



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

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Abstract: *This study aims to examine the root causes of political instability in the Amhara regional state in Ethiopia. Over the past few years, there has been constant unrest and an emergency in the region due to the conflict between the government and the militia group "Fano". The study will be using a quantitative research design that aims to identify and analyse the most critical socio-economic, institutional and governance factors that influence instability. The survey was conducted with a representative sample of 385 respondents, sampled in proportion to the number of each of the four groups government officials, members of opposition party representatives, members of civil society, activists, religious and community leaders, and business representatives. The results show that policy and regulatory uncertainty, conflicts, litigation and contractual mismatches; Operational disruptions and government instability: Frequent changes in leadership or government policies. Political instability is largely attributed to the collapse of leadership, the weakness of governance, limited institutional accountability and the poor socio-economic opportunities in the region. The regression also shows that governance and institutional effectiveness are significant positively influences on the level of instability ($B = 0.434$, $p < 0.01$), and this suggest that the insufficient condition of governance and institutional effectiveness significantly increase the probability of coming of political instability. The study concludes that liberalizing governance, institutional capacity building, and implementing inclusive policy measures on structural causes of political instability in Amhara Regional State are important pillars in achieving sustainable peace and political stability. These measures are key to achieving sustainable stability, economic resilience and social cohesion across the region.*

Keywords: *Political instability, government instability, operational disruptions, weaknesses of governance structures/operations, Ethiopia.*

1. Introduction

Political unrest is one of the most widespread problems facing the developing world that threatens sustainable governance, economic growth and social development (Alesina et al 1996, Feng 2001). It usually denotes the collapse or failure of systems or institutions and frequent change of governments, civil instability and violent conflict causing disturbances to the social system (Aisen & Veiga, 2013). In Africa, in general, and sub-Saharan Africa in particular, political instability has been more common than not, with weak governance structures, leadership vacuum, ethnic splits, and economic disparities as the usual drivers of such political instability (Gyimah-Boadi, 2004; Collier, 2009).

The political instability of the region is very intertwined with the historical grievances, ethnic federalism, and the differential economic development characteristic to the Ethiopian setting. The nation has had periods of hope and great turmoil since political changes in 2018, especially in Amhara Regional State (Abbink, 2011; Lefort, 2019). The area has seen repeated violence with the government and the militia group Fano, with the imposition of states of emergency, people fleeing, and paralysed economies (International Crisis Group, 2023). These events have shed light on the weakness of governance institutions, as well as the continuing divide in society and politics.

It is a general consensus among scholars that political instability stems primarily from the



interplay of a variety of factors that are economic, social and institutional. Insufficient and unequal political accountability, governance deficits, and corruption can undermine the institutional governance of nations, the public trust in their institutions, the willingness of the public to accept political leaders, and contribute to domestic insecurity (Kaufmann, Kraay & Mastruzzi, 2010; UNDP, 2015). Likewise, the lack of effective leadership and participatory governance processes can also leave gaps of power that can lead to unrest (North, Wallis and Weingast, 2009). Empirical evidence also shows that inequality and lack of economic opportunities leads to general discontent and unrest, especially in fragile political systems (Acemoglu & Robinson, 2012; Barro, 1991).

Clapham (2018) observes that the powerful centralization of authority in the governance system, along with low productivity and inefficiency at the local administration level in Ethiopia, have increased the conflictual relationship between regional and federal authorities. Political misuse of public services, lack of good conflict management and weak institutions have all played a contributing role to the continued political unrest (Vaughan, 2011). In particular, in the Amhara region, the fragility has been exacerbated by a lack of popular confidence in the leadership, competition between groups and leadership failures at the local level, the perception of which was being excluded from decision-making processes. These structural problems have created insecurity, and undermined the legitimacy of the institutions of regional governance.

Although there are a number of studies that have investigated Ethiopia's national political landscape, very little empirical research has examined the local dynamics of political instability in particular regions, including Amhara. Previous studies have mainly highlighted the outcomes of the conflicts and neglected studies on the root causes (Asnake, 2013; Tronvoll, 2021). As such, the current study aims at contributing to filling in this gap, by looking at various factors empirically that have contributed to political uncertainty in Amhara Regional State. The study adopts the quantitative research design, a design which identifies and analyzes the

socioeconomic, institutional and governance-related determinants of instability. Gathering data from government officials, opposition party members, civil society activists and other stakeholders directly or indirectly engaged in political processes. The findings are intended to contribute to evidence-based decision making to guide governance reforms, to encourage more inclusive policy making, and to increase institutional resiliency in the region.

Overall, knowing why there is sporadic political instability is important not only for peacebuilding and for maintaining state legitimacy but also for sustainable economic and social development in Ethiopia. To build durable stability in the Amhara Regional State and beyond, it is essential to strengthen governance structures, improve governance outcomes, and enhance political participation in a way that is equitable. Using governance structures, equitable political participation, and addressing governance weak points are basic measures needed to build lasting stability in the Amhara Regional State and beyond.

2. Literature Review

The adverse effects of political disturbances on economic growth and MSEs are cited in several studies. Zonouzi, Hoseyni and Khoramshahi (2021) concluded that the political and policy instability is a negative influence on the performance of enterprises. Similarly, Aisen and Veiga (2013) are certain that political instability has a negative effect on growth rates, because of its effect on productivity and investment. The importance of MSEs to employment and economic diversification has been underscored by Endeshaw (2005) and Setegn (2010) in Ethiopia, but they highlight the very limited potential of these enterprises as a consequence of the lack of stability.

Micro and small enterprises play significant roles in local economic development in the aspects of job creation and innovation capability, which is proven by Belay (2012). Likewise, Girma (2021) points out that the prevailing unrest in Ethiopia, especially in Tigray, has affected businesses and raised economic susceptibility. The research carried out by Shkabatur et al. (2022), Bar-El et al. (2022), and Schwartz et al. (2022) highlighted the challenge which is faced



by innovation driven firms as a result of the unstable political environment. In addition, corruption and poor governance mechanism conflict with the growth of MSEs in Ethiopia and increases their vulnerability to collapse and failure in times of instability, as suggested by Shumetie and Watabaji (2019).

Regasa, Fielding, and Roberts (2020) recommend that access to finance is a core issue for MSEs, especially in contexts of political unrest in Ethiopia. They stress that financial institutions hesitate to make loans because of the perceived risks of instability. Likewise, Kar, and Ahmed (2022) suggest that a better network of support from family and the community in particular, is associated with micro and small enterprises that have better performance irrespective of any political challenges. Furthermore, government support measures, such as subsidies and financial assistance, can have a substantial impact on the overall survival rates of small businesses in conflict-prone areas, as revealed by Zhang & Ayele (2022).

Moreover, Engidaw (2022) noted that the problems small businesses were already dealing with were compounded by the COVID-19 pandemic. Despite the unstable political and economic conditions Endris and Kassegn (2022) add that small enterprises have contributed towards realizing sustainable development goals. Likewise, Sherefa (2012) observes that MSEs are vital contributors to local economic development, yet have many structural and institutional constraints.

3. Methodology

Quantitative research design was used for data collection in the Amhara Regional State, Ethiopia, and a survey method was employed in this study to review the factors that influence political instability. The total responses were 385, which included government officials, representatives of opposition parties, civil society members, activists, religious and community leaders and business representatives, with balanced representation across the three governance-relevant dimensions relating to economic, social and institutional instability. The sample size was calculated using Cochran formula, at 95% level of confidence ($Z = 1.96$) and 5% Margin of Error. Structured questionnaires were utilized for primary data collection and analyzed using SPSS version 25.0 where various statistical tools used include Cronbach's Alpha, Pearson correlation, Multiple linear regression, T-tests, and Chi-square test to explore the relationship between variables benefiting reliability testing of the structured questionnaires used (Shaikh et al., 2026; Jani et al., 2026). The different types of respondents and the rigorous statistical analysis gave a comprehensive and reliable picture of the factors underpinning the political instability in the region.

4. Results and Discussion

The results of the study showed a highly positive correlation (0.892 at $P < 0.01$) between the indicators related to political instability. The results of the regression analysis have revealed that the political instability factors contribute about 79.21 % to the overall decline, irrespective of the nature of the political system

| 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 |

If these assumptions are met then all inferential results (regression, t test, ANOVA) are statistically valid and interpretable from the table above.

4.1 Reliability Test

All scales used for this study were reliable with

alpha value greater than 0.6 (Malhotra & Birks, 2007), Cronbach's alpha is an estimate of internal consistency associated with scores and the alpha value range from 0 to 1 (Field, 2007) to test the data and assess reliability and internal consistency. A minimum standard of 0.7 is recommended by Nunnally (1978).

Table 1: Reliability Test

| Sn | Variables | Cronbach's-alpha | Number Of Items |
|----|-----------------------|------------------|-----------------|
| 1 | Political instability | 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
 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*
 Dependent: political instability

Source; Researcher's compilation of Survey data, 2025

As seen in the above table (5), R² value (0.7921) shows that 79.21% of the political instability enhances due to 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. However, other variables explained the remaining 20.79% of the factors.



Table 4: ANOVA Result for overall value

| Table ANOVA ^a | | | | | | |
|---|------------|----------------|-----|-------------|-------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 3 | Regression | 3574.023 | 3 | 191.341 | 2.577 | .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 provides an indication of the overall level of significance of the model as an explanation for the outcome variable (Field, 2005). The results of the significance in the ANOVA table showed a value of $F = 82.577$, $p < 0.05$, which indicated the presence of a good degree of prediction for the regression analysis. Therefore, the political

instability level has a statistically significant impact on the Micro and Small Business performance. As mentioned above, regression (3574.023) and residual (3087.445) means that there are some variables that do not measure political instability well, while other variables are not taken here into account.

Table 5: 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 mentioned above, it was attempted to distribute the questionnaires in both politically stable and unstable areas, hence the result of the t-test suggests that doing business is better in politically stable areas than in politically unstable areas. Hence, statistical results of the t-test showed that there is

significant different business success in politically stable and politically unstable areas. 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, $p < 0.01$) indicates that political stability is important for business success.

Table 6: 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 noted above in the Amhara region, 285 participants from 385 sample respondents were forced to close their business as a result of conflict, legal and contractual disputes, business

interruptions, government instability or frequent changes in government policies, regulatory changes-sudden shifts in laws or regulations, institutional weaknesses and governance structures, and policy and regulatory uncertainty.



Table 7: 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

Based on the above data, one of the assumptions is the KMO sample adequacy test, which is fulfilled based on the sample adequacy criteria. Bartlett's Test of Sphericity is significant because each variable has no unit matrix from its correlation result (Raghuwanshi et al., 2026). Since the ratio of cases

to variables is greater than five, it is deemed that the condition is met.

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

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

Table 8: 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. A total of 285 of the 385 respondents participated in the survey (as mentioned earlier) and 67% of those respondents reported that their businesses ended as a result of conflict, legal and contractual disputes, operational issues, frequent changes in government policies, changes in laws or policies, regulatory issues, 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 ($B = -0.434, p < 0.01$). In other words, Business Success decreases by 0.434 units for every change of one unit of Political Instability.

Political upheavals play a role in adding to the corporate instability, as stated above. R2 value of 0.7921 means that 79.21% of business failures are

attributed to conflict, legal and contractual problems, operational problems, government instability and frequent policy changes, regulatory changes, sudden changes in laws and regulations, institutional weakness and governance structures, and policy and regulatory uncertainty. However, 20.79% of the elements were referred to by other variables. Hence, according to t-test, it is more favorable to businesses to do their business in politically stable region of the world than in the less politically stable region. Therefore, from the T-test results, there is a significant difference in business success between the politically stable area and the unstable area. The mean scores of politically stable companies is 3.85 while that of politically unstable companies is 2.64. The significant t-value (4.87, $p < 0.01$) indicates that political stability is a key determinant of corporate success.

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