Factors Affecting Risk Management Practices of Microfinance Institutions in Ethiopia

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Abstract

This study aims to identify factors affecting the risk management practices of Microfinance Institutions (MFIs) in Ethiopia. Data were collected from primary sources using a structured 5-point Likert scale for risk management practices and factors affecting risk management practices, from 388 respondents working with a sample of 24 MFIs in Ethiopia. For analyzing the data, the study used ordered logistic regression analysis. The result of the study showed that organizational structure and culture, human resources policies and practices, teamwork, proper and adequate training, internal control, and awareness of risk management processes have significant association with the predicted outcome of risk management practices. In addition, technological capacity and effective communication have a positive coefficient but do not have statistically significant association with risk management practices. Infrastructure and facilities, and effective monitoring showed a non-significant negative association with risk management practices.

Key Words

Factors affecting risk management, Microfinance institutions, Ordered logistic regression, Risk management, Risk management practices

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