reporting) and social efficiency (e.g., by building client trust), as suggested by qualitative insights and global literature.

The practical relevance of these findings is immediate and actionable. For Ethiopian MFIs, investing in transparency mechanisms offers a viable path toward improved institutional resilience, stronger donor relationships, and enhanced competitive positioning. Regulators are encouraged to adopt differentiated oversight frameworks that balance enforcement with capacity-building, particularly for small and rural-based MFIs. Donors and development partners should direct support not only to programmatic interventions but also to governance infrastructure, including digital reporting platforms and staff training in financial management.

Future research may expand this study by examining causal mechanisms using longitudinal designs, exploring client perceptions of transparency, or testing the model in other African or emerging market contexts. As Ethiopia continues to deepen its financial inclusion agenda, transparency must be repositioned from a compliance formality to a foundational principle of sustainable microfinance development.

Limitations and future research directions

While this study provides insightful findings regarding the impact of financial transparency on the financial performance of Ethiopian microfinance institutions (MFIs), several limitations must be acknowledged. First, the analysis relies on secondary financial data, which may contain unobserved errors despite triangulation efforts. Future research could enhance reliability by using audited third-party data or primary longitudinal data collection.

Second, the study's focus on Return on Assets (ROA) as the sole metric for financial performance limits its scope to financial efficiency, potentially overlooking operational efficiency (e.g., cost per borrower) and social efficiency (e.g., client outreach, loans to marginalized groups). While ROA was chosen for its relevance to donor-driven MFIs and data availability, other indicators like Operational Self-Sufficiency (OSS) or number of clients

served could provide a more comprehensive view of institutional efficiency. The use of terms like "stability," "sustainability," and "reliability" in the article may imply broader efficiency, but these were intended to reflect financial performance (ROA) unless otherwise specified. Future studies could incorporate multiple efficiency metrics to capture the multifaceted nature of MFI performance.

Third, the qualitative component, while rich, is based on interviews with 13 executives, limiting the diversity of perspectives. Including a broader range of stakeholders, such as clients or regulators, could provide deeper insights. Fourth, the focus on Ethiopia's unique regulatory and donor-dependent context may limit generalizability. Comparative analyses across other African or emerging market contexts, particularly examining MFI-bank dynamics, could validate and refine the findings.

Finally, the study's "narrow" focus on financial efficiency, while justified by data availability and donor priorities, does not fully address institutional efficiency's operational and social dimensions or the competitive and complementary roles of MFIs and banks. Transparency's potential to enhance cost management, client outreach, or bank loan access warrants further exploration. Overcoming these limitations offers opportunities for future research to examine transparency's broader impact on MFI viability and global microfinance literature.

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