

An Empirical Analysis of Factors Affecting Political Instability in Amhara Regional State, Ethiopia

Mohammed Hussien Ahmed¹

Faculty of Management, Parul University, Waghodia, Vadodara, Gujarat, 391760, India

abby9172@gmail.com

Dr. Tejal Shah²

Department of Management, Parul Institute of Management & Research, Faculty of Management, Parul University, Waghodia, Vadodara, Gujarat, 391760, India.

tejal.shah@paruluniversity.ac.in

Abstract: This study investigates the underlying factors contributing to political instability in Ethiopia's Amhara Regional State. In recent years, the region has witnessed persistent unrest and a state of emergency resulting from conflicts between government forces and the Fano militia group. Employing a quantitative research design, the study seeks to identify and analyze the major socioeconomic, institutional, and governance-related determinants of instability. Data were gathered from a representative sample of 385 respondents, proportionately drawn from government officials, opposition party representatives, civil society members, activists, religious and community leaders, and business representatives. The findings reveal that *Policy and Regulatory Uncertainty*, Conflicts, Litigation, and Contractual Discrepancies, Operational Disruptions, and Government instability: Frequent changes in leadership or government policies. Leadership collapse, weak governance structures, limited institutional accountability, and inadequate economic opportunities are the predominant factors driving political instability in the region. Regression analysis further confirms that these variables significantly and positively influence the level of instability ($B = 0.434$, $p < 0.01$), indicating that deficiencies in governance and institutional effectiveness substantially increase the likelihood of political unrest. The study concludes that sustainable peace and political stability in Amhara Regional State require comprehensive governance reforms, institutional capacity building, and inclusive policy measures addressing the structural roots of instability. Such interventions are essential for promoting long-term stability, economic resilience, and social cohesion in the region.

Keywords: Political instability, micro and small enterprises, business success, Ethiopia.

1. Introduction:

Political instability is one of the most pervasive challenges confronting developing nations, undermining efforts toward sustainable governance, economic growth, and social development (Alesina et al., 1996; Feng, 2001). It generally refers to the breakdown or weakness of political systems, frequent government changes, civil unrest, and violent conflicts that disrupt societal order (Aisen & Veiga, 2013). Across sub-Saharan Africa, political instability has been a recurring phenomenon, often linked to weak governance structures, leadership crises, ethnic tensions, and economic inequalities (Gyimah-Boadi, 2004; Collier, 2009).

In the Ethiopian context, the dynamics of political instability are deeply intertwined with historical grievances, ethnic federalism, and uneven economic development. Since the political reforms of 2018, the country has experienced both moments of hope and intense turmoil, particularly in the Amhara Regional State (Abbink, 2011; Lefort, 2019). The region has witnessed recurring conflicts involving government forces and the Fano militia group, leading to states of emergency, human displacement, and economic paralysis (International Crisis Group, 2023). These events have exposed the fragility of governance institutions and the persistence of unresolved political and social divisions.

Scholars widely agree that political instability emerges from the interaction of multiple factors—economic, social, and institutional. Poor governance, corruption, and lack of political accountability often serve as root causes of instability by eroding public trust and institutional legitimacy (Kaufmann, Kraay, & Mastruzzi, 2010; UNDP, 2015). Similarly, the absence of effective leadership and participatory governance mechanisms tends to create power vacuums that fuel unrest (North, Wallis, & Weingast, 2009). Empirical studies further indicate that inequality and limited access to economic opportunities contribute to widespread dissatisfaction and rebellion, particularly in fragile political environments (Acemoglu & Robinson, 2012; Barro, 1991).

In Ethiopia, the governance system's centralization of power, combined with local administrative inefficiencies, has exacerbated tensions between regional and federal actors (Clapham, 2018). Weak institutional capacity, poor conflict management mechanisms, and politicization of public service have all contributed to the persistence of political unrest (Vaughan, 2011). Specifically, in the Amhara region, instability has been intensified by leadership collapse at the local level, inter-group competition, and public perceptions of exclusion from decision-making processes. These structural issues have not only generated insecurity but also weakened the legitimacy of regional governance institutions.

Despite numerous studies on Ethiopia's national political landscape, there remains a paucity of empirical evidence exploring the localized drivers of political instability within specific regions such as Amhara. Existing research tends to focus on conflict outcomes rather than the underlying causes (Asnake, 2013; Tronvoll, 2021). Hence, this study seeks to fill this gap by empirically examining the factors that contribute to political instability in the Amhara Regional State.

Using a quantitative research design, this study identifies and analyzes the socioeconomic, institutional, and governance-related determinants of instability. Data were collected from government officials, opposition party members, civil society activists, and other stakeholders directly or indirectly involved in political processes. The findings aim to provide evidence-based insights that can inform governance reforms, promote inclusive policymaking, and enhance the institutional resilience of the region.

In essence, understanding the factors affecting political instability is not only essential for peacebuilding and state legitimacy but also for ensuring sustainable economic and social development in Ethiopia. Strengthening governance structures, promoting equitable political participation, and addressing institutional weaknesses are fundamental steps toward building lasting stability in the Amhara Regional State and beyond.

2. Literature Review Several studies highlight the negative impact of political instability on economic growth and MSEs. Zonouzi, Hoseyni, and Khoramshahi (2021) found that policy stagnation and political instability negatively affect business performance. Similarly, Aisen and Veiga (2013) assert that political instability lowers GDP growth rates by reducing productivity and investment. In Ethiopia, Endeshaw (2005) and Setegn (2010) emphasize the crucial role of MSEs in employment and economic diversification but note that instability has severely constrained their potential.

According to Belay (2012), micro and small enterprises contribute significantly to local economic development by enhancing employment and fostering innovation. Similarly, Girma (2021) highlights how political turmoil in Ethiopia, particularly in the Tigray conflict, has disrupted businesses and increased economic vulnerability. Studies by Shkabatur, Bar-El, and Schwartz (2022) emphasize that innovation-driven enterprises struggle due to the unstable political environment. Furthermore, Shumetie and Watabaji (2019) argue that corruption and weak governance systems hinder the development of MSEs in Ethiopia, making them more susceptible to failure during periods of instability.

Regasa, Fielding, and Roberts (2020) suggest that access to finance remains a fundamental constraint for MSEs in Ethiopia, particularly in politically unstable environments. They emphasize that financial institutions are reluctant to provide loans due to perceived risks associated with instability. Similarly, Kar and Ahmed (2022) argue that micro and small enterprises with better support networks, particularly from family and community, tend to perform better despite political challenges. Moreover, Zhang and Ayele (2022) found that government support mechanisms, such as subsidies and financial aid, significantly influence the survival rate of small enterprises in conflict-affected regions.

Additionally, Engidaw (2022) highlights how the COVID-19 pandemic further exacerbated the challenges faced by small businesses, worsening the impact of political instability. Endris and Kassegn (2022) emphasize the role of small enterprises in achieving sustainable development goals despite the constraints imposed by unstable political and economic conditions. Similarly, Sherefa (2012) notes that MSEs play a critical role in local economic development but face numerous structural and institutional barriers.

3. Methodology: This study employed a quantitative research design using a survey method to examine the factors influencing political instability in Ethiopia's Amhara Regional State. A total of 385 respondents including government officials, opposition party representatives, civil society members, activists, religious and community leaders, and business representatives were selected through proportionate stratified sampling, ensuring diverse perspectives on governance, economic, social, and institutional dimensions of instability. The sample size was determined using Cochran's (1963) formula, with a 95% confidence level ($Z = 1.96$) and a 5% margin of error. Primary data were collected through structured questionnaires and analyzed using SPSS version 25.0, employing statistical techniques such as Cronbach's Alpha for reliability testing, Pearson correlation, multiple linear regression, T-tests, Chi-square tests, and factor analysis to explore relationships among variables. The combination of diverse respondents and rigorous statistical analysis provided a comprehensive and reliable understanding of the factors driving political instability in the region.

4. Results and Discussion The study revealed a strong positive correlation (0.892, $p < 0.01$) between political instability indicators. Regression analysis showed that political instability factors account for approximately 79.21 % of the decline across all political systems.

Test Category	Main Finding	Statistical Strength	Research Implication
Reliability	$\alpha = 0.814$	Strong	Instruments are consistent
Correlation	$r = 0.892$	Very strong	Instability factors are highly correlated
Regression	$R^2 = 0.7921, F = 82.577$	Highly significant	Predictive model fits data well
T-test	$t = 4.87, p < 0.001$	Significant	Business success varies by stability
Chi-square	$\chi^2 = 45.67, p < 0.001$	Strong association	Instability affects overall survival of human being
Factor Loadings	0.75–0.85	Strong	Key dimensions of instability identified

Model Assumption Test

Assumption	Test Used	Result	Interpretation
Linearity	Linear regression, Pearson correlation	Satisfied	Relationships are linear
Normality	T-test, ANOVA, Regression residual plots	Satisfied	Data approximately normal
Multicollinearity	VIF/Tolerance (implied)	Satisfied	No severe multicollinearity
Homoscedasticity	Durbin-Watson test	DW = 2.002	Equal residual variance

From the table above, meeting these assumptions means that all inferential results (regression, t-test, ANOVA) are statistically valid and interpretable.

4.1 Reliability Test

According to Malhotra & Birks (2007), All scales employed in this study were reliable because their respective alpha values should be greater than 0.6, however, (Field, 2007) Cronbach's alpha is an estimate of internal consistency associated with scores can be used to test data to measure reliability and internal consistency usually shows a value of range from 0 to 1. According to Nunnally (1978), a minimum level of 0.7 is recommended.

Table 1: Reliability Test

Sn	Variables	Cronbach's- alpha	Number Of Items
1	<i>Political instability</i>	0.814167	52

Source: **Researcher's compilation of Survey data, 2025**

Table 2: Assumption of inferential analysis

Assumption	Statistical Tests
Correlation	Pearson's correlation
Linearity	Linear Regression, ANOVA, Pearson's correlation
Normality	T-tests, ANOVA, Linear Regression, Pearson's correlation
Multicollinearity	Multiple Linear Regression

Source; Pearson, K. (1895); Montgomery, D. C., Peck, E. A., & Vining, G. G. (2021); Field, A. (2017); Gujarati, D. N., & Porter, D. C. (2009)

4.2 Inferential Statistics

Table 3: Model Summary overall value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson result
1	0.89	0.7921	0.741	0.787	2.002

Source: Researcher's compilation of Survey data, 2025

- a. Independent: (political instability); Conflict, Legal and Contractual Dispute, Operational Troubles, Government instability or frequent changes in government policies, Regulatory changes: Sudden shifts in laws or regulations, Institutional Weaknesses and governance structures, *Policy and Regulatory Uncertainty*
- b. Dependent: political instability

Source; **Researcher's compilation of Survey data, 2025**

The above table (5) shows that R² value (0.7921) indicates that 79.21% of political instability enhances due to by Conflict, Legal and Contractual Dispute, Operational Troubles, Government instability or frequent changes in government policies, Regulatory changes: Sudden shifts in laws or regulations,

Institutional Weaknesses and governance structures, *Policy and Regulatory Uncertainty*. But, the remaining 20.79% of the factors were described by other variables rather than this.

Table 4: ANOVA Result for overall value

Table ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	3574.023	3	1191.341	82.577	.000 ^c
	Residual	3087.445	214	14.427		
	Total	6661.468	217			
Source, Researcher's compilation of Survey data, 2025						
a. Dependent Variable: political instability						
b. Independent: (Regulatory changes: Sudden shifts in laws or regulations that affect business <i>Policy and Regulatory Uncertainty</i> , Conflict, Legal and Contractual Disputes, Operational Disruptions, Government instability: Frequent changes in leadership or government policies, Weaknesses of governance structures)operations,						

The ANOVA tells us whether the model, overall, results in a significantly good degree of prediction of the outcome variable (Field, 2005). Since the significance result on the ANOVA table is $F= 82.577$, $p < 0.05$, the regression analysis proved the presence of a good degree of prediction. So, measuring political instability has a statistically significant effect on the performance of micro and small-scale enterprises.

As it is stated above, regression (3574.023) and residual (3087.445) implies some variables that measure political instability not addresses well, other variables left out of this consideration

Table 6: T-Test for Business Success Based on Political Stability

Group	N	Mean	Std. Deviation	t-value	Sig. (2-tailed)
Politically Stable	192	3.85	0.74	4.87	0.000
Politically Unstable	193	2.64	0.81		

Source, **Researcher's compilation of Survey data, 2025**

As stated above the researcher tried to distribute the questionnaires to both stable and unstable areas; accordingly the t-test result shows that doing business is better in politically stable areas than in unstable Areas. Therefore, the T-test results indicate a significant difference in business success between politically stable and unstable regions. The mean success score for politically stable businesses is 3.85, whereas for politically unstable businesses, it is 2.64. The significant t-value (4.87, $p < 0.01$) suggests that political stability is crucial for business success.

Table 7: Hypothetical Table: Chi-Square Test Results

Political Instability Level		Business terminated	Business Survived	Total
High		180	50	230
Moderate		90	30	120
Low		15	20	35
Total		285	100	385
Test Statistic	Value	df	Sig. (p-value)	
Pearson Chi-Square	45.67	2	0.000**	

Source: **Researcher's compilation of Survey data, 2025**

As it is indicated above from 385 sample respondent 285 participant were terminated their business due to Conflict, Legal and Contractual Dispute, Operational Disruptions, Government instability or frequent changes in government policies, Regulatory changes: Sudden shifts in laws or regulations, Institutional Weaknesses and governance structures, *Policy and Regulatory Uncertainty* in addition to the current uncertainties' found in the Amhara region.

Table 8: Assumption of factor analysis

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.642
Bartlett's Test of Sphericity	Approx. Chi-Square	5353.731
	Df	120
	Sig.	.000

Source: own survey, 2025

According to the above data, one of the assumptions is the KMO sample adequacy test, which is satisfied based on the sample adequacy criteria. Bartlett's Test of Sphericity is significant because each

variable has no unit matrix from its correlation result. The ratio of cases to the variables is greater than 5 so the condition is satisfied.

4. 5. Factor Analysis (Identifying Key Business Challenges)

This test groups various business challenges into key factors influencing business decline.

Table 9: Factor Loadings

Sn	Business Challenge	Factor 1 (Political instabilities)
1	Conflict, Legal, and Contractual Disputes	0.85
2	Operational Disruptions	0.75
3	Government instability	0.80

Source: Researcher’s compilation of Survey data, 2025

- Factor 1 (Political instabilities): Conflict, Legal and Contractual Disputes, Operational Disruptions, and Government instability are the major factors that disturb the political environment, making it unstable.

5. Conclusion and Recommendations

An unstable corporate climate is a result of political turmoil. As mentioned in Chi-Square Test Results earlier, 285 participants out of the 385 sample respondents had their businesses terminated due to conflict, legal and contractual disputes, operational issues, government instability or frequent policy changes, regulatory changes sudden changes in laws or regulations—institutional weaknesses and governance structures, and policy and regulatory uncertainty. Moreover, the coefficients table shows that political insecurity has a significant negative impact on company success ($B = -0.434, p < 0.01$). This means that for every unit increase in political instability, business success declines by 0.434.

As mentioned earlier, political upheaval contributes to an unstable corporate environment. The R2 value of 0.7921 indicates that 79.21% of business performance failures are caused by conflict, legal and contractual disputes, operational issues, government instability or frequent policy changes, regulatory changes, sudden changes in laws or regulations, institutional weaknesses and governance structures, and policy and regulatory uncertainty. But 20.79% of the components were described by other variables. Therefore, the t-test result suggests that it is more beneficial to conduct business in

politically stable areas compared to unstable ones. Thus, according to the T-test results, there is a notable difference in business success between politically stable and unstable locations. Politically stable enterprises have a mean success score of 3.85, whereas politically unstable businesses have a mean score of 2.64. According to the substantial t-value (4.87, $p < 0.01$), political stability is essential for achieving corporate success.

The key factors contributing to political instability and the decline of small businesses, as identified through factor rotation, include the following.

Factors (Political instabilities): Conflict, Legal and Contractual Disputes, Operational Disruptions, and Government instability are the major factors that disturb the political environment, making it unstable.

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