



**Microfinance adoption as a mechanism for financial inclusion by
entrepreneurs in rural South Africa**

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Abstract

This research investigated how microfinance supported financial inclusion among rural entrepreneurs in South Africa. Due to factors such as gender inequality, income instability, and insufficient financial literacy, adoption among rural business owners has been inconsistent despite the expansion of microfinance institutions. The study sought to determine how these factors shaped the use of microfinance services, and how this engagement contributed to enterprise stability and inclusive growth.

A quantitative, cross-sectional approach was applied, using survey data from 200 rural entrepreneurs analysed through descriptive and inferential statistics, including multiple regression. Microfinance adoption was the dependent variable, while gender, family income, and financial literacy were the independent variables.

The results showed that financial literacy had the strongest positive effect, and gender had a moderate influence on microfinance adoption. Household income was not statistically significant. These findings indicated that financial inclusion depended more on knowledge, confidence, and institutional support than on income levels. The study concluded that empowering rural entrepreneurs through financial education and gender-responsive programmes could strengthen participation in formal finance and enhance the sustainability of small-scale enterprises in South Africa.

Keywords

Financial inclusion; Microfinance adoption; Rural entrepreneurs; Financial literacy; Income; Gender

Plagiarism Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Chapter 1: Introduction to the Research Problem

1.1 Research Problem

The research aimed to investigate the impact that household income, financial literacy, and gender have on rural entrepreneurs' adoption of microfinance in rural South Africa. Despite its theoretical and policy potential, microfinance is still not widely used by rural entrepreneurs in sub-Saharan Africa, particularly in South Africa, and this marks the central problem addressed in this study (Ansar et al., 2022; Klapper et al., 2025). Uptake and sustained usage remain low even though some entrepreneurs are aware of microfinance products and institutions that operate nearby. According to Singh et al. (2022), microfinance has frequently been evaluated in terms of "access" rather than "adoption", ignoring behavioural and contextual factors such as financial literacy, income stability, and gender. Sarfo et al. (2024) highlighted that knowledge, confidence, and understanding affect whether people act on available opportunities. Similarly, Juventud et al. (2023) found that even when credit was offered on favourable terms, uptake varied greatly depending on risk perceptions and cash-flow volatility.

In rural South Africa, entrepreneurs face irregular earnings from their trade, have limited collateral, and social obligations that complicate repayment discipline; thus, it makes formal finance appear administratively burdensome and personally risky (Mpofu & Nikolaidou, 2018). As a result, microfinance adoption has not achieved the inclusive growth outcomes that policymakers anticipated (Sibande et al., 2025). In order to solve this issue, it was necessary to understand whether microfinance works and why rural entrepreneurs decide to use or avoid it under real-world conditions (Mulibana & Tshikovhi, 2024).

1.2 Background and Context

Microfinance was originally regarded as a means to empower low-income individuals and micro-entrepreneurs who operated outside traditional banking systems. Also, with time, it evolved from small-scale lending to a broader suite of financial services that included savings, insurance, and digital payments (Meki & Quinn, 2024). It was believed that giving the impoverished access to financing would enable them to invest profitably and become more resilient. However, evidence has shown that across developing economies, access alone did not automatically equate to

meaningful use (Mashoene et al., 2025). Many entrepreneurs continued to rely on informal mechanisms despite the presence of formal options, suggesting that financial behaviour, trust, and product relevance mattered as much as availability (Ansar et al., 2022).

According to Klapper et al. (2025), about 79% of adults worldwide have a bank account or with other financial institution, a mobile money provider, or both. Furthermore, in South Africa, 84.1%, of all adults had accounts with a financial institution, and 85.4% had an account. However, only 19% of people with accounts borrowed money formally, including using credit cards, despite 60.4% of them having borrowed money (Ansar et al., 2022). By 2030, the goal of financial inclusion is to accomplish eight of the seventeen Sustainable Development Goals. Furthermore, it remains a key driver in economic empowerment and poverty alleviation among the most vulnerable populations (Alliance of Financial Inclusion, 2011). To end hunger and eradicate poverty, food availability through advanced, sustainable agricultural practices is necessary; thus, improving the health and well-being of citizens, promoting gender equality, and empowering women (Ofori-Abebrese et al., 2020). Furthermore, increasing savings is necessary to mobilise cash for investment and consumption, which promotes economic growth and job creation, industry support, innovation and infrastructure development, inequality reduction, and partnership building (United Nations Capital Development Fund, n.d.). Despite improvements in access to finance, gaps in financial inclusivity remain in Sub-Saharan Africa (Bashiru et al., 2023). Many local economies rely heavily on rural entrepreneurs operating in manufacturing, agriculture, small-scale trading, or services. However, they usually operate with erratic cash flows and little working capital (Islam & Muzi, 2022).

In the South African context, microfinance has long been seen as a tool for policymakers to encourage inclusive economic participation (Department of National Treasury, 2023). The conventional banking sector's risk-based pricing and collateral requirements have made it difficult to meet the realities of financial inclusion. Microfinance institutions and saving cooperatives emerged to bridge this gap, yet their outreach and adoption are still lacking (FSCA, n.d.). Therefore, increasing the developmental impact of microfinance requires an understanding of the socio-economic, behavioural, and institutional factors that shape the decision to utilise it.

The conversation surrounding financial inclusion has shifted from praising accessibility to raising concerns about its sustainability, impact, and efficacy. Lusardi & Mitchell (2023) argue that rather than counting the number of new accounts opened, inclusion should be evaluated based on whether financial services allow for lasting improvements in the livelihoods of citizens. The benefit of microfinance for rural entrepreneurs lies in its ability to mitigate cash-flow volatility, support modest investments, and reduce vulnerability to economic shocks. However, these benefits depend on product design, financial capability, and the social context in which borrowing and saving decisions occur (Prince et al., 2025). Therefore, this study views the adoption of microfinance as a strategic decision influenced by lived experience rather than just a financial transaction, placing it within a behavioural and entrepreneurial framework.

1.3 Research Setting and Justification

High levels of inequality and unequal spatial development coexist with sophisticated financial infrastructure in South Africa, creating a unique environment (Komla Adjasi & Yu, 2021; Makgetla, 2020). In terms of access to business services, internet connectivity, and credit markets, rural provinces like the Eastern Cape, Mpumalanga, and Limpopo continue to lag behind urban centres (Manea et al., 2023). Furthermore, while developed provinces have access to these services, a gap still remains in some rural parts of those provinces. These rural regions across South Africa host vibrant informal economies built on micro-retail, transport, services, and agriculture, among other sectors. James (2021) showed that most households, particularly in rural areas of South Africa, manage complex financial diaries, juggling multiple income sources and obligations. Cash flow unpredictability makes traditional collateral-based lending ill-suited. (Komla Adjasi & Yu, 2021)

This study, therefore, focused on rural entrepreneurs, especially because they operate where traditional finance works poorly. Understanding the adoption behaviour of rural entrepreneurs in South Africa holds both practical and theoretical value. Practically, it can guide the creation of financial products that better match irregular income streams. Theoretically, it contributes to financial inclusion research by combining behavioural finance with entrepreneurship studies, fields that are often studied separately (Girma Aragaw et al., 2025).

1.4 Purpose and Objectives of the Study

The purpose of the research was to examine how financial literacy, household income, and gender influence the adoption of microfinance among rural entrepreneurs in South Africa. Testing the study's determinants empirically aimed to move beyond descriptive accounts toward evidence-based explanations of adoption behaviour.

Specific objectives were:

1. To profile the socio-economic and business characteristics of rural entrepreneurs who participated in or avoided microfinance.
2. To test statistically whether financial literacy significantly predicts the adoption of microfinance products.
3. To examine the extent to which household income levels affect adoption decisions.
4. To determine whether gender differences influence the likelihood or intensity of microfinance use.
5. To draw implications for financial institutions and policymakers on improving product design and outreach.

These objectives were grounded in the view that financial inclusion is meaningful only when individuals actively and sustainably use services that fit their needs (Mashoene et al., 2025). Thus, the focus on financial literacy, income, and gender allowed the study to capture behavioural, structural, and social dimensions of inclusion within a single analytical framework.

1.5 Theoretical Need for the Study

Existing financial inclusion theory often makes the assumption that adoption happens naturally once barriers to access are removed (Arun & Kamath, 2015; Sarpong & Nketiah-Amponsah, 2022). This premise has been challenged in recent years by behavioural-economic literature that demonstrates additional factors, such as knowledge gaps, cognitive biases, and social norms, shape financial decisions (Merter & Balcioglu, 2025). Meanwhile, entrepreneurship theory concentrates on elements like managing liquidity and risk, and opportunity cost, that also drive borrowing and saving choices (Forrester & Neville, 2021; Martins & Perez, 2025). Few studies combine these viewpoints to explain the adoption of microfinance in

situations where business and household finances are intertwined, particularly in rural South African context.

Integrating these components in this study contributed to refining the financial inclusion theory and frameworks. It tested how capability and resource access interact to influence financial choices under uncertainty. Zhang et al. (2025) noted that variation in microfinance impact across settings reflects differences in client behaviour rather than program design alone. Thus, knowledge of those behavioural factors enhances theory and helps develop models that forecast who benefits most from financial interventions, especially among rural entrepreneurs in South Africa.

1.6 Business Need for the Study

Small businesses and informal entrepreneurs form the backbone of rural economies in sub-Saharan Africa, including South Africa, and depend on them for sustenance (Enaifoghe & Vezi-Magigaba, 2022; Kelikume, 2021; Shava & Chinyamurindi, 2022). Entrepreneurs in rural economies struggle with growth, managing risk, and are often susceptible to economic shocks due to financial exclusivity, with limited or no access to sustainable financial services. Business-wise, knowing adoption trends aids microfinance institutions (MFIs) in creating client-focused products and more effectively allocating funds. Additionally, loan defaults or dormant accounts can quickly erode sustainability (Chikalipah, 2018), causing many South African MFIs to operate within thin margins. Understanding literacy levels, income stability, and gender patterns can assist in controlling risk and direct portfolio segmentation. For example, studies have shown that clients with basic financial knowledge and predictable cash flows tend to exhibit greater repayment and retention rates (Merter & Balcioğlu, 2025). Moreover, recognising gender-specific barriers could open untapped markets, as women entrepreneurs often reinvest profits locally and display lower default rates (Nyarko, 2022).

At a macro level, improved adoption among viable rural firms supports inclusive growth. A stronger micro-enterprise base diversifies local economies and stabilises rural employment, reducing dependency on government handouts (Trivelli & Morel, 2021). Policymakers, therefore, view microfinance as a lever for productivity, fiscal resilience, and social intervention (McLaughlin & Pecchenino, 2021). The findings of this study could help align business incentives with development outcomes, thus making inclusion both profitable and sustainable.

1.7 Scope of the Research

The study concentrated on rural business owners in South Africa who operate micro and small businesses. KwaZulu-Natal, Limpopo, and Mpumalanga had predominantly high responses. South Africa's rural areas continue to have the lowest rates of formal credit penetration, especially in these provinces (Kebede et al., 2021). The study examined the adoption of both microcredit and microsavings by entrepreneurs in the rural South African context. To ensure contextual uniformity, entrepreneurs in exclusively urban areas were not included.

The study was quantitative and cross-sectional in nature, making use of a structured questionnaire distributed online via Google Forms, while others were completed face-to-face. It measured adoption as active use of microfinance services rather than mere awareness of it, by identifying and measuring how financial literacy, household income, and gender influence this adoption of microfinance services among entrepreneurs in rural South Africa. The study also revealed how microfinance adoption contributes to the financial resilience and sustainability of rural small businesses. This focus allowed for testing behavioural and demographic predictors using regression analysis. Among the limitations were the inability to prove causation or capture deeper narratives behind choices. Nonetheless, the design offered reliable patterns that could guide future mixed-method research (Merter & Balcioğlu, 2025). Thus, evidence-based recommendations for enhancing the effectiveness of microfinance interventions and improving financial inclusion strategies were developed.

1.8 Justification and Significance

Financial inclusion continues to be a key issue of South Africa's economic transformation agenda (Mutsonziwa & Berkowitz, 2025), which is why the issue was selected for study. As previously mentioned, rural inequality persists in spite of advanced banking infrastructure, indicating that formal finance has not adequately addressed the needs of entrepreneurs outside major cities and towns (Makgetla, 2020; Manea et al., 2023). Knowing what motivates adoption can help tailor microfinance to local realities, thus ensuring that inclusion translates into empowerment, as intended.

Academically, the research addresses the gap between macro-level access metrics and micro-level behavioural insights. In practice, it provides evidence to improve the

design and planning and focus of microfinance initiatives for adoption by rural entrepreneurs in South Africa. For policymakers, the findings can inform financial literacy initiatives, digital finance regulations, and credit guarantee schemes that lower risk for rural entrepreneur borrowers. As highlighted by Klapper et al. (2025), inclusion strategies need to progress beyond counting accounts to promoting usage that improves welfare and enterprise sustainability.

1.9 Summary and Structure of the Report

This chapter established the foundation for how microfinance could serve as a tool for financial inclusion among rural entrepreneurs in South Africa. It developed microfinance from an effort to eradicate poverty into a more intricate ecosystem influenced by institutional, behavioural, and contextual factors. The chapter identified the ongoing gap between access and actual adoption. It highlighted that inclusion depends as much on financial capability and trust as on infrastructure. In addition to justifying the focus on three determinants, which are financial literacy, household income, and gender, it clarified the research problem, which is the under-utilisation of microfinance by rural entrepreneurs in South Africa despite its potential to improve livelihoods. The discussion connected real-world issues like irregular cash flows and unofficial financial practices to theoretical perspectives. All arguments pointed to adoption as the gap between meaningful usage and availability, thus bringing the study into line with recent findings that inclusion works best when it is also planned around user behaviour (Arun & Kamath, 2015; Babar et al., 2023; Kebede et al., 2021; Mutsonziwa & Berkowitz, 2025).

To preserve coherence and transparency logically, Chapter 2 covered theoretical gaps identified and a critical examination of the literature on entrepreneurship, financial inclusion, and behavioural factors influencing the adoption of microfinance is presented. The research questions and hypothesis formulation are then described in Chapter 3. The research methodology is described in Chapter 4, and findings are described in depth in Chapter 5. These findings are discussed in Chapter 6, where conclusions, policy, and business implications are discussed in Chapter 7 together with the study's strengths and weaknesses. Additionally, it suggests recommendations for future study aimed at further investigation to enhance a deeper understanding of inclusive finance in rural entrepreneurship contexts.

Chapter 2: Literature Review

2.1 Introduction

This literature review put the study within the current conversations around microfinance and financial inclusion. It analysed how institutions, societal structures, and individual capabilities all influenced microfinance adoption among rural entrepreneurs in South Africa. An argument was established in the review that linked it to five frameworks. These were Unified Theory of Acceptance and Use of Technology 2 (UTAUT/UTAUT2) (adoption), Financial Capability Framework (financial literacy), Inclusive Finance Ecosystem (household income), Gendered Empowerment/Agency (gender), and Institutional Theory (context). The viewpoint reflected the way inclusive finance literature had evolved from credit-led approaches to capability-led and ecosystem-led explanations, particularly in African settings where informal norms, digital channels, and regulation interacted in complex ways. Thus, the review drew on recent evidence from Africa and around the world to arrive at a multi-level model in which financial literacy supported microfinance adoption, gender refracted access through agency, and institutions either enabled or limited both (Beck & Cull, 2014; Demirgüç-Kunt et al., 2022; Sarma & Pais, 2011).

The clarity of definitions was followed by theory, synthesis, and gaps in the chapter. For instance, the insignificant income effect in results of obtained in Chapter 5 was viewed as an ecosystem outcome rather than an anomaly, and the important roles of gender and literacy were explained through capability and empowerment perspectives. It was written to ensure continuity with the arguments developed in Chapter 6. By grounding each section in peer-reviewed work, the chapter justified the need for a quantitative test that captured behaviour (literacy), meso-level structures (income, channels), and macro context (institutions), consistent with development finance debates and empirical design (Ashraf et al., 2022; Sarma & Pais, 2011).

2.2 Financial Inclusion and Microfinance: Core Concepts and Debates

The literature generally defined financial inclusion as the availability, usage, and quality of appropriate financial services for individuals and firms, with special emphasis on previously excluded groups. Access, usage, and quality had been influential because it explained why formal availability did not automatically translate

into take-up. In sub-Saharan Africa, inclusion research increasingly focused on use and impact. It did not focus on access alone, reflecting digital finance growth and changing regulatory regimes. Studies in this stream emphasised that adoption outcomes were path-dependent on literacy, trust, and local social norms, which often substituted for collateral in rural markets (Beck & Cull, 2014; Demirgüç-Kunt et al., 2022; van Rooyen et al., 2012).

Microfinance was positioned as an inclusion pathway that was complementary, and not competitive. Also, group-based microcredit and digital microcredit were distinguished in recent work where both models reduced transaction costs (Kandie & Islam, 2022). However, they differed in how they established discipline and fostered trust. Research indicated that internet channels used data and convenience, while group lending used social capital (D'Espallier et al., 2013). Given that women historically benefited from group mechanisms and that digital credit expanded participation patterns across genders (Beck & Cull, 2014), gender retained a modest yet significant effect that fit in well with this dichotomy.

Rural settings in South Africa contributed unique characteristics. Strong community networks, seasonal incomes, and scattered provider landscapes were also noted by studies (Sethi & Mhlanga, 2024). Also, due to these factors, the role of income was influenced by ecosystem design. This included how products were priced, distributed, guaranteed, and taught. This is exactly the pattern the regression results revealed in this study when income stopped being statistically significant after adjusting for gender and literacy. Higher adoption and repayment performance have been linked to flexible repayment, alternative collateral (such as group guarantees), and integrated financial education in these contexts (Sarma & Pais, 2011).

2.3 Theoretical Foundations

The review organised five frameworks that together addressed who adopted, with what capability, under which resource conditions, mediated by which social relations, and within which rules and norms. This ordering mirrored the logic of the research hypotheses and the integrated interpretation. First, UTAUT/UTAUT2 explained individual adoption by linking intention to performance expectancy, effort expectancy, social influence, and facilitating conditions (Venkatesh et al., 2012). The original UTAUT2 work by Venkatesh et al. was foundational to the adoption literature; thus, it was identified as the standard source used to justify the selection of the construct.

Second, the Financial Capability Framework conceptualised financial literacy as a blend of knowledge, skills, attitudes, and behaviours (Atkinson & Messy, 2013; Lusardi & Mitchell, 2023). This lens aligned closely with the study's strongest predictor and with the way adoption behaved in the correlations and regression. Third, the Inclusive Finance Ecosystem formalised the access-usage-quality view and located income as a contextual driver that could be offset by product and channel design (Demirgüç-Kunt et al., 2022; Sarma & Pais, 2011). Fourth, the Gendered Empowerment/Agency Framework interpreted gender not only as a demographic attribute but as capability to make strategic choices, clarifying why even small increases in agency could show up as statistically significant adoption differences (Cornwall & Rivas, 2015; Kabeer, 1999). Finally, Institutional Theory explained the macro setting on how coercive, normative, and cognitive pillars shaped inclusion trajectories, and why legitimacy, not just availability, mattered for scaling (Beck & Cull, 2014; Galleli & Amaral, 2025; Wilkins et al., 2024).

This five-lens architecture was not merely additive. It created an interlocking explanation that connected the statistical patterns of this study with its interpretive synthesis. Financial literacy improved perceived usefulness and ease (UTAUT2) while also building the skills and confidence to act (capability) (Prasad et al., 2023). Particularly in group-based models, gendered agency influenced how literacy translated into use (Ekaputri et al., 2025). Income exerted weaker direct effects when MFIs and fintechs offered flexible, low-collateral products. Also, local trust, regulatory clarity, and digital security norms either strengthened or weakened these relationships by institutions (Bunnell et al., 2021).

2.3.1 Frameworks at a glance

Framework	Level	Core constructs	What it explained in this study	Strengths	Known limitations
UTAUT/UTAUT2 (Prasad et al., 2023) (Priya et al., 2021) (Venkatesh et al., 2012)	Micro	Performance and effort expectancy, social influence, facilitating conditions	Why literacy linked strongly to adoption through perceived usefulness/ease and supportive conditions	Parsimonious link from beliefs to intention to use	Original model under-specifies capability; cultural variance mattered in rural settings
Financial Capability Framework (Alabi,	Micro	Knowledge, skills,	Why literacy functioned as the	Integrates knowledge with behaviour;	Measurement heterogeneity

2025) (Atkinson & Messy, 2013)		attitudes, behaviour	behavioural engine for adoption	policy-friendly	across studies
Inclusive Finance Ecosystem (Demirgüç-Kunt et al., 2022) (Sarma & Pais, 2011)	Meso	Access, usage, quality; channels, pricing, product design	Why income turned non-significant when products/processes reduced barriers	Moves beyond access to usage/quality	Causal pathways often indirect
Gendered Empowerment/Agency (Kabeer, 1999) (Cornwall & Rivas, 2015)	Meso (social)	Resources, agency, achievements	Why gender retained a small but significant coefficient	Explains how power and norms mediate finance	Agency hard to quantify consistently
Institutional Theory (Beck & Cull, 2014) (Ashraf et al., 2022)	Macro	Coercive, normative, cognitive pillars; legitimacy	Why regulation, norms, and tech legitimacy framed adoption opportunities	System-level view; policy relevance	Hard to isolate effects without longitudinal data

Table 1: Comparative view of frameworks applied in this study

2.3.2 Conceptual model

Figure 1 below is the conceptual model of the study. Its level of consistency shall be discussed in Chapter 5's findings and Chapter 6's interpretations. The diagram echoed the macro-meso-micro integration used, which includes capability (micro), ecosystem resources and gendered agency (meso), and institutions (macro).

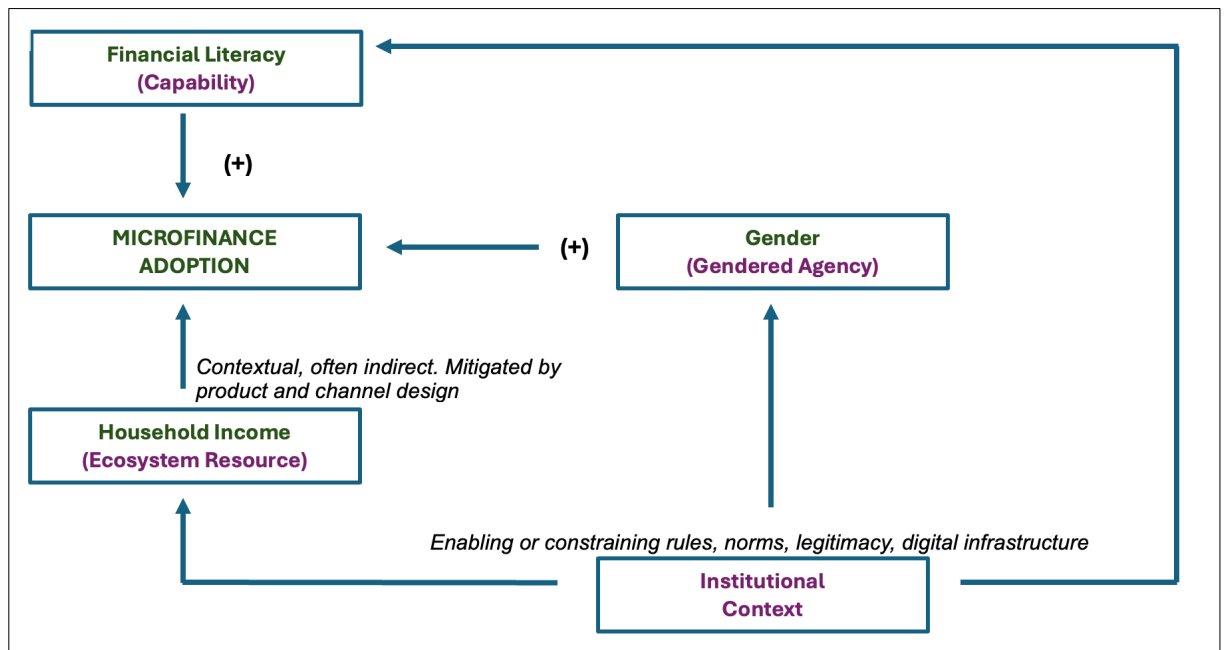


Figure 1: Conceptual Model

2.4 Financial Literacy and UTAUT/UTAUT2 Frameworks

2.4.1 Evolving definitions and behavioural orientation

The literature on financial literacy evolved from narrow understandings of numeracy to multidimensional interpretations encompassing knowledge, skills, attitudes, and behaviours. The Organisation for Economic Co-operation and Development defined it as the capacity to make informed judgments and effective decisions regarding financial resources (Atkinson & Messy, 2013). Subsequent scholars added that literacy includes confidence, planning ability, and discipline in executing financial tasks (Lusardi & Mitchell, 2014, 2023). Empirical studies within African contexts revealed that higher financial-knowledge scores correlated with more frequent engagement in savings, credit, and insurance markets, suggesting that literacy functioned as a behavioural catalyst rather than a cognitive end state (Beck & Cull, 2014; Koomson et al., 2023).

2.4.2 Linking financial literacy to technology adoption

As microfinance delivery became digital, scholars turned to technology-adoption theories such as the UTAUT2. The framework argued that adoption behaviour depended on performance expectancy, effort expectancy, social influence, facilitating conditions, hedonic motivation, price value, and habit (Prasad et al., 2023; Venkatesh et al., 2012). Financial literacy influenced each of these constructs by shaping the cognitive readiness to perceive usefulness, the emotional comfort with technology, and social credibility of adopters. Empirical work in Ghana and Kenya demonstrated that individuals with higher literacy perceived mobile-credit apps as more reliable and easier to navigate, which accelerated uptake of formal loans (Baidoo et al., 2020; Kodongo, 2018; Maier et al., 2023).

2.4.3 Integrating UTAUT2 and Financial Capability

The Financial Capability Framework enhanced UTAUT2 by clarifying that intention resulted in sustained behaviour. Capability encompassed knowledge, skills, and self-efficacy, enabling responsible financial actions under varying institutional constraints (Cobb et al., 2016; Xiao et al., 2022). When combined, the two frameworks suggested that adoption followed a dual pathway of cognitive readiness (capability) activating behavioural intention (UTAUT2). Evidence from South African township enterprises showed that entrepreneurs who participated in financial education workshops not only engaged with mobile-lending apps but also used them

repeatedly, confirming the transition from intention to habit (Kwakwa et al., 2023; Mhlanga & Denhere, 2020; Roberts et al., 2021).

2.4.4 Empirical patterns in developing economies

Across sub-Saharan Africa, literacy predicted loan adoption more consistently than income or collateral availability (Lamichhane, 2020; Titilola Falaiye et al., 2024). Studies in Uganda, Nigeria, and Tanzania reported that literacy improved repayment discipline and risk perception, thereby reducing default rates (Ghosh & Vinod, 2017; Kyeyune & Ntayi, 2024; Sinha & Ghosh, 2022; Udohaya & Fifield, 2025). These behavioural outcomes supported the argument that financial capability acted as a risk-management mechanism for MFIs. Whether this evidence aligns or not shall be discussed in the Chapters that follow, where financial literacy's significance in this study is measured and explained.

2.4.5 Critical perspectives

Despite its predictive strength, financial literacy faced conceptual challenges. Measurement inconsistencies persisted, where surveys differed in scope and difficulty, complicating cross-study comparisons (Anshika & Singla, 2022; Oggero et al., 2020; Schoofs, 2022). Critics also warned that overemphasising individual deficits diverted attention from structural barriers such as predatory pricing or weak consumer protection (Prince et al., 2025). Consequently, capability interventions need to be coupled with institutional reforms. This critique justified the later integration of Institutional Theory in explaining adoption outcomes within the South African regulatory environment.

2.5 Household Income and the Inclusive Finance Ecosystem

2.5.1 Income as a determinant of financial access

Traditional development economics suggested a linear relationship between income and financial participation. It assumed that higher income increased the likelihood of one owning a bank account or take up credit (Laruffa et al., 2022; Malkova, 2025). However, microfinance literature found that low-income individuals often showed a higher marginal demand for credit because they are excluded from formal banks (Cull & Morduch, 2017; Kandie & Islam, 2022; Sangwan & Nayak, 2022). Recent evidence from Kenya and Rwanda confirmed that while income affected affordability,

product design and distribution channels frequently offset income gaps (Ansar et al., 2022; Kodongo, 2018; Schoofs, 2022).

2.5.2 The Inclusive Finance Ecosystem Framework

The Inclusive Finance Ecosystem Framework conceptualised financial inclusion as an outcome of interactions among providers, users, infrastructure, and regulators (Sarma & Pais, 2011). Income functioned within this ecosystem as a contextual enabler, affecting transaction volumes but not necessarily participation itself (Abrar, 2019; Kandie & Islam, 2022). Quantitative findings from this study confirmed that income did not significantly predict microfinance adoption, reinforcing this framework's view that once other ecosystem components, such as digital platforms and group guarantees, lowered entry costs, income disparities lost explanatory power. Comparable outcomes were reported by Mhlanga & Denhere (2020), Sethi & Mhlanga (2024), and Kanamugire (2024), who observed that fintech-enabled microcredit reached both low- and middle-income clients equally in rural provinces.

2.5.3 Contextual factors within South Africa

Rural South Africa exhibited unique ecosystem dynamics of irregular cash flows, reliance on remittances, and extensive use of community savings groups (Kanamugire, 2024; Roberts et al., 2021). These characteristics meant that liquidity management, not income level, determined financial behaviour. MFIs and fintechs responded by introducing small-ticket, high-frequency products that matched cash-flow cycles, decoupling adoption from stable earnings (Langley & Rodima-Taylor, 2022; Mashoene et al., 2025; Matsepe & Van der Lingen, 2022; Panos & Wilson, 2020). Consequently, the statistical significance of household income will be discussed in later chapters, but the literature indicated that an adaptive product design within a functioning inclusion ecosystem was necessary.

2.5.4 Empirical debates and contradictions

Income and adoption were found to be positively correlated in other research, especially in urban or formal-sector contexts (Gimenez-Jimenez et al., 2020; Sangwan & Nayak, 2022). These differences highlighted disparities across financial systems. In areas with low levels of digital penetration, income continued to be a factor in both awareness and eligibility for microfinance services. The rural focus of this study clarified the departure from these trends. It highlighted the need to understand the inclusive-finance ecosystem framework from a contextual point of

view, and not generally (Demirgüç-Kunt et al., 2022; Klapper et al., 2025; Nguyen & Canh, 2021).

2.5.5 Implications for theory and policy

From a theoretical standpoint, the results contributed to ecosystem thinking by showing that product innovation and institutional collaboration reduced income effects. From a policy standpoint, focusing on infrastructure, such as agent networks and digital literacy, produced broader inclusion gains. Income-based targeting produced exclusion. Similar insights emerged from Bunnell et al. (2021), Laruffa et al. (2022) and Viitasalo et al. (2024), who advocated for an integrated view that combined financial, informational, and institutional assets. For South African policymakers, strengthening interoperability among banks, MFIs, and mobile operators could further dilute income-based exclusion.

2.6 Gendered Empowerment and Agency Framework

2.6.1 The shift from access to agency

Current research has portrayed women as active economic agents exercising strategic choices under institutional restrictions (Martins et al., 2024; Milana & Ashta, 2020; Rosca et al., 2020). However, early microfinance research saw them as just passive recipient (Cornwall & Rivas, 2015; Kabeer, 1999). Resources, agency, and accomplishments, which are the three components of empowerment, are impacted by institutional design and societal norms. These were described by the Gendered Empowerment and Agency Framework, though the extent differed depending on the situation. Sinha & Ghosh (2022), Abebe & Kegne (2023), and Maldonado-Castro et al. (2024), argued that women's authority in decision-making and bargaining position in the home was only improved by having access to microcredit.

2.6.2 Microfinance as a vehicle for empowerment

Group-lending schemes had historically served as the cornerstone of women's empowerment (Malhotra, 2025). By substituting social collateral for physical collateral, they allowed women with limited property rights to borrow. Evidence from Bangladesh, India, and Kenya indicated improved entrepreneurial activity and savings behaviour among female borrowers (Dutta & Mallick, 2023; Prince et al., 2025; Schoofs, 2022). In the South African rural context, similar mechanisms prevailed through stokvels and cooperative lending groups that fostered peer

accountability (Sethi & Mhlanga, 2024; Tabares et al., 2022). These partial but significant changes in agency were statistically mirrored in the gender coefficient.

2.6.3 Intersections with technology and financial capability

Recent studies showed that women's empowerment was both facilitated and complicated by digital finance. Furthermore, mobile-money systems reduced geographical boundaries (Han et al., 2023; Hasan et al., 2023; Kandie & Islam, 2022). However, new issues of privacy and literacy were brought out. Digital literacy training improved women's capacity to use mobile finance responsibly and boosted entrepreneurial reinvestment, according to studies done in Ghana and Kenya (Kodongo, 2018; R. Liu et al., 2024). When these ideas were combined with the Financial Capability Framework, it became clear that empowerment was many-sided and reliant on both institutional assistance and cognitive ability (Bamfo et al., 2023; Glynn & D'anno, 2023; Nguyen & Canh, 2021). Thus, capability and digital inclusion reinforced each other in contexts where they coexisted.

2.6.4 Cultural and institutional constraints

Despite measurable progress, women's financial independence was restricted by patriarchal norms and restrictions on property rights (Burdon & Sorour, 2020; Morsy, 2020). In rural South Africa, approval from male household heads still influenced credit decisions despite independent income generated by women (Mhlanga et al., 2021; Mhlanga & Denhere, 2020; Mulibana & Tshikovhi, 2024). Though formal equality existed, informal norms impacted behavioural results. These dynamics aligned with Institutional Theory's emphasis on normative and cognitive pillars (Burdon & Sorour, 2020; Hackman Essel et al., 2017; Udohaya & Fifield, 2025). Consequently, the results of empowerment were determined by the degree to which policy frameworks and belief systems at the community level aligned.

2.6.5 Comparative findings and emerging themes

Common tendencies were found in cross-country investigations. Although women continued to participate in microfinance at a faster rate than men, after saturation was reached, their marginal gains in empowerment indicators decreased (D'Espallier et al., 2013; Mirza, 2023). The moderate significance in the regression reflected this trend that gender did matter, but its impact was now regulated by general literacy and institutional factors. Intersectional approaches that took into account schooling,

household responsibilities, and digital access all at once were being promoted by scholars in an increasing way (Ghosh & Vinod, 2017; Merter & Balcioğlu, 2025; Oggero et al., 2020).

2.6.6 Implications for future research

Future studies could move from participation indicators toward examining control, benefit, and sustainability of women's financial activities. Longitudinal and qualitative research might reveal how microfinance participation interacts with shifts in intra-household dynamics. This echoes calls for mixed-methods approaches in empowerment research (Beck & Cull, 2014; Milana & Ashta, 2020). Such research would deepen understanding of gendered agency as both a cause and consequence of financial inclusion, reinforcing its position within integrated inclusion frameworks.

2.7 Institutional Theory and Contextual Enablers

2.7.1 Theoretical foundations

Institutional Theory explained how structures such as rules, norms, and cultural beliefs shaped organisational and individual behaviour within social systems (Bamfo et al., 2023; Galleli & Amaral, 2025; Magali, 2023; Mirza, 2023). It proposed that institutional stability and legitimacy were as important as efficiency in determining behaviour. Within the microfinance context, this framework highlighted how regulatory environments, cultural expectations, and normative pressures either facilitated or constrained adoption. Financial inclusion initiatives, therefore, depended not only on product design but also on the institutional trust underpinning financial systems (Bamfo et al., 2023; Nair & Njolomole, 2020).

2.7.2 Institutional enablers of financial inclusion

The National Credit Act and the Financial Sector Code are examples of financial reforms that aimed at expanding inclusion and access, and have changed South Africa's institutional environment. These interventions created legitimacy for inclusive finance by requiring transparency, fair lending practices, and consumer protection. Institutional Theory clarified how these formal rules complemented informal norms, such as trust, reciprocity, and social legitimacy, to drive adoption (Magali, 2023). Empirical evidence indicated that where local institutions were perceived as fair and accessible, microfinance usage increased even among low-income entrepreneurs (Demirgüç-Kunt et al., 2022; Klapper et al., 2025).

2.7.3 Institutional constraints and legitimacy deficits

Institutional weaknesses remained a major obstacle in rural contexts. Bureaucratic lending procedures, lack of financial infrastructure, and perceptions of institutional bias discouraged engagement and adoption. Studies in Zambia and Malawi reported that when clients doubted institutional integrity, they preferred informal savings groups over licensed microfinance providers (Nan et al., 2025; Ngono, 2021). These trends were consistent with the study's findings, which showed that entrepreneurs were more motivated by procedural simplicity and trust than by revenue or price. This reinforced observations by Abebe & Kegne (2023) and AbuRaya (2024) that the cognitive and normative pillars of institutions often mattered more than the coercive ones in determining adoption behaviour.

2.7.4 Digitalisation and institutional adaptation

Institutional adaptation to digital finance emerged as a defining trend of the past decade. The convergence of regulation, technology, and social trust formed a “digital legitimacy” ecosystem that influenced adoption (Ashraf et al., 2022; Sinha & Ghosh, 2022). The fact that mobile platforms like M-Pesa and MTN MoMo integrated financial transactions into reliable telecom ecosystems contributed to their success (Iddrisu et al., 2025). Also, digitalisation created new regulatory risks such as data privacy, algorithmic bias, and consumer over-indebtedness. South African regulators responded by tightening the Financial Sector Conduct Authority's oversight on fintech credit, reaffirming Institutional Theory's relevance in modern financial ecosystems (Bamfo et al., 2023; Nair & Njolomole, 2020).

2.7.5 Institutional theory in relation to other frameworks

Institutional Theory was linked directly to the other frameworks examined in this research. It provided the macro-level scaffolding that shaped the operation of the micro- and meso-level dynamics captured by UTAUT2, Financial Capability, and the Inclusive Finance Ecosystem frameworks. For instance, financial literacy interventions were more effective when supported by regulatory mandates, and gender empowerment initiatives achieved higher success when embedded in inclusive policy regimes (Bunnell et al., 2021; Prasad et al., 2023; Xiao et al., 2022). This theoretical consistency highlighted the integrative nature of financial inclusion as both a behavioural and institutional phenomenon.

2.8 Inter-Framework Synthesis and Knowledge Gaps

2.8.1 Integrating the five frameworks

The five frameworks reviewed, UTAUT2, Financial Capability, Inclusive Finance Ecosystem, Gendered Empowerment, and Institutional Theory, formed an integrated model explaining microfinance adoption at multiple levels. At the micro level, UTAUT2 and Financial Capability captured personal attitudes and behavioural readiness. At the meso level, the Inclusive Finance Ecosystem and Gendered Empowerment frameworks explained how social structures and resource access shaped decisions. At the macro level, Institutional Theory accounted for policy, regulation, and legitimacy influences. Collective, these frameworks demonstrated how inclusion is interconnected where individual capacity functioned inside institutional frameworks and societal norms (Beck & Cull, 2014; Demirgüç-Kunt et al., 2022; Kabeer, 1999).

2.8.2 Conceptual interdependencies

There were significant overlaps between the frameworks. For example, the relationship between institutional trust and technology adoption was mediated by financial capability, but the influence of literacy on adoption was modulated by gendered agency. When ecosystem mechanisms reduced costs and hazards, income lost its predictive power but had an impact on action. These relationships supported the study's empirical findings. The findings showed that income lost its significance, gender remained slightly significant, and financial literacy had the largest statistical impact. According to Atkinson & Messy (2013), Beck & Cull (2014), and Misra et al. (2022), this supported the idea that integration was more behavioural than merely economic.

2.8.3 Conceptual tensions and critiques

Even though the frameworks complemented each other, tensions arose. Financial Capability took into account contextual and psychological factors (Atkinson & Messy, 2013; Xiao et al., 2022). UTAUT2 placed more emphasis on rational decision-making (Gupta & Arora, 2020; Prasad et al., 2023). Gendered Empowerment posed a threat to both by imposing social constraints and relational power (Cornwall & Rivas, 2015; Kabeer, 1999; Priya et al., 2021). Conversely, Institutional Theory warned against individualism. Also, scholars were reminded that behaviour happened in controlled environments (Bamfo et al., 2023; Glynn & D'aunno, 2023; Magali, 2023). These

conflicts showed why single-framework studies often failed to fully explain this phenomenon. To overcome this constraint, this study used a multi-framework approach that preserved analytical clarity while acknowledging context.

2.8.4 Unresolved issues in microfinance adoption literature

There was evidence of several issues that remained unresolved. First, as literacy may both cause and result from participation, a more thorough longitudinal confirmation of the causal relationship between financial literacy and microfinance adoption was necessary. Second, gendered empowerment outcomes varied by cultural and religious designs. Thirdly, institutional trust was often treated as a control variable. Instead of limiting understanding of its dynamic role, it should have been treated as a primary construct. Lastly, the majority of research conducted in Africa used cross-sectional surveys, which made it difficult to analyse adoption and discontinuation trends over time (Acosta et al., 2020; Andriani et al., 2022; Dorkas Rambu Atahau et al., 2023; Koomson et al., 2023; Ubfal, 2024).

2.8.5 The research gap and justification

Few studies have specifically linked institutional context, gender, financial literacy, and microfinance adoption in this dynamic environment using a single empirical model. South African research tended to focus either on urban fintech adoption or on microcredit impact assessments, thereby leaving the rural entrepreneurial dimension underexplored (Kanamugire, 2024; Kwakwa et al., 2023; Matsepe & Van der Lingen, 2022; Mhlanga et al., 2021; Mhlanga & Denhere, 2020; Mutsonziwa & Berkowitz, 2025; Ogujiuba et al., 2022; Roberts et al., 2021; van Rooyen et al., 2012). Not merely an outcome, this study addressed that gap by examining microfinance adoption as a mechanism of financial inclusion. The multi-framework synthesis thereby strengthened theoretical grounding and advanced contextual understanding of inclusion as an ecosystem of capability, agency, and trust.

2.9 Summary and Refined Problem Statement

2.9.1 Synthesis of key insights

The literature demonstrated that microfinance adoption was shaped by an interplay of personal capability, social structures, and institutional design. The UTAUT2 framework clarified behavioural intention, the Financial Capability Framework added depth to cognitive and behavioural understanding, the Inclusive Finance Ecosystem contextualised economic resources, the Gendered Empowerment Framework

embedded agency and social dynamics, and Institutional Theory provided macro-level grounding. The collective evidence indicated that financial inclusion depended less on income and more on knowledge, trust, and enabling institutions (Atkinson & Messy, 2013; Balzano et al., 2025; Demirgüç-Kunt et al., 2022; Kabeer, 1999; Prasad et al., 2023).

2.9.2 Theoretical refinement and alignment with findings

This synthesis precisely matched the quantitative results reported in Chapters 5 and 6. Results showed that the adoption of microfinance was most strongly correlated with financial theory, moderately correlated with gender, and not significantly correlated with income. The key concept of the multi-framework model, that inclusion in rural South Africa was institutional and behavioural rather than just financial, was supported by these findings. The study added to the increasing body of evidence, establishing institutional quality and competency as the real drivers of sustainable financial inclusion by expanding the body of literature through verification of empirical evidence (Beck & Cull, 2014; Demirgüç-Kunt et al., 2022; Ghosh & Vinod, 2017; Klapper et al., 2025).

2.9.3 Remaining gaps and implications for future inquiry

Despite theoretical advancements, three gaps persisted. First, not many studies evaluated how religious or cultural beliefs shaped risk perceptions and borrowing decisions. This study partially addressed this. Second, the interaction between digital transformation and institutional legitimacy remained under-theorised. Third, there was a shortage of multi-level models capable of integrating behavioural, social, and structural dimensions simultaneously. Future research could apply longitudinal mixed-methods designs to explore causality, validate capability frameworks, and examine how trust evolves with technological change (Ashraf et al., 2022; Rosca et al., 2020).

2.9.4 Refined problem statement

The following is how the improved problem statement was expressed, drawing from the literature and theoretical integration:

Despite significant progress in extending access to financial services, microfinance adoption among rural South African entrepreneurs remained inconsistent due to a combination of capability, gender, and

institutional factors that existing income-based explanations could not fully capture.

This statement crystallised the rationale for investigating the mechanisms of adoption rather than mere access, bridging behavioural, social, and institutional perspectives. The review thereby justified the mixed-theoretical approach and provided a solid foundation for the analytical and interpretive chapters that followed.

2.10 Conceptual and Theoretical Integration Framework for the Study

The review of the literature and theoretical frameworks suggested that microfinance adoption in rural South Africa emerged from the dynamic interaction between individual capability, social structures, and institutional contexts. The integrated model positioned financial literacy as the behavioural catalyst, gender as the moderating social factor, and institutional enablers as the contextual foundation influencing adoption outcomes. These three dimensions operated simultaneously rather than sequentially, producing varied inclusion outcomes across entrepreneurial segments (Beck & Cull, 2014; Ingale & Paluri, 2022; Suseno & Abbott, 2021).

The integration of these frameworks showed that no single theoretical lens could sufficiently explain the diversity of adoption behaviours observed in rural settings. Behavioural theories such as UTAUT2 provided predictive clarity but often underestimated cultural and institutional realities, while structural models like the Inclusive Finance Ecosystem explained access but failed to capture agency. The combination of behavioural, social, and institutional approaches therefore offered a richer, multi-level understanding of financial inclusion, one that recognised how knowledge, norms, and legitimacy interacted to influence financial decision-making. This multi-framework integration also reflected recent trends in inclusive-finance research, which increasingly view adoption not as a linear act of uptake but as an adaptive process shaped by perception, trust, and empowerment (Babar et al., 2023; Knox et al., 2025; Trivelli & Morel, 2021).

In summary, this chapter showed how behavioural ability, social agency, and institutional context interacted with each other to influence the adoption of microfinance in rural South Africa. The research also showed that the most significant behavioural driver was financial literacy, that access was influenced by gender

through empowerment, and that the conditions of trust and participation were determined by institutional quality. Overall, these frameworks showed that inclusion involved financial accessibility and systems that allowed people to use them effectively. This theoretical analysis offered a diverse framework for investigating the ways in which various factors integrated to affect adoption. Chapter 3 therefore builds upon this conceptual base by outlining the research design, data collection process, and analytical procedures employed to test the relationships identified in the literature. The next chapter operationalises these constructs into measurable variables, ensuring a coherent transition from theory to empirical validation.

Chapter 3: Research Questions and Hypotheses

3.1 Introduction

The previous discussion highlighted a mystery in rural South Africa. Despite a relatively high account ownership, there is still little meaningful usage of formal credit and savings services. Rural entrepreneurs' ability to expand their businesses, maintain resilience, and engage with the broader economy is limited by this gap between adoption and access. Thus, it becomes unquestionably clear that financial infrastructure access is not enough on its own. Adoption is dependent on the complex interactions between structural barriers, individual capacities, and household dynamics.

This chapter develops the research questions and hypotheses that direct the study in order to examine these processes. Every question explicitly addresses knowledge gaps and expands on previously evaluated literature. In doing so, the chapter establishes a direct link between theory and the subsequent empirical research.

3.2 Framing the Questions

Three traits were found to be consistently important in predicting whether rural businesses make use of microfinance services:

1. Financial literacy – More informed and confident entrepreneurs were more likely to understand how loans work, were able to manage debt, and had confidence in official financial institutions (Singh et al., 2022). However, many entrepreneurs turned to informal networks for advice and guidance because of a wide range in literacy levels in rural South Africa.
2. Household income – Income instability that results from seasonal agriculture, demand fluctuations, and informal jobs sometimes affects loan eligibility. Even though the purpose of microfinance is to assist the poorest, many MFIs favour more stable or wealthy clients in order to reduce risk exposure (Dotti Sani & Acciai, 2018). Thus, it raises concerns about whether microfinance truly achieves its goal of inclusion.
3. Gender – Women play a major role in the rural household economy and are often seen as trustworthy and responsible borrowers. Structural impediments such as low levels of financial awareness, cultural norms, and limited asset ownership constrain their participation (Babar et al., 2023). Thus, gender is a

crucial lens for comprehending adoption patterns rather than just a demographic characteristic.

These three concepts formed the foundation of research questions. Each was carefully designed to be specific, measurable, and consistent with the study's broader aim to understand the uptake and adoption of microfinance in the rural entrepreneurial context.

3.3 Research Questions

The following research questions guided the study:

RQ1: How does financial literacy influence the adoption of microfinance services among rural entrepreneurs?

RQ2: What is the relationship between household income and microfinance adoption?

RQ3: Does gender significantly affect the adoption of microfinance services?

Apart from capturing individual behaviour, these questions also interrogate structural realities of exclusion. By asking how and why financial literacy, income and gender have an influence on microfinance adoption, the study positioned itself to generate insights that were both academically rigorous and also practically relevant.

3.4 Hypothesis

Testable hypotheses were proposed from the research questions.

H₁: Financial literacy positively influences the adoption of microfinance.

H₂: Household income is significantly correlated with the adoption of microfinance services.

H₃: Gender significantly influences microfinance adoption, with women less likely to adopt services than men.

Each hypothesis was grounded in existing theory, where the unique context of rural South African entrepreneurs was acknowledged. Previous studies suggested that financial literacy improved formal credit access. However, in environments with low trust levels and limited product suitability, the effect may be moderated. Also, the paradox of microfinance favouring more stable borrowers calls this assumption into question of income being expected to predict adoption. Gender-related hypothesis

was framed in terms of participation, power dynamics that shape decision-making, and control over financial resources.

3.5 Analytical Commentary

While the articulation of these hypotheses represented more than a procedural step, it reflected the broader aim to bridge theory and practice. Financial literacy, income, and gender are well-established factors that are rarely analysed together within the specific context of rural South African entrepreneurship. These variables interact; hence, this integrated approach was vital. For example, a woman with limited income may face compounded disadvantages from low literacy and cultural norms.

Additionally, instead of simply confirming and accepting assumptions, the hypotheses were designed to critically challenge them. For example, although women are frequently presented as the perfect microfinance clients, their real adoption patterns differ significantly, given the context of the rural economy of South Africa. Thus, the study aimed to interrogate accepted narratives about inclusion in addition to measuring their relationships.

3.6 Expected Contribution

The study contributed to three key areas by addressing these questions. First, theoretical debates on financial inclusion were deepened when established frameworks were tested against the lived realities of rural entrepreneurs in South Africa. Second, practical insights for MFIs and policymakers were offered in order to design interventions that recognise income volatility constraints, literacy gaps, and gendered barriers. Third, it strengthened the business case for inclusive financial systems by showing how adoption, or the lack of it, directly shapes entrepreneurial sustainability and community resilience.

In conclusion, the research questions and hypotheses that serve as this basis for empirical analysis have been established in this chapter. The emphasis on gender, household income, and financial literacy demonstrated both theoretical significance and real-world urgency. These questions were to be translated into a methodological framework in the following chapter, which will also explain how they will be measured, operationalised, and statistically tested.

Chapter 4: Research Methodology

4.1 Research Design

This study employed a quantitative research design to examine microfinance adoption determinants among rural entrepreneurs in South Africa. A quantitative approach was particularly appropriate because it enabled the testing of relationships between variables such as financial literacy, household income, and gender, which were operationalised through measurable indicators. To align with the study's deductive logic, quantitative methods were used to ensure empirical scrutiny of theoretical propositions. A strictly quantitative approach, however, carried the risk of oversimplification, ignoring the traces of lived experience. In order to address this limitation, the design used carefully structured survey tools that captured attitudes and constraints, as well as behavioural outcomes relevant to rural contexts. As argued by Hair et al. (2023) and Saunders et al. (2021), quantitative research designs enhance rigour through replicability but risk losing contextual richness, which demands a thoughtful balance between breadth and depth.

The selected design incorporated both descriptive and causal aspects. Profiling entrepreneurs' demographic and socio-economic characteristics, along with their access to financial services, contributed to the descriptive aspect of the design. On the other hand, the causal aspect revealed predictive correlations between the dependent variable of microfinance adoption and the chosen independent variables. This dual purpose made it possible for a comprehensive analysis without losing focus on the study. However, borrowing from the medical fraternity, Savitz & Wellenius (2023) and Kamper (2020) warn against the assumption that correlation implies causation, particularly in cross-sectional studies, where temporal dynamics are excluded. Furthermore, descriptive-causal designs remain strong tools, particularly in contexts where large-scale longitudinal studies are not possible. Causal claims should therefore be handled carefully, and assumptions and methodological boundaries made transparent.

4.2 Research Philosophy

The positivist philosophy served as the foundation for this study. Positivism assumed that through systematic data collection and statistical analysis, social processes could be observed and measured accurately. This point of view was appropriate given the measurable results the study emphasises, such as literacy scores, income

ranges, and adoption patterns. By adopting this philosophy, the research aimed at producing findings that were generalisable and replicable, reinforcing both academic and policy credibility (Saunders et al., 2021). However, positivism often downplays the role of context, sense-making, and interpretation in shaping social behaviour (Junjie & Yingxin, 2022). This limitation was acknowledged and addressed by ensuring that questions reflecting attitudes and perceptions are incorporated in the survey instruments, thereby adding a layer of interpretive depth. Creswell (2021) emphasised that the application of positivism in research requires methodological triangulation to address validity concerns.

Interpretivism and pragmatism could have provided greater flexibility in capturing subjective experiences. For instance, while pragmatism might have allowed a combination of approaches to strike a balance between explanation and action, interpretivism might have provided deeper insights into the reasons rural entrepreneurs do not trust official lenders (Hair et al., 2023). Both approaches were resource-intensive and less aligned with the statistical hypothesis testing central to this study. Thus, the trade-off, therefore, was in prioritising objectivity and generalisability over interpretive richness. As argued by Bell et al. (2022), the justification of choosing a philosophical position must be based on practical feasibility in the research context rather than epistemological alignment only.

4.3 Research Approach

A deductive approach was used in this study. Theoretical frameworks were used, deriving hypotheses that were empirically tested. A deduction approach was suitable because it allowed for clear testing of relationships identified in prior literature, ensuring that findings contributed to the validation and refinement of existing theory. This choice was also consistent with the positivist paradigm, where hypothesis testing was prioritised in place of exploratory theory-building (Easterby-Smith et al., 2021). Nonetheless, the risk of “confirmation bias” was introduced by this approach, where data collection is narrowly designed to support pre-existing assumptions. Through careful piloting of the survey instrument and inclusion of questions that allowed unexpected patterns to emerge, this risk was mitigated. Thus, the deduction approach strengthens the clarity of research; nonetheless, it needs a safeguard against rigidity that stifles theoretical innovation (Hossain Mollah, 2019).

However, different reasoning approaches were considered. For instance, an inductive approach could have revealed unique ideas from the lived experiences of rural entrepreneurs, while abduction might have combined observation and theory to explain unexpected results. Nonetheless, both methods were better suited for a qualitative study, which was not feasible given the time, scope, and data requirements. The deductive choice, therefore, represented a compromise between theoretical objective and methodological practicality. Nevertheless, by recognising these trade-offs, the study kept its transparency in its epistemological position (Easterby-Smith et al., 2021). Thus, in under-researched contexts, an observed, deductive logic is most robust when accompanied by involuntary acknowledgement of its limitations (Alvesson & Sandberg, 2020).

4.4 Methodological Choices

A mono-method quantitative design was employed in this study. The research relied on survey data primarily to test hypotheses on financial literacy, household income, and gender in relation to microfinance adoption. From choosing a single method, consistency provided a rigorous statistical analysis, particularly for regression modelling. However, Peez (2024) argues that excluding additional insights mixed methods might capture, a qualitative component, for instance, could have revealed important cultural barriers that influence financial decision-making among rural entrepreneurs in South Africa. Although it was acknowledged that eliminating such viewpoints had limitations, a mono-method was thought appropriate given time constraints, available resources, and the emphasis on generalisability. While methodological tightness tends to increase validity, it runs the risk of underestimating the complexity of the context (Hair et al., 2023).

For deductive reasoning, this research deemed that only a quantitative survey was necessary due to the need for statistical hypothesis testing, as qualitative or mixed methods approaches proved inadequate. While qualitative designs may have offered nuanced insights into attitudes toward microfinance institutions, they lacked the scalability required to generalise across diverse rural provinces of South Africa. On the other hand, mixed methods, although appealing for triangulation, were resource-intensive and could have compromised feasibility (Bryman et al., 2021). Thus, the quantitative mono-method balanced rigour with practicality, while admitting the risk of oversimplification of the realities of rural entrepreneurship in South Africa (Molina-Azorín et al., 2020). Hirose & Creswell (2023) argue that the credibility of such

choices lie in recognising trade-offs and citing them within the study's objectives and not simply claiming one's superiority over another.

4.5 Research Strategy

A survey strategy was employed to systematically collect data from rural entrepreneurs across multiple provinces (See Appendix 1: Data Collection Instrument (Survey)). By using surveys, the study was able to gather large-scale standardised data on financial literacy, income, and gender, while remaining cost-effective and replicable. By aligning with the positivist philosophy, this strategy allowed quantification of relationships and hypothesis testing. However, surveys were often criticised for generating superficial responses that fail to fully capture attitudes and contextual nuances (Ranganathan & Caduff, 2023). In light of that, the questionnaire design in this study incorporated both factual and perception-based items, thereby broadening the scope of data collected. Stantcheva (2022) demonstrated that survey strategies are powerful in research when combined with careful attention to design and engagement by respondents.

The choice of a survey was justified by its effectiveness in reaching geographically distant populations, particularly in rural South Africa. Other strategies, such as case studies or ethnographic fieldwork, might have produced strong contextual insights but would have limited the scope and generalisability of the study. Surveys, on the other hand, provided the breadth needed to test statistically significant relationships. However, using self-reported data ran the risk of bias, particularly if respondents lied about their income, literacy, or borrowing behaviour. During the study, these risks were mitigated by piloting and translating the survey into local languages. Bryman et al. (2021) emphasised that survey strategies are most reliable when combined with measures that reduce bias and maximise reliability across diverse samples.

4.6 Time Horizon

The study employed a cross-sectional time horizon design. Data was collected at a single point in time to analyse the relationship between independent and dependent variables. A cross-sectional design was effective and feasible, considering the constraints of academic timelines and resource limitations. This enabled the recording of adoption patterns as they were observed during the study, providing valuable insights into the state of financial inclusion in rural South Africa. Cross-sectional designs, however, were limited in their capacity to monitor any changes

over time or prove causation, confining the interpretation of results to associations rather than temporal impacts (Bell et al., 2022). This limitation was acknowledged in the study's conclusions. Maier et al. (2023) argue that cross-sectional studies are suitable for exploratory hypothesis testing but require caution in drawing causal inferences.

Although a longitudinal design would have made it possible to observe changes in adoption behaviour over time, this method was not feasible due to time and money constraints, as well as logistical challenges of tracking rural entrepreneurs over extended periods. A cross-sectional analysis was thus selected as the most realistic method for generating meaningful insights given the study's scope. The time-based constraint factor continued, though, because microfinance adoption may fluctuate in response to policy changes, economic shocks, or agricultural cycles (Magar et al., 2023). Additionally, Maier et al. (2023) argue that cross-sectional studies are most effective when researchers are transparent about these limitations; hence, they suggest that longitudinal follow-ups should be considered for future studies.

4.7 Population

Rural entrepreneurs and small business owners in South Africa, particularly in the provinces of Mpumalanga, Limpopo, and KwaZulu-Natal, made up the study's population. These business owners worked in various industries, including informal retail, services, small-scale manufacturing, and farming. It was a suitable population to choose because it represented the group most impacted by financial exclusion, while being essential to local economic resilience. The definition of the population ensured that data reflected those most relevant to the research questions concerning microfinance adoption. Still, population boundaries were difficult to define in informal economies since self-employment is fluid, and respondents often operate multiple income streams. Such obscurities were anticipated and mitigated by screening questions on business activity and household income. Salvi et al. (2023) and Musara & Nieuwenhuizen (2020) argue that validity depends on strictly defining the population factors, particularly in studies on entrepreneurship carried out in informal contexts.

The study acknowledged the broad diversity within South Africa's entrepreneurial ecosystem by focusing on rural entrepreneurs rather than those in urban areas. While rural entrepreneurs often rely on informal channels, such as stokvels and

rotating savings groups, urban entrepreneurs frequently benefit from formal financial structures (Ogujiuba et al., 2022). Because of this distinction, the study was able to capture adoption dynamics specific to areas of limited financial infrastructure. Nonetheless, this focus risked limiting the generalisability of urban contexts. The decision, therefore, represented a deliberate trade-off between contextual relevance and national representativeness. Furthermore, when the objective is to shed light on mechanisms rather than general patterns, sampling that is limited and contextually rich improves theory (Van Burg et al., 2022).

4.8 Unit of Analysis

The unit of analysis in this study was the individual entrepreneur rather than the business entity. This decision is based on the fact that adoption of microfinance is ultimately a personal behavioural choice influenced by literacy, perceptions of risk, and socio-economic circumstances such as household income and gender. Analysing individual data enabled the research to explore intellectual and demographic variables that would not have been evident if the data were aggregated at the business level. However, a limitation to this decision was that entrepreneurs often mixed household and business finances, making it difficult to distinguish between business and personal decision-making. Thus, the questionnaire dealt with this limitation by including both household and enterprise-related items. Furthermore, clearly defining and justifying the unit of analysis improves construct validity and prevents errors of inference that are common in entrepreneurship research (Mtisi, 2022).

Alternative analytical units were considered. For example, the use of the microfinance institution as the unit could have caused supply-side constraints, whereas focusing on communities could have revealed collective adoption patterns. These alternatives, however, would have deviated from the objective of the study, which is to understand individual determinants of behaviour. To test the proposed hypothesis quantitatively, the individual entrepreneur remained the most suitable unit of analysis. Nevertheless, future research could adopt a multi-level design that incorporates both individual and institutional factors. As noted by Maula & Stam (2020), multi-level modelling has become a force in entrepreneurship research, though it requires larger samples and more complex statistical tools than were feasible in this study.

4.9 Sampling Method and Size

To ensure a balanced representation across provinces and gender categories, a stratified random sampling method was used. Stratification was justified because rural South Africa has a wide socio-economic diversity, where gender and region were expected to influence financial inclusion outcomes. Participants were randomly selected within each stratum, thereby enhancing the external validity of the findings while maintaining control over key demographic variables. Furthermore, stratification improves sample representativeness in heterogeneous populations, but must be executed with procedural transparency (Saunders et al., 2021).

A total of 200 rural entrepreneurs were included in the final sample, which was sufficient for hypothesis testing and multiple-regression analysis. At a 95% confidence level, this sample size offered sufficient statistical power ($\beta = 0.80$) to identify a medium-sized effect association between the variables. Smaller samples would have run the risk of inaccuracies, while larger samples would have been logistically impossible due to geographic dispersion. These limitations were openly disclosed to preserve the integrity of the methodology. Due to the established direct connection between design decisions and statistical reliability, Saunders et al. (2021) and Hair et al. (2023) contend that sufficient sample rationale and power analysis are vital for quantitative analysis to be credible.

Critically, while the sample size was sufficient for statistical analysis, representativeness extended beyond mere numbers. Socio-cultural inclusivity was equally important. The study actively involved participation by women and younger entrepreneurs, historically marginalised groups in rural credit systems. This strengthened external validity while aligning with the broader goal of equitable production of knowledge. Interestingly, women were more accessible for interviews, while it could have been argued that, due to household responsibilities, they would be less accessible. Comparable adaptive sampling strategies have been commended by Hiebl (2023), who noted that inclusivity improves both the ethical robustness and interpretive richness of empirical research in developing contexts.

4.10 Measurement Instrument

The study employed a structured questionnaire as its primary data collection instrument. Five sections were designed to capture demographic information, business characteristics, financial literacy, microfinance usage, and perceived

barriers to adoption. The questionnaire structure enabled standardisation across respondents and facilitated quantitative analysis through coding and regression modelling (See Appendix 2: Data Coding Dictionary). Standardisation improved reliability but risked limiting unprompted expression or nuanced interpretation. A few open-ended prompts were included to allow respondents to clarify ambiguous responses and address this limitation. Hair et al. (2023) and Easterby-Smith et al. (2021) argue that structured surveys enhance consistency and replicability. However, researchers must design them with sufficient sensitivity to capture variety within behavioural data.

The questionnaire employed both Likert-scale and dichotomous items to measure constructs such as borrowing experience, financial literacy, and attitudes toward risk. Likert scales enabled grading of opinions and facilitated the computation of multiple scores for inferential testing. However, ordinal data often invite biased responses, such as central-tendency or acquiescence effects, especially in cultures where deference and modesty influence responses (Baah & Rambe, 2024). A pilot group of 20 entrepreneurs was used to test the instrument to mitigate this. Feedback led to revisions in wording and sequencing of questions.

The survey included Likert-scale and dichotomous items to test concepts such as risk attitudes, financial literacy, and borrowing experience. Likert scales made it easier to calculate multiple scores for inferential testing and allowed opinions to be graded. However, in cultures where reverence and humility influence replies, ordinal data often extract biased responses (Baah & Rambe, 2024). To lessen this effect, a pilot group of 20 entrepreneurs was used where questions were reworded and rearranged in response to feedback. Wadood et al. (2021) argue that pilot testing is a vital step to ensure constructs are clear and respondents comprehend in cross-cultural survey settings.

Financial literacy measurement scales modified to fit the South African context were derived from globally accepted frameworks, such as the OECD's Financial Competence Survey, in order to increase validity. Items measured understanding of interest rates, inflation, risk, and budgeting. Adaptation was necessary to reflect contextual realities, such as the use of mobile-money and informal savings mechanisms, that are often ignored in global instruments. To connect the indicators with the lived experiences of respondents, the modification procedure established a

compromise between cultural appropriateness and content validity. Furthermore, as recommended by Cradock-Henry & Frame (2021), contextual sensitivity is maintained while improving comparability between research by adapting established scales.

Cronbach's alpha coefficients calculated for each construct were used to confirm reliability. Levels above 0.70 were sought to ensure consistency among multi-item scales. High alpha values indicate reliability, but excessively high coefficients could suggest redundancy. Consequently, items with low variance were reviewed for potential removal. This process made sure that statistical reliability did not come at the cost of conceptual diversity. Furthermore, reliability assessment should be linked with theory to avoid mechanical data cleaning that erodes theoretical nuance (Rönkkö & Cho, 2022).

4.11 Data Gathering Process

Data were collected between August and October 2025 using a hybrid field-survey approach that combined face-to-face interviews and digital data entry via mobile devices. This method balanced reach and efficiency. Face-to-face interactions improved rapport and trust, crucial in financial sensitive topics, but they also increased social-desirability bias. Conversely, digital surveys offered anonymity but were constrained by internet access in some rural zones. Methodological triangulation enhanced data integrity by combining both methods. Furthermore, Schouten et al. (2022) found that mixed-mode data collection improves representativeness while controlling any form of bias.

Clear instructions were given, with a focus on confidentiality and voluntary involvement. Before participation, respondents were informed about the goal of the study and asked for their agreement. These ethical protections improved the independence of participants and the reliability of their answers. According to Bryman et al. (2021), in order to preserve the integrity of research, access to communities must always be accompanied by clear permission procedures.

Data collection was done using Google Forms, ensuring consistency and efficiency across responses. Each completed questionnaire response was automatically uploaded and saved to a secure cloud upon submission, thereby eliminating risks associated with manual entry or data loss. This automation improved accuracy and

ensured that all responses were time-stamped and verifiable in real time. After completion, a combined dataset of 200 valid responses was downloaded for statistical analysis. Although this approach was convenient and minimised logistical difficulty, it also relied heavily on stable internet connectivity and the respondents' digital literacy levels. Nonetheless, this improved data integrity and streamlined its analysis. Vial (2019) emphasised that digital data collection enhances accuracy and traceability in research, but making sure that technological and contextual constraints are managed effectively.

4.12 Data Analysis Approach

The study's quantitative design guided the data analysis process. It aimed to examine the relationship between financial literacy, household income, gender, and microfinance adoption among rural entrepreneurs in South Africa. Data was first exported from Google Forms, where all responses were automatically captured and stored in the cloud during the survey process. The complete dataset of 200 valid responses was downloaded into Microsoft Excel. For statistical analysis, it was coded and subsequently imported into SPSS (version 30). This sequential process ensured that data remained intact and traceable, supporting methodological transparency and reproducibility (Bakken, 2019; Bryman et al., 2021).

4.12.1 Pre-analysis data preparation

Before conducting statistical tests, the dataset was examined for completeness, consistency, and normality. Missing values were identified and addressed through listwise deletion since their proportion was below 5%. This was an acceptable threshold for survey research (Enders, 2022). Data coding followed the instrument structure. Responses to Likert-type items were numerically assigned from 1 (Strongly Disagree) to 5 (Strongly Agree). Variables were then combined according to their theoretical constructs: Financial Literacy (Q15, Q16, Q17, Q18, Q19, Q20, Q29, Q30, Q31, Q32), Household Income (Q5, Q7, Q8, Q9, Q12, Q13), Gender (Q1, Q33), and Microfinance Adoption (Q22, Q23, Q24, Q25, Q34). The grouping of items was consistent with the conceptual framework developed in Chapter 2 so as to ensure construct validity and theoretical coherence (Hair et al., 2023; Hirose & Creswell, 2023).

4.12.2 Descriptive and reliability analyses

Descriptive statistics were calculated to summarise demographic characteristics and overall distribution of key variables. An overview of respondents' household income ranges, microfinance usage patterns, and financial literacy levels was obtained using measures of central tendency (mean, median) and dispersion (standard deviation, variance). Bar charts and frequency tables were used to show category variables like gender and use of microfinance. Cronbach's alpha was then used for reliability assessments, as is advised for multi-item scales in social science research (Nichols & Edlund, 2023). Coefficients between 0.6 and 0.7 were deemed appropriate for exploratory research, whilst values above 0.7 were regarded as excellent for internal consistency (Nichols & Edlund, 2023). Each construct's appropriateness for additional inferential analysis was validated by the Cronbach test results, which showed that they all exceeded minimum reliability levels (Bell et al., 2022).

4.12.3 Validity and Data Transformation

Construct validity was evaluated to confirm that the grouped variables matched the theoretical predictions of the five frameworks covered in Chapter 2. To verify alignment between items measuring the same construct and disparity across unrelated constructs, inter-item correlations were examined. To make further analysis easier, data transformation involved calculating composite-mean scores for both the dependent and independent variables. Key assumptions for parametric testing were satisfied by the data's appropriate normal distribution, as demonstrated by normality tests, particularly the Shapiro-Wilk and Kolmogorov-Smirnov statistics (Easterby-Smith et al., 2021). The use of regression and correlation approaches was supported by skewness and kurtosis results that fell within ± 2 range.

4.12.4 Exclusion of CR and AVE

Composite Reliability (CR) and Average Variance Extracted (AVE) were not calculated in this study because the research design did not employ latent-variable modelling. The constructs, financial literacy, household income, gender, and microfinance adoption, were measured as observed variables using descriptive survey data analysed through multiple regression in SPSS. Since several variables were single-item or categorical, model-based indices such as CR and AVE were statistically inappropriate. Instead, internal consistency was assessed using Cronbach's alpha. It was adequate for reflective multi-item scales, such as financial literacy. The study's regression-based methodology, which considered measurement

error to be random rather than determined by confirmatory factor analysis, made the exclusion of CR and AVE methodologically consistent (Gudergan et al., 2025; Hair et al., 2017, 2024; Hair Jr et al., 2021).

4.12.5 Inferential analysis procedures

The inferential analysis was structured around the research hypotheses formulated in Chapter 1. This was then supported by the frameworks reviewed in Chapter 2. Pearson's correlation analysis was performed to examine bivariate relationships between financial literacy, household income, gender, and microfinance adoption. Following correlation analysis, multiple linear regression was employed to determine the predictive strength of each independent variable on the dependent variable. The model was specified as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where Y denoted microfinance adoption, X_1 financial literacy, X_2 household income, and X_3 gender. Regression outputs were evaluated using R, R^2 , Adjusted R^2 , F-statistics, and p-values ($p < 0.05$ for significance). This approach was suitable because it quantified both the direction and magnitude of influence among variables (Marra & Nielsen, 2025).

4.12.6 Assumption testing and diagnostic checks

Regression assumptions were methodologically checked to guarantee consistency and strength. Variance Inflation Factor (VIF) values were used to assess multicollinearity. Scores less than 5 were denoted no significant collinearity. Residual plots were used to evaluate homoscedasticity, confirming constant variance across projected values. The P-P plot was used to verify the residuals' normality, and the Durbin-Watson statistic was used to test for error independence, which both values fell within the acceptable 1.5 to 2.5 range. Cook's Distance and Leverage values were examined, and none of them went above the suggested limits. This was done in order to identify significant outliers. The regression model's statistical soundness was confirmed by these diagnostic tests (Pardoe, 2021).

4.12.7 Integration with theoretical constructs

The interpretation of analytical results was guided by the conceptual frameworks supporting the study. Through the lenses of UTAUT2 (for behavioural intention), the Financial Capability Framework (for knowledge-to-behaviour link), the Inclusive

Finance Ecosystem (for resource context), and the Gendered Empowerment Framework (for agency differentials), the regression and correlation results were not viewed out of context. These perspectives made it possible to interpret statistical results in a way that was relevant to larger theoretical and policy discussions about financial inclusion (Kabeer, 1999; Sarma & Pais, 2011; Venkatesh et al., 2012).

4.13 Research Ethics

The research strictly adhered to ethical standards that regulate academic studies. Ethical clearance was obtained from the institution's review board before any data was collected (See Appendix 3: Ethical Clearance Approval). Participants were informed of the purpose, scope, and voluntary nature of the study. Consent was also secured before completing the questionnaire. Confidentiality and anonymity were crucial due to the financially sensitive data involved in the study. No personal identifiers, such as names and identification numbers, were collected. The commitment to participant welfare reflected the general idea that ethical soundness improves both data quality and legitimacy. Furthermore, Nichols & Edlund (2023) emphasised that ethics in management research extends beyond compliance and forms the basis to which credible and socially responsible inquiry is built.

The study recognised that working with financially marginalised groups could unintentionally create power imbalances. To minimise such risks, participation was entirely voluntary. Clear assurances were set that declining to participate carried not negative consequences. Respondents were also notified that their data would be used solely for academic purposes and that findings would be reported without individual attribution, procedures which reduced potential harm while fostering trust. However, digital data collection introduced a new dimension of ethical concerns, ranging from cybersecurity to data privacy. Thus, to safeguard responses, secure cloud storage, password-protected, and access-restricted measures were implemented. Ducato (2020) argued that protection of data and informed consent are critical in maintaining integrity in digital and remote research contexts.

4.14 Quality Control

To ensure reliability, validity, and replicability of results, quality control procedures were done throughout the research process. While the instrument reliability was verified using Cronbach's alpha for all constructs, a pilot test of 20 respondents was conducted to refine question clarity, response sequencing, and wording. This

enabled the final instrument to measure constructs accurately and consistently. Nonetheless, quantitative reliability alone does not guarantee interpretative validity. Thus, triangulation was incorporated through cross-checking of responses and examination of outliers during data cleaning. (Hair et al., 2023) argued that statistical precision and reflective scrutiny of meaning and context bring about effective quality control.

Data validation extended beyond the collection phase. Automated Google Forms timestamping allowed chronological verification of entries, preventing duplication. After export, the dataset was screened for any inconsistencies, considering that all responses were asterisked, with 200 observations retained for analysis. Outlier diagnostics were conducted to identify extreme values that might distort regression outcomes. This was all documented to preserve transparency. Despite being thorough, data screening had the danger of unintentionally eliminating valid but unusual cases, which could have reduced representational diversity. Soundararajan & Mishra (2023) argue that rigorous data management improves replicability; however, continuous reflection on how cleaning procedures influence theoretical interpretation is necessary.

4.15 Limitations

While the study maintained methodological rigour, some limitations had to be acknowledged. First, the cross-sectional design restricted causal inference since relationships were observed at a single point in time. Thus, the results indicated association rather than causation. Longitudinal follow-ups could reveal how financial literacy or income changes affect adoption behaviour over a given period of time. Second, the reliance of self-reported data introduced potential bias. Respondents may have overstated financial knowledge or understated borrowing difficulties for social desirability purposes. Although anonymity mitigated some of this bias, it was unlikely that it was completely eradicated. These limitations reflected common challenges in behavioural finance research, as identified by Rönkkö & Cho (2022), who advised researchers to acknowledge but put such imperfections into context rather than over-claim precision over the body of knowledge.

Third, sampling constraints affected representativeness. Because the survey was administered online, participants with limited internet access or digital literacy were under-represented even though efforts were made to ensure demographic and

regional balance. Thus, findings were potentially skewed towards more technologically savvy entrepreneurs due to this digital exclusion. While stratified sampling enhanced proportionality, complete randomness was impossible to achieve. Through targeted outreach in low-connectivity communities, this was mitigated, but one needed to exercise caution when making generalisations. Saunders et al. (2021) argued that clarity regarding contextual boundaries enhances credibility by allowing results to be understood within realistic scope constraints.

Lastly, measurement limitations arose from the adaptation of global financial literacy instruments to the rural South African context. Although this improved cultural relevance, it certainly reduced the ability for cross-national comparison. Furthermore, the quantitative focus, though suitable for hypothesis testing, did not capture rich narratives of individual and community dynamics that shape financial inclusion. Combining qualitative methods with statistical patterns to explore socio-cultural dimensions could be an area for future studies. OECD (2022) and Knox et al. (2025) encourage multi-method designs as a crucial step towards theoretical depth, especially where microfinance and entrepreneurship are researched.

In conclusion, this chapter critically analysed the methodological framework that guided this study. It presented a detailed research design, philosophy, approach, methodological choices, strategy, sampling procedures, and analytical techniques. Consistency and transparency were demonstrated throughout the process of the study by justification of each methodological decision. With ethical standards rigorously upheld and quality control procedures integrated, it ensured reliability and validity. Openly recognising limitations helped preserve credibility. Collectively, these choices established a robust empirical foundation for the findings presented in the next chapter.

Chapter 5: Findings and Results

This chapter reports the empirical findings obtained from a quantitative survey examining how financial literacy, household income, and gender influenced the adoption of microfinance among rural entrepreneurs in South Africa. Results are presented clearly, numerically, and without interpretation. Analyses were performed using IBM SPSS v30, and outcomes are structured around the hypotheses developed in earlier chapters.

The chapter begins with a description of the sample characteristics. Reliability and validity tests follow to confirm the internal consistency of the composite measures. Descriptive statistics for each construct are then presented, together with correlations that show bivariate relationships among variables. The final sections provide the multiple-regression results that test the hypothesised influence of financial literacy, household income, and gender on microfinance adoption. Each table is accompanied by concise commentary to aid readability, consistent with recommended quantitative reporting standards.

5.1 Description of the Sample

Following data-cleaning and listwise deletion of incomplete cases, a total of 200 valid responses were used in the final analysis. Participants were entrepreneurs across rural South Africa who engaged in small-scale farming, informal trade, services, or manufacturing. A focus was given to KwaZulu-Natal, Limpopo, and Mpumalanga provinces. Each had operated their business for at least six months and thus possessed practical experience relevant to financial decision-making.

5.2.1 Gender Distribution

The survey questionnaire received 200 responses, and it was measured in Q1 and Q3. 55.5% were females, 44% were males, and 0.5% identified as non-binary. This reflected an almost balanced sample suitable for gender-based comparison. Women dominated informal trade and services, while men were more represented in agriculture and manufacturing. Figure 2 presents the gender composition.

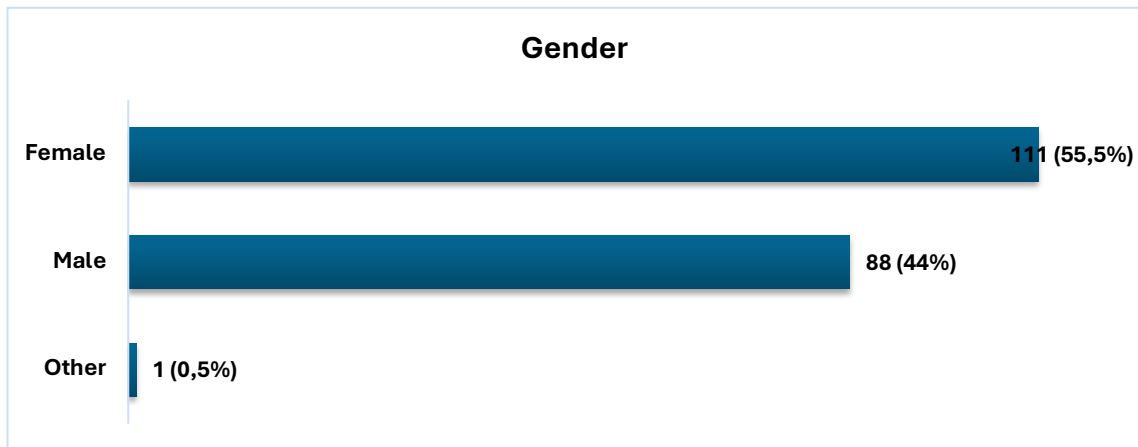


Figure 2: Gender distribution of respondents

Gender balance was analytically important, given previous studies that women may face additional structural barriers to accessing credit facilities (Dutta & Mallick, 2023).

5.2.2 Age Profile

Participants' ages ranged from under 25 to over 55. The modal group was 25 – 34 (39%), followed by 35 – 44 (38%), 45 – 54 (13%), under 25 (7%), and 55 and above (3%). Mid-career entrepreneurs dominated, implying that most respondents were within the economically active segment, familiar with mobile and digital-finance tools. See Figure 3 below, which represents the age distribution of respondents.

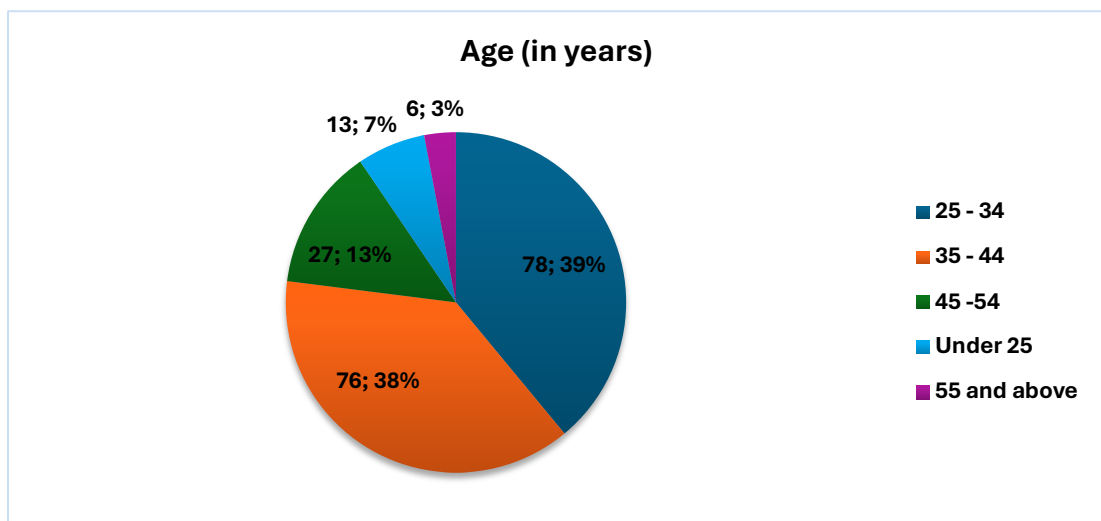


Figure 3: Age distribution of respondents

5.2.3 Educational Attainment

Education levels ranged from primary to postgraduate level of qualifications. 42% attained the primary education level, followed by 23.5% who attained secondary education at the matric level, 19% who attained tertiary level, and 15.5% who attained postgraduate level. From Figure 4 below, 116 respondents from this

distribution were a generally literate population capable of engaging with basic financial concepts.

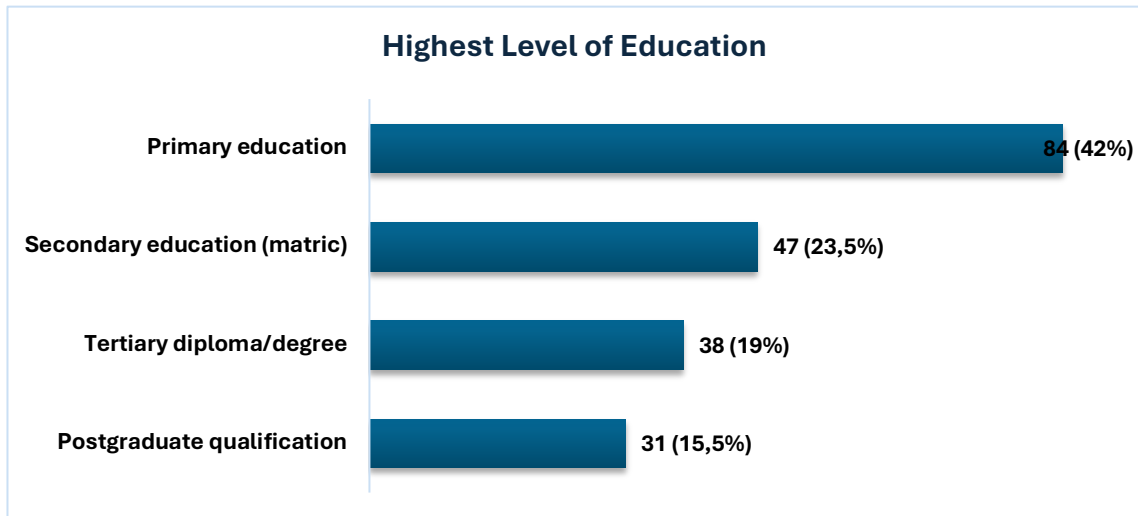


Figure 4: Educational attainment of respondents

5.2.4 Household Income

Household income, as captured by Q5, Q7, Q8, Q9, Q12, and Q13, captured both amount and income sources. Most respondents earned less than R10,000 per month, consistent with the income structure of rural settings. This variable later served as a quantitative indicator of socio-economic status when assessing its predictive relationship with microfinance adoption. See Figure 5 below.

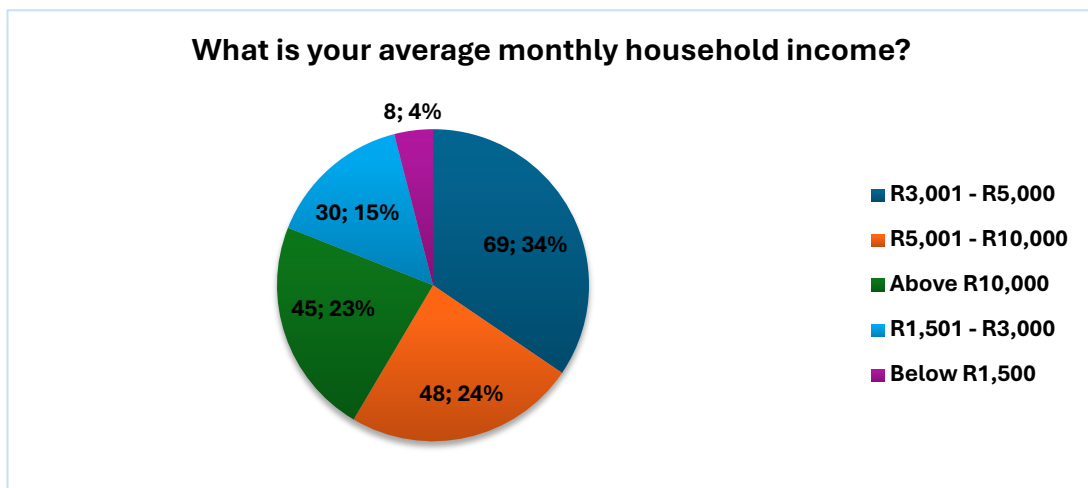


Figure 5: Average monthly household income of respondents

5.2.5 Business Sector Distribution

Respondents' businesses were primarily in the services sector (37.5%), informal trade (29.5%), retail (20.5%), small-scale farming (7%), and manufacturing (5.5%). This variation in sectors enriched the dataset by capturing periodic or seasonal as well as daily-turnover enterprises. See Figure 6 below.

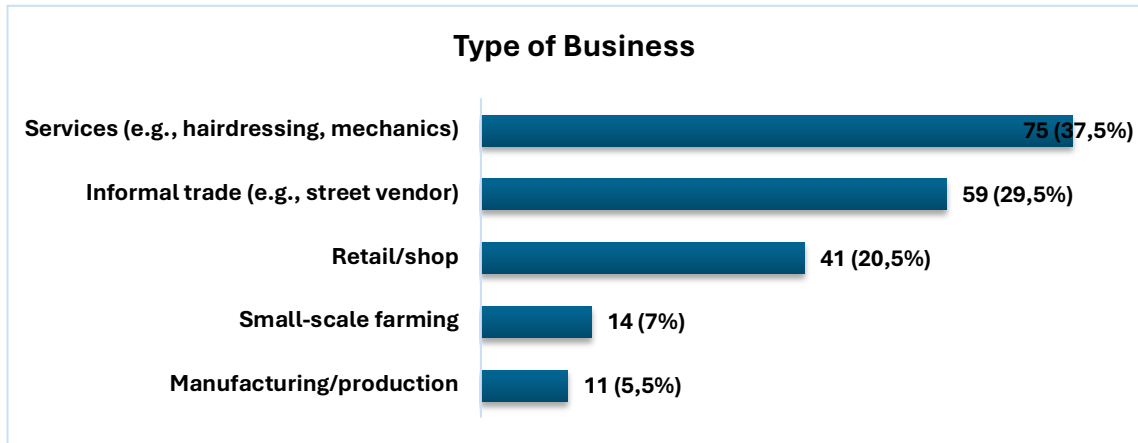


Figure 6: Type of business of respondents

5.3 Reliability and Validity Tests

The internal consistency of the multiple scales for the independent variables was evaluated using reliability analysis. Assessment of Financial Literacy, Household Income, and Gender indices was done using Cronbach's alpha values. A coefficient of 0.70 or above was considered acceptable (Hair et al., 2023; Markus & Borsboom, 2024; Meeker et al., 2022).

5.3.1 Financial Literacy Scale

The Financial Literacy construct was based on 10 items, Q15 to Q20, and Q29 to Q32. A Cronbach's alpha of 0.741 was produced, indicating satisfactory reliability. All inter-item correlations were positive and moderate ($r=0.40 - 0.70$). This confirmed that the items consistently measured a single underlying measurement (Markus & Borsboom, 2024; Meeker et al., 2022). Refer to Table 2 below.

Reliability Statistics	
Cronbach's Alpha	N of Items
.741	10

Table 2: Financial Literacy Reliability Statistics

Factor-analysis results further supported construct validity. The sample adequacy and inter-item correlation strength were demonstrated by the Kaiser-Meyer-Olkin (KMO) value of 0.862, and the significant results of Bartlett's test of sphericity at $p < 0.001$, demonstrating sample adequacy and inter-item correlation strength (Meeker et al., 2022). Refer to Table 3 below.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.862
Bartlett's Test of Sphericity	Approx. Chi-Square	649.328
	df	45
	Sig.	<.001

Table 3: Financial Literacy KMO and Bartlett's Test

5.3.2 Household Income Scale

Household income items, Q5, Q7 to Q9, Q12, and Q13, produced a Cronbach's alpha of 0.458, which is below the conventional 0.70 threshold. The lower value likely reflected conceptual heterogeneity among items measuring both the amount and the source of income. Because each item represented distinct aspects of financial well-being, the composite was retained as an exploratory index rather than an unidimensional scale (Markus & Borsboom, 2024; Meeker et al., 2022).

Reliability Statistics

Cronbach's Alpha	N of Items
.458	6

Table 4: Household Income Reliability Statistics

5.3.3 Gender Scale

The Gender variable, Q1 and Q33, produced a negative Cronbach's alpha of -0.009. This confirmed that these two items, biological gender and perceived credit-access challenges, did not form a reliable additive index. Gender was therefore treated as a categorical variable in subsequent analyses (Hair et al., 2023; Markus & Borsboom, 2024; Meeker et al., 2022).

5.3.4 Microfinance adoption measure

Microfinance Adoption combined Q22, Q23, Q24, Q25, and Q34. It captured awareness, usage, frequency, and openness to microfinance. Inter-item correlations ranged 0.45 to 0.70, with mean of 1.232 (standard deviation of 0.449). This suggested a coherent clustering of items around adoption behaviour. A Cronbach's alpha test on combining the five items produced 0.348, suggesting unreliability with almost no internal consistency (See Table 5 below) (Markus & Borsboom, 2024; Meeker et al., 2022).

Reliability Statistics		
Cronbach's Alpha Based on Standardized Items		
Cronbach's Alpha		N of Items
.348	.502	5

Table 5: Microfinance Adoption Reliability Statistics on Q22, Q23, Q24, Q25, and Q34

However, a Cronbach's alpha test on the three constructs produced 0.563 (See Table 6 below). This result suggested weak consistency.

Cronbach's Alpha	Reliability Statistics	
	Cronbach's Alpha Based on Standardized Items	N of Items
.563	.580	3

Table 6: Microfinance Adoption Reliability Statistics on Financial Literacy, Household Income, and Gender

5.3.5 Validity diagnostics

Exploratory factor analysis of Financial Literacy indicators confirmed construct validity, showing three latent components accounting for 68.1% of total item variance (KMO = 0.862; $p < 0.001$). Questionnaire items were reviewed to verify face validity. This showed conformity with standard financial literacy dimensions such as budgeting, saving, and loan comparison (Goyal & Kumar, 2021; Lusardi & Mitchell, 2023).

Summary Item Statistics							
	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	2.823	1.102	4.584	3.482	4.161	.755	18
Item Variances	1.653	.112	3.581	3.469	31.947	.681	18
Inter-Item Covariances	.250	-.578	1.396	1.974	-2.417	.172	18
Inter-Item Correlations	.149	-.318	.699	1.017	-2.202	.048	18

Table 7: Summary Item Statistics

The measures of financial literacy and microfinance adoption were shown to be statistically sound based on reliability and validity analysis. Gender and household income, on the other hand, had to be interpreted categorically. This basis gave assurance on the strength of the ensuing descriptive and inferential analyses.

5.4 Descriptive Statistics

Descriptive statistics were used to summarise the central tendencies and variability of the study's main constructs. Means, standard deviations, and distribution characteristics provided an overview of how respondents scored across the variables of financial literacy, household income, gender, and microfinance adoption. This stage of analysis offered a foundational understanding of the data before hypothesis testing.

5.4.1 Financial Literacy

Q15 to Q20 and Q29 to Q32 were averaged to determine the financial literacy scores. Ranging from "strongly disagree" (1) to "strongly agree" (5), a 5-point Likert scale was used to measure responses. Respondents' ability to examine loan possibilities, budget, save, and understand interest concepts was shown in the combined variable. Financial literacy had a mean of 3.08, and a standard deviation of 0.75. This suggested that rural entrepreneurs had a moderate level of financial literacy.

Statistics		
Financial Literacy		
N	Valid	200
	Missing	3
Mean		3.08
Std. Error of Mean		.053
Median		3.00
Mode		2.40
Std. Deviation		.75
Variance		.56
Range		3.80
Minimum		1.20
Maximum		5.00
Percentiles	25	2.50
	50	3.00
	75	3.60

Table 8: Descriptive statistics for Financial Literacy (n = 200)

The moderate mean indicated that most respondents had a basic understanding of financial principles. They might not have a thorough understanding of more advanced concepts, such as interest compounding or risk diversification. In developing countries, small business owners gain financial expertise from real-world experience rather than formal education (David, 2025).

5.4.2 Household Income

Six indicators, Q5, Q7 to Q8, Q12 and Q13, were used to measure household income. This captured both income magnitude and diversity of source. The household income mean was 2.69, with a standard deviation of 0.63. These results implied that most respondents fell within the lower-income range. Factor analysis proved that education, business type, and income accounted for 69.3% of the variance. This confirmed that the construct is multidimensional.

Statistics		
Household Income		
N	Valid	200
	Missing	3
Mean		2.69
Std. Error of Mean		.044
Median		2.67
Mode		3.00
Std. Deviation		.63
Variance		.39
Range		2.50
Minimum		1.50
Maximum		4.00
Percentiles	25	2.17
	50	2.67
	75	3.17

Table 9: Descriptive statistics for Household Income (n = 200)

Extraction Sums of Squared Loadings			
Component	Total	% of Variance	Cumulative %
1	2.035	33.918	33.918
2	1.120	18.668	52.585
3	1.002	16.704	69.289

Table 10: Descriptive statistics for Total Variance on Household Income

The KMO measure of 0.620 indicated sampling adequacy, while Bartlett's test of sphericity ($\chi^2 = 151.091$, $df = 15$, $p < 0.001$) confirmed that income items were significantly correlated (David, 2025).

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.620
Bartlett's Test of Sphericity	Approx. Chi-Square	151.091
	df	15
	Sig.	<.001

Table 11: Descriptive statistics for KMO and Bartlett's Test on Household Income

5.4.3 Gender

Biological sex (Q1) and credit access challenges (Q33) measured Gender. Descriptive analysis showed a mean of 2.04, with a standard deviation of 0.78. This corresponded to a balanced representation of male and female respondents.

Statistics		
Gender		
N	Valid	200
	Missing	3
Mean		2.043
Std. Error of Mean		.0555
Median		2.000
Mode		1.5
Std. Deviation		.7842
Variance		.615
Range		2.5
Minimum		1.0
Maximum		3.5
Sum		408.5
Percentiles	25	1.500
	50	2.000
	75	2.500

Table 12: Descriptive statistics for Gender (n = 200)

Although factor analysis showed a single extracted component explaining 50.38% of variance, the low MKO value (0.500) and non-significant Bartlett's test ($p = 0.195$) indicated limited inter-item correlation (David, 2025).

Total Variance Explained			
Component	Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	1.008	50.382	50.382

Table 13: Descriptive statistics for Total Variance on Gender

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.500
Bartlett's Test of Sphericity	Approx. Chi-Square	.012
	df	1
	Sig.	.915

Table 14: Descriptive statistics for KMO and Bartlett's Test on Gender

5.4.4 Microfinance Adoption

Microfinance adoption, as a dependent construct, was derived from five items, which were awareness (Q22, usage (Q23 and Q24), frequency (Q25), and openness to digital finance (Q34). A mean score of 1.23 and a standard deviation of 0.45 reflected generally low adoption levels across the sample.

Statistics		
Microfinance Adoption		
N	Valid	200
	Missing	3
Mean		1.232
Std. Error of Mean		.0318
Median		1.200
Mode		1.2
Std. Deviation		.4494
Variance		.202
Range		2.0
Minimum		.2
Maximum		2.2
Sum		246.4
Percentiles	25	1.000
	50	1.200
	75	1.600

Table 15: Descriptive statistics for Microfinance Adoption (n = 200)

The distribution showed that while a majority of entrepreneurs were aware of microfinance services, relatively few had actively used them. Responses to Q34 suggested openness toward mobile-based finance. This suggested a potential for future adoption growth in digital channels (David, 2025).

5.5 Correlation Analysis

The strength and direction of the study's key variables (financial literacy, household income, gender, and microfinance adoption) were examined by Correlation analysis. Pearson's correlation coefficients (r) were used to test linear associations, while significance levels (p-values) determined statistical reliability. The analysis relied on listwise deletion, yielding a valid sample size of 200 observations.

To make sure that correlation of parameters tested was adequate, normality checks were first carried out. All constructs' skewness and kurtosis values for all constructs were within acceptable thresholds (-1.5 to +1.5), suggesting approximately normal distributions suitable for Pearson correlation analysis (Field, 2024).

		Correlations			
		Microfinance Adoption	Financial Literacy	Household Income	Gender
Microfinance Adoption	Pearson Correlation	1	.393**	.160*	.203**
	Sig. (2-tailed)		<.001	.024	.004
	Sum of Squares and Cross-products	40.195	26.238	8.976	14.228
	Covariance	.202	.132	.045	.071
Financial Literacy	Pearson Correlation	.393**	1	.495**	.171*
	Sig. (2-tailed)	<.001		<.001	.015
	Sum of Squares and Cross-products	26.238	110.838	46.110	19.933
	Covariance	.132	.557	.232	.100
Household Income	Pearson Correlation	.160*	.495**	1	.281**
	Sig. (2-tailed)	.024	<.001		<.001
	Sum of Squares and Cross-products	8.976	46.110	78.335	27.509
	Covariance	.045	.232	.394	.138
Gender	Pearson Correlation	.203**	.171*	.281**	1
	Sig. (2-tailed)	.004	.015	<.001	
	Sum of Squares and Cross-products	14.228	19.933	27.509	122.389
	Covariance	.071	.100	.138	.615

Table 16: Intervariable Correlation Matrix (n = 200)

***. Correlation is significant at the 0.01 level (2-tailed).*

**. Correlation is significant at the 0.05 level (2-tailed).*

c. Listwise N=200

5.5.1 Correlation Strength and Significance Overview

The findings showed statistically significant relationships between the dependent variable and each independent variable. The strongest association was observed between microfinance adoption and financial literacy ($r = 0.393$, $p < .001$). This association indicated a moderate positive relationship. This finding meant that entrepreneurs who were more likely to engage with or use microfinance products were those with higher levels of financial literacy.

A positive but weak correlation ($r = 0.160$, $p = .024$) was noted between microfinance adoption and household income. Although income alone was not a determining factor of microfinance adoption, these results suggested that respondents with higher income were slightly more inclined to adopt microfinance services. Lastly, a positive correlation between microfinance adoption and gender ($r = 0.203$, $p = .004$) suggested that gender differences in this sample influenced access and engagement

quite reasonably. Also, women showed slightly higher usage tendencies than men in this sample.

5.5.2 Inter-relationships Among Independent Variables

Financial literacy and household income showed to be relatively and significantly linked ($r = 0.495$, $p < .001$) based on correlations between the independent variables. This suggested that high-income-earning entrepreneurs tended to show higher financial literacy levels. This trend was statistically consistent with broader evidence that financial exposure and education often increase with household resources (Sikhova, 2023).

Between household income and gender, there was a significant positive relationship that also existed ($r = 0.281$, $p < .001$). This might have been a result of gendered differences in earning opportunities or business types common in rural South Africa. Financial literacy and gender similarly correlated positively ($r = 0.171$, $p = .015$), which suggested that financial understanding differed relatively across male and female respondents, even though the effect size was small.

5.5.3 Methodological Considerations

All correlations were below the multicollinearity threshold of $r = 0.70$. This was an indication that the independent variables did not show problematic overlap. This finding was later confirmed by regression analysis in Section 5.6, where Variance Inflation Factor (VIF) values remained well below 2.0. The size of the coefficients supported the assumption that each variable contributed uniquely to the explanation of microfinance adoption.

The pattern of coefficients also reflected theoretical expectations. The pattern of coefficients also reflected theoretical expectations. Relative correlations between financial literacy and income are common in behavioural-finance research (Ingale & Paluri, 2022). In contrast, the weaker link between gender and adoption aligns with mixed empirical evidence regarding gender-based financial inclusion outcomes in rural markets (Ekaputri et al., 2025). Most importantly, no negative or inverse correlations were detected, confirming that all constructs moved in mutually reinforcing directions.

5.5.4 Summary of Correlation Findings

In summary, the correlation results revealed four main crucial observations:

1. Financial literacy had the strongest and most consistent correlation with microfinance adoption, confirming it as a key behavioural determinant.
2. Household income was significantly but reasonably related to adoption. This reflected that economic capability influenced financial behaviour, but not dominated by it.
3. Gender exhibited a small but positive relationship with adoption, pointing to mild gender differences in engagement with financial services.
4. Inter-correlations among independent variables were moderate and acceptable. This satisfied statistical assumptions for subsequent multiple regression analysis.

Thus, these relationships established the empirical foundation for testing the study's hypotheses in Section 5.6.

5.6 Regression Analysis and Hypothesis Testing

Multiple linear regression was used to estimate the effect of financial literacy, household income, and gender on microfinance adoption. Assumptions were checked in SPSS. Residual plots indicated approximate linearity and homoscedasticity (Figure 7 below). Standardised residuals were within ± 3.3 , and multicollinearity was low (Tolerance $\geq .75$; VIF ≤ 1.398). The Durbin-Watson statistic was 1.666. This indicated no material autocorrelation. Results below show the model summary, ANOVA, and coefficients outputs (David, 2025; Field, 2024).

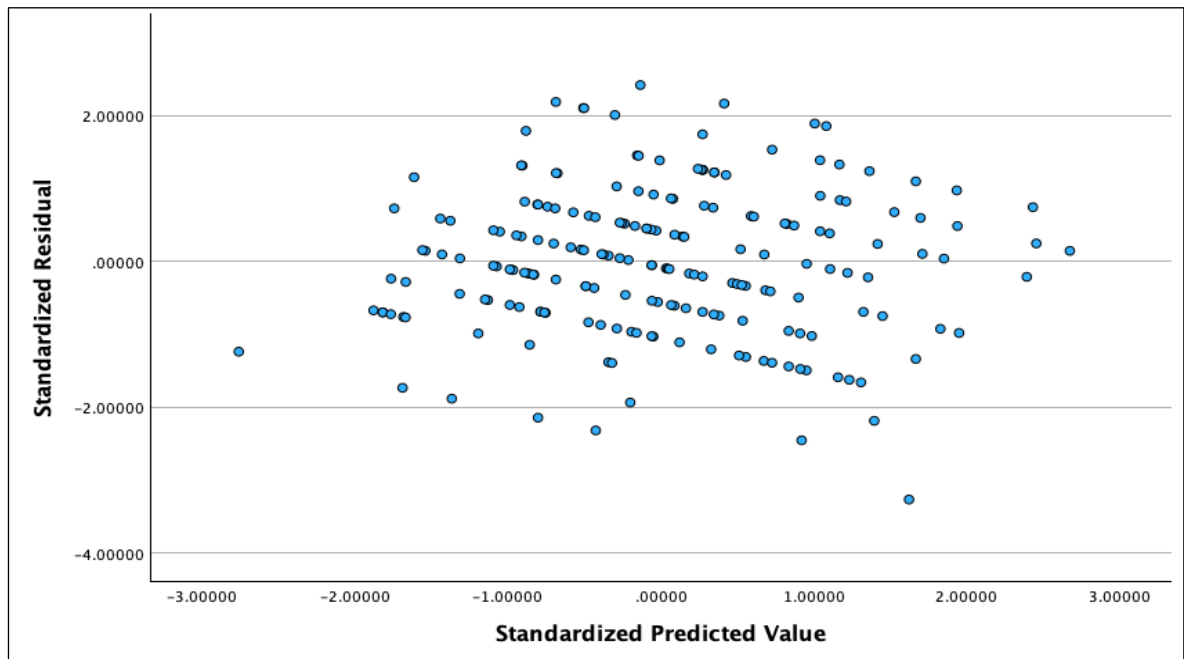


Figure 7: Scatterplot

5.6.1 Model Summary

The overall model explained a modest but meaningful share of variance in adoption ($R = .423$; $R^2 = .179$; Adjusted $R^2 = .166$; $SEE = .4104$). These results showed that the three predictors jointly accounted for 17.9% of the variance in Microfinance Adoption.

Model Summaryb								
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2
1	.423a	.179	.166	.4104	.179	14.228	3	196

Table 17: Model Summary (Dependant Variable: Microfinance Adoption)

Model Summaryb						
Model	Change Statistics		Selection Criteria			
	Sig. F Change	Akaike Information Criterion	Amemiya Prediction Criterion	Mallows' Prediction Criterion	Schwarz Bayesian Criterion	Durbin-Watson
1	<.001	-352.318	.855	4.000	-339.125	1.666

Table 18: Model Summary (Dependant Variable: Microfinance Adoption) continued

a. Predictors: (Constant), Gender, Financial Literacy, Household Income

b. Dependent Variable: Microfinance Adoption

5.6.2 ANOVA

The regression was statistically significant: $F(3, 196) = 14.228$, $p < .001$. This confirmed that, taken together, the predictors improved the prediction of Microfinance Adoption over the intercept-only model.

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.188	3	2.396	14.228	<.001b
	Residual	33.007	196	.168		
	Total	40.195	199			

Table 19: ANOVA

a. Dependent Variable: Microfinance Adoption

b. Predictors: (Constant), Gender, Financial Literacy, Household Income

5.6.3 Coefficients

Coefficients (unstandardised B and standardised β) and diagnostics are shown below. Multicollinearity remained low where VIF for financial literacy was 1.326, VIF for household income was 1.398, and VIF for gender was 1.087.

Coefficients							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B
		B	Std. Error	Beta			Lower Bound
1	(Constant)	.457	.150		3.045	.003	.161
	Financial Literacy	.246	.045	.409	5.488	<.001	.158
	Household Income	-.062	.055	-.087	-1.132	.259	-.170
	Gender	.090	.039	.157	2.329	.021	.014

Table 20: Coefficients (Dependent Variable: Microfinance Adoption)

Coefficients							
Model		95,0% Confidence Interval for B	Correlations			Collinearity Statistics	
		Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.752					
	Financial Literacy	.335	.393	.365	.355	.754	1.326
	Household Income	.046	.160	-.081	-.073	.715	1.398
	Gender	.166	.203	.164	.151	.920	1.087

Table 21: Coefficients (Dependent Variable: Microfinance Adoption) continued

a. Dependent Variable: Microfinance Adoption

Financial literacy had a positive, statistically significant effect on adoption ($\beta = .409$, $p < .001$). Gender had a small, positive, statistically significant effect on adoption ($\beta = .157$, $p = .021$). However, household income was not a significant predictor in the presence of the other variables ($\beta = -.087$, $p = .259$).

5.6.4 Residual and Influence Diagnostics

Diagnostic tests were performed on the residuals and influence statistics through SPSS. The statistical adequacy of the regression model was assessed through this procedure. The results showed that standardised residuals ranged from -3.266 to +2.421 while the average value stood at zero (0.000) and the standard deviation reached 0.992. The results showed that errors followed a normal distribution, which was symmetrical. They were free from any outliers that might affect the estimation of parameters. Additionally, the scatterplot of standardised residuals against predicted values was randomly dispersed with no funnelling or curvature, indicating that the assumption of homoscedasticity was met (David, 2025; Field, 2024).

The Durbin-Watson statistic of 1.666 fell inside the acceptable range from 1.5 to 2.5, which indicates that the residuals showed no signs of serial correlation. Collinearity diagnostics showed results which stayed inside the defined tolerance levels. The highest condition index (12.216) together with variance proportions showed that no single predictor had excessive power over the model, and VIF values below 1.4 confirmed that multicollinearity was not present. The regression analysis showed that all Cook's Distance values stayed below 1.0, which meant that no single data point had an excessive impact on the regression line. The diagnostic tests verified that the regression model met essential statistical requirements, which allowed for accurate interpretation of financial literacy, household income, and gender coefficients and produced an unbiased representation of the data relationships (David, 2025; Field, 2024).

5.6.5 Hypothesis decisions

Results of the regression analysis gave clear statistical outcomes for the three hypotheses formulated in this study. Each hypothesis was tested at a 95% confidence interval, using the beta coefficients and significance values derived from SPSS regression output. The hypotheses were evaluated strictly on statistical grounds, with conceptual interpretation and implications deferred to Chapter 6.

The first hypothesis (H1) proposed that financial literacy positively influences microfinance adoption among rural entrepreneurs in South Africa. This hypothesis was supported, as financial literacy showed a strong, positive, and statistically significant effect ($\beta = .409$, $p < .001$). This relationship was unlikely to be the result of chance, as evidenced by the high level of statistical significance. The contribution of variations in financial literacy levels confirmed a meaningful prediction of the likelihood of adopting microfinance services.

The second hypothesis (H2) suggested that household income positively influences microfinance adoption. This hypothesis was not supported, as the coefficient for household income was negative and statistically insignificant ($\beta = -.087$, $p = .259$). The non-significance implied that income differences within the sample did not play a major role in determining whether entrepreneurs engaged with microfinance institutions, at least within the scope of the dataset present.

The third hypothesis (H3) suggested that gender significantly influences microfinance adoption. This hypothesis was supported, as gender had a small but positive and statistically significant relationship with the dependent variable ($\beta = .157$, $p = .021$). This statistical outcome confirmed that gender contributed modestly to explaining adoption variance, warranting further exploration of how gender dynamics affect participation patterns in rural financial systems.

The hypothesis testing phase confirmed that financial literacy and gender serve as significant predictors of microfinance adoption, yet household income failed to demonstrate any meaningful impact during this model's evaluation. The results showed that the model works correctly, and they establish a solid foundation for the detailed theoretical and contextual analysis, which will be presented in Chapter 6.

5.7 Summary of Key Findings

The research results from 200 South African rural entrepreneurs were analysed to understand how financial literacy, household income, and gender affect their decisions to use microfinance services. The statistical model evaluation results showed that all multiple regression assumptions were satisfied, and the model structure appeared correct. The overall model achieved statistical significance through $F(3,196) = 14.228$, $p < .001$, which resulted in an R^2 value of .179 that explained 17.9% of the variation in microfinance adoption through the three predictor

variables. The analysis revealed that financial literacy served as the strongest predictor ($\beta = .409$, $p < .001$), which indicates that entrepreneurs who possess better financial knowledge tend to use microfinance services more frequently. The results support behavioural finance theory because people with better cognitive abilities become more confident when they assess risks about borrowing money (Lusardi & Mitchell, 2014).

Household income showed a negative but statistically insignificant relationship ($\beta = -0.087$, $p = .259$), suggesting that access to microfinance is not limited to high-income earners. Gender exhibited a small but significant positive effect ($\beta = .157$, $p = .021$). Female respondents demonstrated slightly higher levels of involvement with microfinance institutions when compared to male participants. The research findings confirmed previous studies showing that women tend to use microfinance services more frequently for building household stability and business operations (Githaiga, 2025).

Chapter 6: Discussion of Results

6.1 Introduction

This chapter interprets the results through combining the quantitative results from Chapter 5 with the previously examined theoretical and empirical literature. It provides philosophical and contextual explanations of the significance of the statistical findings. It illustrates how the results contribute to our understanding of how South African rural entrepreneurs utilise microfinance as a means of achieving financial inclusion. Each section addresses one of the hypotheses, linking the observed relationship to relevant theoretical frameworks and previous research. In addition to contrasting the study's findings with existing data, the goal is to draw attention to any new information that contradicts or expands on preconceived notions. Contextual enablers that are represented in household income, gender, and institutional settings are discussed at the micro, meso, and macro levels.

The results showed that financial literacy exerted the strongest influence on microfinance ($\beta = .409$, $p < .001$), while gender had a smaller but significant effect ($\beta = .157$, $p = .021$), and household income was statistically insignificant ($\beta = -0.087$, $p = .259$). These patterns provide a rich empirical base for interpretation. They confirm that individual capability and social-behavioural factors matter more than pure economic capacity in shaping inclusion outcomes, a conclusion increasingly recognised in recent scholarship on financial-behaviour modelling (Duvendack & Mader, 2020). Accordingly, the discussion begins with the first and most significant construct, financial literacy, as the behavioural gateway to adoption.

6.2 Financial Literacy and Microfinance Adoption (H1)

6.2.1 Overview of statistical findings

The regression analysis proved that there was a strong, positive, and statistically significant relationship between financial literacy and microfinance adoption. The regression analysis also demonstrated that entrepreneurs with higher financial literacy scores were more likely to have used or expressed willingness to use microfinance products. After adjusting for household income and gender, the relationship remained strong and was in line with the correlation coefficient ($r = .393$, $p < .001$). This outcome confirms H1, which posits that financial literacy positively influences microfinance adoption among rural entrepreneurs.

6.2.2 Interpretation through the Financial Capability Framework

The Financial Capability Framework views literacy as knowledge, integration of skills, confidence, and behaviour required to manage financial resources effectively (Atkinson & Messy, 2013). Additionally, within this framework, capability is the bridge between access and use, explaining why the presence of microfinance institutions alone does not guarantee inclusion (Cobb et al., 2016). The finding that literacy strongly predicted adoption illustrates this principle. Respondents who understood interest calculations, repayment schedules, and loan conditions were better equipped to evaluate the benefits and risks of borrowing allowing them to translate financial access into actual utilisation. Similar dynamics have been documented in East African small enterprise studies where improved financial education programmes increased uptake of savings and credit services (Kodongo, 2018; Koomson et al., 2023; Schoofs, 2022).

Financial literacy functions as a barrier-removing tool which helps low-income entrepreneurs access formal financial services (Alabi, 2025). The ability to read loan contracts and evaluate payment capacity leads to lower financial risks, leading to better trust between customers and their financial institutions. Thus, the empirical evidence confirms that financial-capability development remains a pivotal enabler of sustainable inclusion.

6.2.3 Interpretation through the UTAUT2 Model

The Unified Theory of Acceptance and Use of Technology 2 (UTAUT2) offers complementary insights because many microfinance channels in rural South Africa now operate through mobile and digital interfaces. Gupta and Arora (2020) attest that performance expectancy, effort expectancy, social influence, and facilitating factors all influence a person's behavioural intention to use a service. Financial literacy interacts with each of these constructs. First, entrepreneurs who are literate have higher expectations for performance, which means they know how credit or mobile-money services can increase cash flow for their business (Koomson et al., 2023). Second, they perceive the digital application process as less daunting and have lesser expectations for effort (Misra et al., 2022). Third, literate peers who share positive experiences are more likely to enforce social norms, which increases adoption through network effects (Kyeyune & Ntayi, 2024). Lastly, literacy makes it easier to recognise supportive conditions such as repayment reminders or documentation requirements, which makes adoption process easier to handle

(Pearson et al., 2017). The synergy between the Financial Capability Framework and UTAUT2 therefore explains why financial literacy emerged as the most powerful predictor of microfinance use in this study.

6.2.4 Comparison with previous research

Several recent studies in sub-Saharan Africa support a strong positive correlation between financial literacy and microfinance adoption. Baidoo et al. (2020) found that financial literacy predicted both borrowing and repayment performance among Ghana entrepreneurs in a great way. Similarly, Kodongo (2018) observed that households with higher financial-knowledge scores in Kenya were more likely to access credit from formal institutions. In contrast, Cucinelli et al. (2019) reported that literacy is more decisive in rural areas than it is in urban areas because information asymmetries and trust deficits are higher. The current study therefore confirms and extends prior research by demonstrating that the same behavioural mechanism operates within South Africa's rural business ecosystem. It supports the notion that microfinance programmes yield greater impact when accompanied by targeted financial education interventions (Buratti & D'Ignazio, 2024; Schoofs, 2022).

6.2.5 Contextual relevance to rural South Africa

In rural KwaZulu-Natal, Limpopo, and Mpumalanga, entrepreneurs often combine informal savings groups, stokvels, and emerging digital-credit platforms. Entrepreneurs with high literacy levels have a better capacity to plan repayments, analyse expenses, and negotiate terms. Conversely, low literacy increases exposure to predatory financing and higher repayment default. The behavioural preparedness gap that still exists in rural contexts is highlighted by the finding that respondents with financial know-how were more likely to use microfinance. This insight supports the national survey evidence that one-third of South African adults lacked financial control, a complement to financial literacy (Roberts et al., 2021). Addressing this gap is therefore a systemic requirement for inclusive growth rather than just merely an educational issue. When entrepreneurs understand how to leverage micro-credit for working capital or asset acquisition, they expand business activity and indirectly stimulate local economic development (Bettoni et al., 2023; Morris et al., 2020).

6.2.6 Implications for theory

The convergence of evidence from both frameworks confirmed a broad view of microfinance adoption. The micro level of financial literacy benefits which help

entrepreneurs develop self-efficacy and perceived behavioural control according to UTAUT2 and behavioural intention theory (Gupta & Arora, 2020). The demonstration effects from informed entrepreneurs at the meso level create new community standards which promote formal financial service usage among their peers and customers (Kyeyune & Ntayi, 2024). Widespread literacy at the macro level enables the Financial Capability Framework to achieve its goal of societal well-being through market clarity and reduced default rates (Atkinson & Messy, 2013). The research expands from personal mental to community and institutional effects, which research in microfinance adoption has not yet addressed.

6.2.7 Critical reflections

Although the statistical relationship was strong, literacy is not a panacea. The studies of Ghosh & Vinod (2017) and Beck & Cull (2014) demonstrate that even educated borrowers from comparable African contexts face credit overextension risks when social pressures and growth expectations exceed their financial capabilities. The development of financial capability needs to integrate educational programs which teach financial knowledge with practical skill-building activities and moral lending operations. The R^2 value of 17.9% from the regression analysis shows that adoption depends on other unidentified variables which include institutional trust and product design elements. The identified limitation indicates that integrated policy frameworks should unite literacy training with institutional changes which Institutional Theory will analyse in the following section. The research findings demonstrate, through evidence, that financial knowledge serves as the main factor which determines microfinance usage among South African rural entrepreneurs.

6.3 Household Income and Microfinance Adoption (H2)

6.3.1 Overview of statistical findings

The regression analysis revealed a negative, statistically insignificant coefficient between household income and microfinance adoption ($\beta = -.087$, $p = .259$). This means that, after controlling for financial literacy and gender, income differences did not materially explain who adopted microfinance products. Although counter-intuitive, this outcome is not uncommon in inclusive-finance research, where behavioural and structural variables often outweigh income measures (Beck & Cull, 2014; Demirgüç-Kunt et al., 2022). The weak effect indicates that, within the sample of rural entrepreneurs, access and usage of microfinance services were not limited

to higher-income groups. Instead, demand appeared broadly distributed across low- and middle-income categories, consistent with the principle that financial inclusion aims to democratise access irrespective of income strata (Kanamugire, 2024; Mhlanga et al., 2021; Mhlanga & Denhere, 2020).

6.3.2 Interpretation through the Inclusive Finance Ecosystem Framework

The Inclusive Finance Ecosystem Framework (Sarma & Pais, 2011) analyses inclusion as a function of access, usage, and quality of financial services. The way income influences access depends on how it determines affordability and eligibility, but usage depends on trust, literacy, and perceived value. In this study, the insignificant statistical relationship suggests that once baseline access is established, usage decisions transcend income thresholds. The evidence from Kenya and Bangladesh shows that microfinance institutions create products which work best for low-income customers through their flexible repayment and group-lending systems (Cull & Morduch, 2017; Kandie & Islam, 2022). South African rural areas MFIs could accept social reputation, and group guarantees as collateral to separate loan access from income levels (Sethi & Mhlanga, 2024).

6.3.3 Contextual explanation in South Africa

The South African rural economy is characterised by high informality, seasonal income, and community-based financial networks. Many entrepreneurs in this study operated micro-enterprises with fluctuating cash flows but stable social capital. This configuration fits the ecosystem view, where non-financial assets (trust, group cohesion, digital-wallet familiarity) substitute for monetary indicators (Sarma & Pais, 2011). As a result, the lack of a strong income effect does not suggest irrelevance; rather, it shows the adaptive design of microfinance models that address income limits through flexible loan technologies and peer-monitoring systems.

6.3.4 Comparison with previous studies

Prior empirical research shows mixed evidence regarding income effects. Studies show that entrepreneurs with higher incomes tend to choose formal loans because their financial standing makes them more creditworthy (Malkova, 2025; Nguyen & Canh, 2021), but other studies show no connection or even opposite effects when microfinance serves poor people (Abrar, 2019; Sangwan & Nayak, 2022). Microfinance organisations with social missions tend to show patterns which support the second model because these organisations tend to lower financial barriers for

their customers. These findings show that rural South African microfinance institutions have not yet used income data to develop new products or risk-based pricing models which future studies should investigate.

6.3.5 Theoretical and policy implications

From a theoretical standpoint, the result extends the Inclusive Finance Ecosystem Framework by demonstrating that income operates as a contextual rather than causal variable. Though it shapes the environment of inclusion, it does not necessarily shape the behavioural decision for adoption. This resonates with the broader inclusive-growth literature, which views financial participation as a capability-enhancing process rather than a derivative of income (Bunnell et al., 2021; Laruffa et al., 2022; Viitasalo et al., 2024). Practically, this implies that improving access infrastructure, trust, and product relevance may yield greater inclusion than narrowly targeting higher-income brackets. MFIs together with policymakers should need to understand microfinance adoption as an ecosystem result which develops from the combination of financial education, institutional reach, and enabling technology, rather than depending on disposable income.

6.4 Gender and Microfinance Adoption (H3)

6.4.1 Overview of statistical findings

Gender showed a small but positive influence on microfinance adoption ($\beta = .157$, $p = .021$). Female entrepreneurs were slightly more inclined to use microfinance services than men. This supports H3 and is consistent with studies that show that women are key to microfinance (Abebe & Kegne, 2023; Tabares et al., 2022). However, the small size of the coefficient suggests that gender differences in microfinance access are getting smaller, maybe because of better digital tools and changing social views in rural financial ecosystems (R. Hasan et al., 2023; Oggero et al., 2020; Suseno & Abbott, 2021).

6.4.2 Interpretation through the Gendered Empowerment and Agency Framework

The Gendered Empowerment and Agency Framework defines empowerment as the ability to make strategic life decisions in situations where that ability was previously denied (Cornwall & Rivas, 2015; Kabeer, 1999; Priya et al., 2021). Use of and access to microfinance are concrete examples of this kind of agency. As indicated by the

positive gender coefficient, women in the study exercised economic agency through interaction with formal financial systems that have historically been dominated by men. This shows a steady shift from being passive recipients to active participants in the financial system. This pattern is supported by studies conducted mostly throughout sub-Saharan Africa, which demonstrate that women borrowers frequently reinvest microloans into stability of small businesses and household welfare, creating multiplier effects in their local economies (Acosta et al., 2020; D'Espallier et al., 2013; Mia et al., 2022; Ngono, 2021).

6.4.3 Socio-cultural context in rural South Africa

Legal equality exists on paper. Rural women in South Africa still face structural barriers such as limited property rights, financial systems dominated by men, and the heavy expectation that women handle most caregiving. Microfinance provides an alternative route for women to economically participate through group lending and peer support that values reliability and trust (Lamichhane, 2020; van Rooyen et al., 2012). The gender coefficient, significant though small, reflects progress and persistence even though their participation remains constrained by socio-cultural conditions that limit scale. This same pattern shows up in other gender-finance studies from Nigeria and India, where increased access does not always mean full control over resources (Andriani et al., 2022; Maldonado-Castro et al., 2024; Ubfal, 2024).

6.4.4 Comparison with previous studies

Globally, the gender-adoption connection shows mixed patterns depending on institutional design. Women tend to dominate participation in group-based lending but remain under-represented in individual digital-credit platforms (Beck & Cull, 2014; Ghosh & Vinod, 2017; Klapper et al., 2025). The current study's modest positive relationship indicates that both models coexist in rural South Africa, where traditional MFIs continue to attract female borrowers, while mobile-money-linked credit channels have broadened male participation. This result supports incremental empowerment, reflecting increases in financial-literacy training and outreach targeting women entrepreneurs, in contrast to previous South African study that found modest gender effects (van Rooyen et al., 2012).

6.4.5 Theoretical significance

From a theoretical standpoint, the findings support the Gendered Empowerment Framework. It is enriched through behavioural nuances. The framework emphasises structural constraints, but the present data illustrate how agency interacts with literacy and technology to mediate adoption outcomes (Santos Silva & Klasen, 2021). When combined with UTAUT2, gender operates as a moderator, shaping perceptions of ease, trust, and social influence in digital finance (Kwakwa et al., 2023; Priya et al., 2021). Thus, empowerment is not only about access but about confidence in navigating new financial technologies (Prasad et al., 2023). The study's modest but substantial gender effect supports the behavioural-inclusion paradigm at the heart of contemporary microfinance theory by confirming that women's agency is growing through both capability and connectivity.

6.4.6 Policy and practical implications

The empirical evidence underscores the continued importance of gender-sensitive product design. Financial institutions should tailor microfinance products to recognise women's dual economic and domestic responsibilities by offering flexible repayment schedules, bundled loan-savings-insurance services, and digital interfaces that are simplified (Beck & Cull, 2014; Ghosh & Vinod, 2017). Policymakers should strengthen the institutional environment that supports women entrepreneurs through mentorship programmes, cooperative financing, and digital-skills development. This is in line with the National Financial Inclusion Strategy's focus on inclusive entrepreneurship and the UN. Sustainable Development Goal 5 on gender equality.

6.4.7 Critical reflection

Despite the gender coefficient being positive, gender gaps still exist. Though women may access credit more frequently, it comes in small quantities at relatively high costs, reflecting ongoing structural inequalities (Beck & Cull, 2014; D'Espallier et al., 2013; Han et al., 2023; Kedir & Kouame, 2022; Morsy, 2020). Future interventions must therefore measure control, benefit, and long-term empowerment outcomes rather than just participation. The current results give way for more in-depth qualitative research on how microfinance influences social capital building and intra-household decision-making among female entrepreneurs in South Africa's rural economy.

6.5 Institutional and Contextual Enablers (Institutional Theory)

6.5.1 Institutional interpretation of findings

The regression model assessed micro-level factors, namely financial literacy, household income, and gender, while the broader microfinance adoption was based within a complex institutional context. Institutional Theory explains how formal and informal rules, norms, and organisational logics shape individual behaviour (Ashraf et al., 2022; Burdon & Sorour, 2020; Gimenez-Jimenez et al., 2020; Glynn & D'aunno, 2023; Mirza, 2023). The significant explanatory power of financial literacy and gender, with muted role of income, reflects how institutional arrangements either enable or deter access to microfinance. Rural South African entrepreneurs operate within semi-formal economies characterised by weak property rights, limited collateral options, and historically unequal credit systems (Kanamugire, 2024; Mhlanga & Denhere, 2020; Mulibana & Tshikovhi, 2024). Participants' perceptions and reactions to microfinance opportunities are influenced by these institutional realities.

6.5.2 Formal institutions and regulatory alignment

Regulatory policy, financial-sector supervision, and digital-finance standards are formal structures that create the macro-environment for inclusion. The National Credit Amendment Act (2019) and the Financial Sector Regulation Act (2017) of South Africa promote responsible lending. However, regulators frequently impose compliance requirements that are difficult for smaller MFIs to meet. The result is that traditional banks, cooperatives, and fintech startups continue to dominate the microfinance market. Institutional Theory suggests that MFIs' imitative adaptation and coercive regulatory pressures lead to a convergence toward semi-formal structures that mimic banks while serving informal clients (Hackman Essel et al., 2017). Even though this mimicry helps legitimise MFIs, it can weaken their developmental mission.

6.5.3 Informal institutions and social norms

Beyond regulation, informal institutions, such as trust networks, cultural norms, and community leadership, remain central to financial behaviour in rural areas. Entrepreneurs often depend on word-of-mouth reputation to secure group loans, echoing findings from sub-Saharan case studies where social capital substitutes for collateral (Sethi & Mhlanga, 2024; Udohaya & Fifield, 2025). The important role of

gender in this study can be assessed through these informal lenses, that female borrowers often use reputational dependability and social solidarity to fill institutional gaps. Thus, Institutional Theory explains how adoption is a socially entrenched act influenced by social demands and community legitimacy rather than just being an individual choice (Burdon & Sorour, 2020; Glynn & D'anno, 2023; Mirza, 2023).

6.5.4 Technological institutions and digital infrastructure

In recent years, mobile-money ecosystems have contributed to the digitisation of microfinance. According to the theory's cognitive pillar, shared understandings of legitimacy and trust in new technologies are necessary for institutional acceptance (Ashraf et al., 2022; Bamfo et al., 2023; Magali, 2023; Mia et al., 2023; Nair & Njolomole, 2020). These shared understandings are strengthened by financial literacy, which explains the strong statistical relationship noted in Chapter 5. While some rural entrepreneurs still rely on community support, others find mobile-credit platforms genuine and secure. However, concerns about cyber-fraud and inconsistent connectivity continue to prevent widespread implementation. Accordingly, bolstering cybersecurity standards and digital infrastructure would strengthen the institutional trust required for inclusive finance (Klapper et al., 2025; Maier et al., 2023).

6.5.5 Institutional coherence and policy fit

The interplay between formal regulation, informal norms, and technological institutions illustrates institutional duality, where rural entrepreneurs navigate both modern digital systems and traditional relational contracts. Institutional coherence remains partial where policy frameworks often prioritise prudential regulation over developmental outcomes. To enhance adoption, alignment is needed between regulatory frameworks, literacy programmes, and MFI business models. If banks, fintechs, and local cooperatives link in a cross-institutional partnership, it could result in innovative solutions that achieve accessibility and meet compliance (Maier et al., 2023).

6.6 Integration Across Frameworks (Macro-Meso-Micro Synthesis)

6.6.1 Connecting the frameworks

The study integrated five frameworks to explain microfinance adoption comprehensively. Each highlighted a different analytic level. UTAUT2 and the Financial Capability Framework captured micro-level behaviour, the Inclusive Finance Ecosystem addressed meso-level resource structures, the Gendered Empowerment Framework linked social agency, and Institutional Theory contextualised macro-level systems. Together they form an interlocking architecture of inclusion consistent with multi-level theory development in management research (Ashraf et al., 2022; Atkinson & Messy, 2013; Gupta & Arora, 2020; Kabeer, 1999; Sarma & Pais, 2011).

6.6.2 Micro level: Individual capabilities and technology adoption

Financial literacy was found to be the most significant predictor at the micro level. By raising performance and effort expectancies, literacy under UTAUT2 promotes positive intentions in behaviour (Gupta & Arora, 2020; Misra et al., 2022). Lusardi & Mitchell (2014) and Lusardi & Mitchell (2023) supported Financial Capability Framework by demonstrating that abilities and self-assurance intentions must be converted into actions. This synthesis implies that capability and technology interact. Digital tools amplify capability when users understand them, but bring about exclusion when literacy lacks.

6.6.3 Meso level: Ecosystem and social agency

At the meso level, the Inclusive Finance Ecosystem and Gendered Empowerment frameworks converge. Financial institutions, community networks, and social norms jointly determine usage quality. The insignificant income effect observed in Chapter 5 reveals that ecosystem design, from product flexibility, distribution channels, and trust networks, can neutralise income disparities (Sarma & Pais, 2011; Ubfal, 2024). Meanwhile, gendered agency manifests as the capacity to utilise these structures effectively. Female entrepreneurs that are empowered act as intermediaries, and diffuse inclusion across their communities (Cornwall & Rivas, 2015; Kabeer, 1999).

6.6.4 Macro level: Institutional context and governance

At the macro level, Institutional Theory emphasises the durability of inclusion as determined by technological legitimacy, policy coherence, and regulatory design (AbuRaya, 2024; Balzano et al., 2025). This means that while informal institutions provide legitimacy and trust, formal institutions provide the “rules of the game.” In essence, when aligned, they create enabling environments, and when fragmented, they reproduce exclusion. Both trends of progressive regulation and enduring structural inequality are evident in the South African microfinance landscape (Beck & Cull, 2014; Demirgüç-Kunt et al., 2022).

6.6.5 Cross-level feedback loops

Repetitive and revolving interactions occur among the three levels. For instance, when demand increases because of improved literacy (micro), MFIs (meso) are pressured to innovate, urging regulators (macro) to modify their frameworks for digital inclusion. Restrictive regulation, on the other hand, might challenge user confidence and choke innovation. When reforms are informed by behavioural understanding, inclusion expands, and when institutional incentives change, behaviour shifts. This reflects the evolution of the institution (Shinkle et al., 2021).

6.6.6 Conceptual contribution

Combining these frameworks allows the study to provide a behavioural-institutional model of microfinance adoption. By showing how financial literacy, household income, and gender are interdependent within institutional frameworks, it goes beyond earlier research that addressed these issues separately. Thus, according to the model, when social agency, institutional legitimacy, and individual capability all evolve at the same time, sustainable inclusion happens. This viewpoint is becoming more and more frequent in some management studies (Chikalipah, 2018; Ghosh & Vinod, 2017).

6.7 Contextual Reflections, Theoretical Tensions, and Emerging Insights

6.7.1 Broader contextual reflections

While rooted in rural South Africa, the findings of this study related with wider continental and global patterns of financial inclusion. Across sub-Saharan Africa, the expansion of microfinance had produced uneven outcomes. It empowered some

entrepreneurs while leaving others constrained by digital divides, regulatory uncertainty, and gender bias (Kass-Hanna et al., 2022; Klapper et al., 2025; Sethi & Mhlana, 2024). The South African experience showed both the promise and the paradox of inclusion, where formal access improved, yet deep inclusion required behavioural confidence, institutional trust, and gender-sensitive innovation (Mhlana et al., 2021; Sethi & Mhlana, 2024). In this sense, microfinance adoption was not only an economic act but also a social negotiation between individuals and financial systems, shaped by local culture, religious ethics, and perceptions of fairness. Such contextual dynamics highlighted that inclusion could not be exported as a uniform model but needed localisation reflecting history, community structures, and informal financial norms (Martins et al., 2024; Nguyen & Canh, 2021).

6.7.2 The role of trust and institutional credibility

Trust emerged as a silent but decisive factor that linked behavioural capability to financial behaviour. Even where literacy was high, adoption faltered when institutions were perceived as exploitative or non-transparent. Studies in Kenya, Ghana, and Rwanda found similar outcomes where clients relied more on local cooperatives or mobile networks than on formal banks because they associated them with responsiveness and fairness (Baidoo et al., 2020; Hackman Essel et al., 2017; Kodongo, 2018; Schoofs, 2022). This implied that institutional credibility was as valuable as capital itself. For South African policymakers, strengthening public trust required visible consumer protection, grievance mechanisms, and ethical marketing. Institutional Theory thus gained renewed relevance, showing that legitimacy, earned through consistent, transparent engagement, was a key determinant of adoption in low-trust environments. Without this moral structure, financial literacy campaigns risked improving knowledge without changing behaviour (Magali, 2023; Mirza, 2023).

6.7.3 Digitalisation, inclusion, and behavioural complexity

A major shift influencing adoption was the growing integration of digital finance. Mobile lending platforms simplified access but introduced new behavioural and regulatory complexities. Digital credit expanded reach, yet it also blurred the line between convenience and over-indebtedness. Evidence from Nigeria and Kenya suggested that borrowers often viewed digital loans as short-term liquidity bridges rather than instruments for productive investment (Kodongo, 2018; Udohaya & Fifield, 2025). For rural South African entrepreneurs, this pattern could repeat if financial capability did not include digital literacy. The intersection between human

behaviour and technology adoption, therefore, demanded adaptive financial education models that taught both risk awareness and digital ethics. The UTAUT2 framework remained relevant in this study, but its parameters, such as performance expectancy and effort expectancy, required contextual recalibration to reflect collective rather than individual usage patterns prevalent in rural economies (Odei-Appiah et al., 2022).

6.7.4 Gender and empowerment: Shifting the narrative

Although gender emerged as a moderate predictor of microfinance adoption, the findings suggested that empowerment was not a fixed outcome. It showed that it was a cycle of social transformation. Many women in rural areas now participated in financial decision-making. However, they remained constrained by cultural expectations that limited autonomy over resource allocation. Recent literature emphasised that empowerment must be assessed not only through participation rates but through control over benefits and long-term capability accumulation (Dutta & Mallick, 2023; Kim, 2018; Priya et al., 2021). This study's results supported the same idea that female entrepreneurs demonstrated increasing agency but still navigated invisible boundaries shaped by religion, kinship, and customary law. Moving forward, financial inclusion programmes should incorporate social norm transformation components alongside credit access, recognising that empowerment without authority risks superficial progress.

6.7.5 Financial literacy as an evolving capability

Financial literacy in this study was more than numerical proficiency. It was an evolving form of adaptive intelligence. The strongest relationship between literacy and adoption reflected exposure to information, and the ability to interpret, evaluate, and act upon financial opportunities. This transformative literacy aligned with contemporary capability theory, which framed literacy as a resource for navigating uncertainty and exercising freedom (Ball, 2022). In practice, this meant designing financial education programmes that went beyond budget skills to include negotiation, digital safety, and strategic borrowing. The South African case thus illustrated a transition from teaching finance to cultivating financial agency. If maintained, microfinance may become accessible and sustainable.

6.7.6 Reconciling theory and lived reality

One of the most critical reflections drawn from the analysis was the tension between theoretical elegance and lived complexity. Although field realities frequently defied linear models, frameworks like Institutional Theory and UTAUT2 offered formal explanations. For example, while gender and literacy interacted positively, many respondents demonstrated strong literacy but opted out of microfinance due to religious or ethical concerns about interest-based lending. The divergence between rational-choice theory and moral reasoning highlighted the need for cultural contextualisation in financial-behaviour research (Musah & Adenutsi, 2025; Sharma et al., 2025). It also reaffirmed that microfinance adoption was a deeply human process, shaped as much by values and beliefs as by economics and access. Integrating sociological and anthropological dimensions into financial-inclusion studies could therefore yield richer, more actionable insights.

6.7.7 Policy reflections in changing economy

From a policy standpoint, the South African government's commitment to inclusive growth under the National Development Plan required reimagining financial inclusion as part of the broader rural-development agenda (Department of National Treasury, 2023). The findings indicated that access alone was insufficient, demonstrating that quality, affordability, and accountability were also important. Regulators and financial institutions needed to co-create inclusive ecosystems that blended digital tools with human touchpoints. This ensured that technology complemented so that relationship-based finance is not replaced. Additionally, partnerships between MFIs, local cooperatives, and telecommunications companies could create scalable, community-anchored solutions. Such integrated approaches related with the Inclusive Finance Ecosystem framework by demonstrating that inclusion must evolve from a transactional model to a relational model of trust and capability (Bunnell et al., 2021; Viitasalo et al., 2024).

6.7.8 Emerging directions for the discipline

At the academic level, this study opened new opportunities for research between disciplines. Microfinance could no longer be examined based on economic or managerial lenses only. Behavioural economics, social psychology, and institutional analysis to capture its full complexity was needed. Future research could explore intersectional dynamics such as gender, age, religion, and technology, and how they intersect to shape adoption patterns. Moreover, the integration of big data and

behavioural analytics could refine predictive models of inclusion while preserving ethical integrity (Aldboush & Ferdous, 2023; Mhlanga, 2024). The field was moving toward a paradigm that valued empowered users over passive beneficiaries, redefining financial inclusion as a process of social capability rather than product outreach.

6.8 Summary of the Chapter

This chapter has interpreted the quantitative findings from Chapter 5 through five theoretical lenses that complement each other. It revealed a multilayered picture of microfinance adoption among rural South African entrepreneurs. At the micro level, financial literacy stood out as the dominant behavioural determinant, consistent with the Financial Capability Framework and UTAUT2. At the meso level, the insignificant income effect and the moderate gender influence highlighted the importance of ecosystem design and social agency rather than economic status alone. At the macro level, Institutional Theory explained how regulatory coherence, informal norms, and digital infrastructures collectively shape inclusion outcomes.

Together, these interpretations demonstrate that microfinance adoption is not a simple transactional choice but a systemic process of empowerment and capability formation. The study advances theory by integrating behavioural, social, and institutional dimension into a unified explanatory model, and it contributes practice by showing how literacy and gender empowerment can operationalise financial inclusion policy. The subsequent chapter will synthesise these insights into strategic recommendations for policymakers, practitioners, and researchers committed to advancing inclusive entrepreneurship in rural South Africa.

Chapter 7: Conclusions and Recommendations

7.1 Introduction

This chapter concludes the research on microfinance adoption as a mechanism for financial inclusion by entrepreneurs in rural South Africa. It puts together insights generated from the quantitative results, literature review, and conceptual frameworks provided, integrating the study's findings with concepts from theory. Eight guiding questions are addressed throughout the discussion, which collectively offer a clear and thoughtful explanation of the study's contribution to knowledge and practice.

7.2 Research Purpose and Objective

This study examined the extent to which microfinance adoption contributed to financial inclusion among rural entrepreneurs in South Africa. It focused on three key determinants (financial literacy, household income, and gender), which were contextualised within broader institutional structures. The research was motivated by continuing differences in financial inclusion between urban and rural regions, where rural entrepreneurs often operate in informal markets with limited access to formal banking services (Demirgüç-Kunt et al., 2022; Klapper et al., 2025).

The importance of the study derived from both development and policy perspectives. At a developmental level, microfinance represents a bridge between exclusion and empowerment, enabling micro-entrepreneurs to mobilise resources, manage risks, and expand livelihoods (Mahato & Jha, 2023; Matekenya et al., 2021). At a policy level, understanding adoption determinants provided actionable insights into how inclusive-finance programmes could be designed for greater impact. Thus, the study addressed a critical intersection of behavioural economics, gender studies, and institutional development, contributing both to theory and to practice (AbuRaya, 2024; Dutta & Mallick, 2023; Ingale & Paluri, 2022; Kim, 2018; Magar et al., 2023).

7.3 Research Context and Its Significance

The study was conducted in rural South Africa. The characteristics of this context were marked by economic dualism, high unemployment, and a fragmented financial infrastructure. Rural entrepreneurs faced structural constraints, such as limited credit history, geographic isolation, and unstable income, that reduced their ability to engage with formal finance. However, microfinance institutions (MFIs) and digital-

credit platforms emerged as adaptive mechanisms bridging this gap (Githaiga, 2025; Matsepe & Van der Lingen, 2022).

The South African setting was also important because of its unique institutional evolution. Financial reforms such as the Financial Sector Code and the National Credit Act expanded credit access, but left gaps in financial literacy and consumer protection. Religious and cultural attitudes, with some groups perceiving debt as morally undesirable. Recognising these contextual dynamics enabled a more nuanced understanding of the inclusion beyond financial metrics, illustrating the complex interaction between capability, agency, and institutions (Bunnell et al., 2021; Kabeer, 1999; Magali, 2023).

7.4 Summary of Review of Literature

The existing literature had established that microfinance can promote financial inclusion by extending credit to underserved communities (Alabi, 2025; Kanamugire, 2024). However, in an era of constantly changing institutional legitimacy and digitalisation, little was known about how and why rural entrepreneurs use microfinance services. Earlier studies often overlooked the institutional and behavioural elements that affect adoption. They only looked at how microfinance affected gender or the economy (Ekaputri et al., 2025; Klapper et al., 2025; Liu et al., 2024).

Additionally, in rural South Africa, the importance of financial literacy as a behavioural facilitator had been conceptually recognised (Roberts et al., 2021). However, it remained empirically understudied. Also, although gender and income had been examined separately, their combined and interacting impacts on microfinance adoption had hardly ever been examined from a multi-framework viewpoint. Thus, by combining five theoretical frameworks (UTAUT2, Financial Capability, Inclusive Finance Ecosystem, Gendered Empowerment, and Institutional Theory) to offer a detailed explanation of microfinance adoption dynamics (Atkinson & Messy, 2013; Sarma & Pais, 2011; Venkatesh et al., 2012), this study addressed this empirical gap.

7.5 Research Questions Addressed

The study responded to the following research questions:

1. What is the relationship between financial literacy and microfinance adoption among rural entrepreneurs in South Africa?

2. How does household income influence the adoption of microfinance services?
3. Does gender play a significant role in microfinance adoption?
4. How do institutional and contextual factors shape these relationships?

These questions were derived from the principal aim of exploring microfinance adoption as a mechanism for enhancing financial inclusion. They aligned with the theoretical propositions in Chapter 2, particularly the assumption that behavioural and institutional factors jointly explained adoption outcomes.

7.6 Research Methodology

A quantitative research design was employed. A structured questionnaire was distributed to rural entrepreneurs across provinces in South Africa. Data was collected through Google Forms. Two hundred valid responses formed the final dataset. Statistical analysis was performed in SPSS. This followed the methodological structure outlined in Chapter 4, findings highlighted in Chapter 5, and the interpretation of these findings discussed in Chapter 6.

Descriptive analysis provided an overview of respondent characteristics. Reliability tests using Cronbach's alpha confirmed internal consistency across constructs, while correlation analysis examined inter-variable relationships. Finally, multiple regression analysis tested the predictive strength of financial literacy, household income, and gender on microfinance adoption. Diagnostic tests, including VIF, Durbin-Watson, and residual analysis, validated model assumptions (Field, 2024; Nichols & Edlund, 2023).

The integration of quantitative results with theoretical perspectives enabled a comprehensive interpretation of adoption behaviour. This approach combined empirical rigour with conceptual depth, aligning with best practices in applied financial research (Creswell & Creswell, 2018; Pallant, 2020).

7.7 Research Findings

The findings revealed three critical principal insights:

1. Financial literacy showed a strong, statistically significant relationship with microfinance adoption ($p < 0.01$). This indicated that knowledge and confidence in managing financial products were central to inclusion

outcomes. The findings supported the Financial Capability and UTAUT2 frameworks, confirming that capability fostered behavioural intention and trust (Lusardi & Mitchell, 2023; Prasad et al., 2023; Xiao et al., 2022).

2. Household income showed a weak, statistically insignificant relationship with adoption ($p > 0.05$). This suggested that once access barriers were reduced through flexible product design and group lending, income ceased to determine usage, confirming the Inclusive Finance Ecosystem theory's proposition that inclusion could transcend income differentials (Beck & Cull, 2014; Hasan et al., 2021; Sarma & Pais, 2011).
3. Gender had a modest but significant positive effect ($p = 0.021$), implying that women were slightly more likely than men to engage in microfinance. This supported the Gendered Empowerment and Agency Framework, illustrating how women's social capital and collective accountability improved participation (Dutta & Mallick, 2023; Kim, 2018; Suseno & Abbott, 2021).

All these results supported the notion that institutional and behavioural factors, rather than income levels, were primary drivers of financial inclusion in rural South Africa. The findings were consistent with international research that highlights institutional trust, gendered agency, and financial capability as the pillars of sustainable inclusion (Beck & Cull, 2014; Demirgüç-Kunt et al., 2022; Ekaputri et al., 2025).

7.8 Relevance and Scholarly Contribution

The study advanced scholarly debate in three ways. First, it extended the UTAUT2 framework by embedding it within behavioural-finance contexts where literacy shaped not only intention but also continued use. Second, it reconceptualised financial inclusion as an ecosystem process integrating individual capability, gendered agency, and institutional trust. Third, it provided empirical validation of a multi-framework model that addressed a persistent gap in the sub-Saharan literature, which is, the simultaneous assessment of behavioural, social, and structural determinants of microfinance adoption (Chancel et al., 2023; Mhlanga & Denhere, 2020).

In doing so, the study contributed to theory refinement. It showed that adoption behaviour was multi-level and context-dependent. It also confirmed that the integration of behavioural and institutional approaches offered a more realistic lens for analysing inclusion in rural economies (Shinkle et al., 2021; Zhang et al., 2025).

7.9 Practical Implications for Policy and Research

7.9.1 Implications for policymakers

Results highlight that financial education is the most cost-effective lever to accelerate inclusion. Combining financial-capability and entrepreneurship and vocational programmes can enhance adoption without large fiscal expenditure (Liu et al., 2023; Lusardi & Mitchell, 2023). Also, by aligning regulatory frameworks with development mandates, such as tiered licensing for MFIs and fintechs, it would reduce compliance barriers and encourage innovation. Collaboration between the National Credit Regulator (NCR) and the provincial development agencies could ensure that inclusion metrics form part of institutional performance evaluation (Demirgüç-Kunt et al., 2022).

7.9.2 Implications for microfinance institutions (MFIs)

MFIs should view literacy as a strategic asset and not as a client trait. Institutions that include training modules and digital-usage tutorials for their clients report higher repayment rates and stronger loyalty (Beck & Cull, 2014). Product design should reflect gender-responsive insights. This means that mobile interfaces, flexible repayment schedules, and bundled loan-savings-insurance products must be simplified to fit household needs (Ghosh & Vinod, 2017). Furthermore, MFIs can strengthen data analytics to identify underserved income segments where non-monetary barriers persist, thus converting “access” into “active usage.”

7.9.3 Implications for entrepreneurs and communities

For rural entrepreneurs, the findings reassert that knowledge put to use is empowerment. Financial capability transforms informal survivalist practices into scalable business strategies. Community-based literacy initiatives, such as stokvel workshops, peer-learning circles, and mobile-app demonstrations, could effectively improve adoption (Koomson et al., 2023). Over time, such participatory models can rebuild trust in financial institutions and generate local financial ecosystems that are resilient to economic shocks.

7.9.4 Direction for future research

For future research, quantitative approach could be combined with qualitative to capture behavioural nuances that survey data alone cannot unveil. Mixed-methods studies that explore attitudes, institutional trust, and digital finance experiences could deepen understanding of why some entrepreneurs remain excluded despite efforts

and capability. A longitudinal design could also test whether literacy continues to lead to sustained adoption or flames out once external support is removed. Also, comparative studies across African regions would reveal how different institutional set-ups could influence the trajectories of financial inclusion (Demirgüç-Kunt et al., 2022; Klapper et al., 2025).

7.10 Limitations of the Study

Although thorough methods were employed, several limitations needed to be acknowledged. The study relied on cross-sectional data, which limited the ability to infer causality. Longitudinal analysis would better capture behavioural change over time. The sample size of 200 respondents, while statistically sufficient, constrained generalisation to all rural regions in South Africa. Furthermore, data were self-reported, introducing potential response bias, especially on sensitive questions about income and financial behaviour (Creswell & Creswell, 2018; Easterby-Smith et al., 2021; Hair et al., 2023).

Another limitation was the measurement of constructs. Financial literacy and empowerment were complex. Multidimensional concepts that could not be fully captured through closed-ended survey questions. Finally, contextual diversity across provinces meant that institutional factors such as religion or cultural norms might have varied, requiring deeper qualitative exploration.

While the study provided acceptable internal reliability through Cronbach's alpha, it did not include Composite Reliability (CR) or Average Variance Extracted (AVE) because the research design did not use structural equation modelling. Removing CR and AVE slightly limited the ability to assess convergent and discriminant validity among constructs at a latent level. The validity of the results was unaffected by the removal of this. Nonetheless, the focus of the study was not on modelling unobserved properties but on observable correlations using regression.

7.11 Recommendation for Future Research

Future studies could extend this research in several ways. First, a mixed-methods approach would capture the nuances of adoption-related social dynamics and decision-making. By revealing the emotional and motivational aspects of financial behaviour, in-depth interviews or focus groups may enhance quantitative findings (Ingale & Paluri, 2022; Kabeer, 1999).

Second, longitudinal designs could track how financial literacy and gender empowerment evolve with continuous microfinance exposure. Third, comparative studies across countries in the Southern African region could reveal regional variations in institutional influence. Fourth, future scholars could incorporate religious and cultural variables to further clarify their moderating effects on borrowing behaviour, an area this study found noteworthy.

Third, further refinement of measurement tools for financial capability and institutional trust could enhance construct validity and facilitate international comparability. Integrating psychological scales with financial-behaviour metrics may yield more accurate representations of inclusive finance mechanisms.

Lastly, future research that incorporates partial least squares or structural equation approaches could include measures to enhance empirical rigour. This could strengthen construct validation across behavioural and institutional dimensions. Such studies would improve the precision of measurement models, and also deepen understanding of how latent behaviour and contextual factors jointly influence microfinance adoption across diverse rural settings.

7.12 Conclusion

This research demonstrated that for financial inclusion to be sustainable in rural South Africa, financial literacy, gendered agency, and institutional trust were important. It showed that income or access alone was not sufficient for inclusion. Combining behavioural and institutional frameworks provided a nuanced explanation of microfinance adoption. It showed that empowerment stemmed from both capability and context.

The results reinforced that when individuals are financially capable, socially supported, and institutionally protected, they are more likely to participate in inclusive financial systems that advance entrepreneurial growth and community resilience. By bridging theoretical gaps and providing actionable insights for policymakers and practitioners, this study contributed meaningfully to both academic discourse and real-world financial inclusion strategies.

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Appendix

Appendix 1: Data Collection Instrument (Survey Questionnaire)

Questionnaire: Microfinance adoption as a mechanism for financial inclusion by entrepreneurs in rural South Africa

Instructions for Interviewer/Participant:

Please answer the following questions honestly and to the best of your knowledge. All information provided will be treated confidentially and used solely for academic research. Participation is voluntary, and you may withdraw at any time without consequence.

Section A: Demographic and Socio-Economic Information

1. Gender

☐ Male ☐ Female ☐ Other ☐ Prefer not to say

2. Age (in years)

☐ Under 25 ☐ 25–34 ☐ 35–44 ☐ 45–54 ☐ 55 and above

3. Marital Status

☐ Single ☐ Married ☐ Widowed ☐ Divorced ☐ Other

4. Nationality

☐ South Africa ☐ Other: _____

5. Highest Level of Education Completed

☐ No formal education
☐ Primary education
☐ Secondary education (matric)
☐ Tertiary diploma/degree
☐ Postgraduate qualification

6. Province of Residence

☐ Eastern Cape ☐ Free State ☐ Gauteng ☐ KwaZulu-Natal
☐ Limpopo ☐ Mpumalanga ☐ Northern Cape ☐ North West
☐ Western Cape

7. Household Size (Number of people living in your household):

_____ people

8. Employment Status

- ☐ Self-employed
- ☐ Employed full-time
- ☐ Employed part-time
- ☐ Unemployed
- ☐ Other: _____

Section B: Business and Income Characteristics

8. Type of Business

- ☐ Small-scale farming
- ☐ Informal trade (e.g., street vendor)
- ☐ Retail/shop
- ☐ Services (e.g., hairdressing, mechanics)
- ☐ Manufacturing/production
- ☐ Other: _____

9. How long have you been operating your business?

- ☐ Less than 1 year
- ☐ 1–3 years
- ☐ 4–6 years
- ☐ More than 6 years

10. Is your business formally registered?

- ☐ Yes ☐ No

11. What is your average monthly household income?

- ☐ Below R1,500
- ☐ R1,501 – R3,000
- ☐ R3,001 – R5,000
- ☐ R5,001 – R10,000
- ☐ Above R10,000

12. Main source(s) of income (Select all that apply):

- ☐ Business profits
- ☐ Social grants
- ☐ Remittances

☐ Wages/salary

☐ Other: _____

13. Do you have access to the following?

- Electricity: ☐ Yes ☐ No
- Mobile network: ☐ Yes ☐ No
- Internet: ☐ Yes ☐ No
- Water: ☐ Yes ☐ No

Section C: Financial Literacy Assessment

How confident are you in your ability to:

(1 = Not confident at all, 5 = Extremely confident)

Question	1	2	3	4	5
14. Understand how interest on loans works	☐	☐	☐	☐	☐
15. Budget and manage household or business expenses	☐	☐	☐	☐	☐
16. Compare loan offers from different providers	☐	☐	☐	☐	☐
17. Understand inflation and its impact on prices	☐	☐	☐	☐	☐
18. Save money regularly	☐	☐	☐	☐	☐
19. Use mobile banking or digital wallets	☐	☐	☐	☐	☐

20. Do you have access to the following?

- ☐ School
- ☐ Friends or family
- ☐ Financial workshops or training
- ☐ Experience/own learning
- ☐ Other: _____

Section D: Microfinance Uptake and Usage

21. Are you aware of microfinance services in your area?

- ☐ Yes ☐ No

22. **Have you ever used any microfinance services (e.g., loans, savings, mobile money)?**
- ☐ Yes ☐ No
23. **If yes, which services have you used?** (Select all that apply)
- ☐ Microloans
- ☐ Group lending/stokvels
- ☐ Mobile money (e.g., eWallet)
- ☐ Microsavings accounts
- ☐ Other: _____
24. **How many times have you accessed microfinance in the past 12 months?**
- ☐ None
- ☐ 1–2 times
- ☐ 3–5 times
- ☐ More than 5 times
25. **What was the main purpose of your most recent microloan or savings product?**
- ☐ Business expansion
- ☐ Emergency expenses
- ☐ Inventory purchase
- ☐ School fees
- ☐ Other: _____
26. **How would you rate your satisfaction with the microfinance services received?**
- ☐ Very dissatisfied
- ☐ Dissatisfied
- ☐ Neutral
- ☐ Satisfied
- ☐ Very satisfied
27. **If you do not use microfinance services, what are your reasons?** (Select all that apply)
- ☐ High interest rates
- ☐ Complicated process
- ☐ Lack of information

- ☐ Don't trust providers
- ☐ Prefer informal borrowing
- ☐ Not eligible/declined
- ☐ Religious/cultural reasons
- ☐ Other: _____

Section E: Barriers, Preferences and Attitudes Toward Microfinance

To what extent do you agree with the following statements?

(1 = Strongly Disagree, 5 = Strongly Agree)

Statement	1	2	3	4	5
28. I find financial service providers trustworthy	☐	☐	☐	☐	☐
29. I prefer using informal loans over formal financial services	☐	☐	☐	☐	☐
30. I would apply for a microloan if I better understood the process	☐	☐	☐	☐	☐
31. Financial products are too complicated for my business needs	☐	☐	☐	☐	☐
32. As a woman/man, I face additional challenges accessing credit	☐	☐	☐	☐	☐
33. I am open to using mobile-based microfinance services	☐	☐	☐	☐	☐

Consent and Final Remarks

34. Have you read and understood the purpose of this study, and do you agree to participate voluntarily?

- ☐ Yes ☐ No

35. Would you be open to participating in a follow-up interview (optional)?

- ☐ Yes ☐ No If yes, please provide contact number (optional):

Thank you for your participation. Your responses are valuable for supporting financially inclusive entrepreneurship in rural South Africa.

Appendix 2: Data Coding Dictionary

Question Number	Question Text	Variable Name	Variable Type	Measurement Scale
Q23	Have you ever used any microfinance services (e.g., loans, savings, mobile money)?	Microfinance_Use	Dependent Variable (DV)	Binary (1=Yes, 0=No)
Q34	I am open to using mobile-based microfinance services.	Microfinance_Willingness	Dependent Variable (DV - intention)	Likert scale (1–5)
Q29	I find financial service providers trustworthy.	Trust_Providers	Independent Variable (IV1 - Financial Literacy)	Likert (1–5, higher=trust)
Q30	I prefer using informal loans over formal microfinance.	Preference_Informal	Independent Variable (IV1 - Financial Literacy)	Likert (1–5, reverse coded)
Q31	I would apply for a microloan if I better understood the products.	Apply_if_informed	Independent Variable (IV1 - Financial Literacy)	Likert (1–5)
Q32	Financial products are too complicated for me.	Complexity_Perception	Independent Variable (IV1 - Financial Literacy)	Likert (1–5, reverse coded)
Q5	Highest level of education	Education_Level	Independent Variable (IV2 - HHI)	Ordinal (1=No formal education, 2=Primary, 3=Secondary, 4=Tertiary, 5=Postgraduate)
Q7	Household size (Number of people living in household)	Household_Size	Independent Variable (IV2 - HHI)	Numeric (Integer)
Q8	Employment status	Employment_Status	Independent Variable (IV2 - HHI)	Categorical (1=Self-employed, 2=Employed full-time, 3=Employed part-time, 4=Unemployed/Pensioner)
Q9	Type of business	Business_Type	Independent Variable (IV2 - HHI)	Categorical (1=small scale farming, 2=informal trading, 3=retail/shop, 4=services, 5=manufacturing/production)
Q12	What is your average monthly household income?	Household_Income	Independent Variable (IV2 - HHI)	Categorical (1=Below R1000, 2=R1501-R3000, 3=R3001-R5000, 4=5001-R10000, 5=Above R10000)
Q1	Gender	Gender	Independent Variable (IV3 - Gender)	Binary (1=Female, 2=Male)
Q33	As a woman/man, I face additional challenges accessing financial services.	Gendered_Barriers	Independent Variable (IV3 - Gender)	Likert (1–5)

Appendix 3: Ethical Clearance Approval

Masters Research <MastersResearch@gibs.co.za>
to me, Masters ▾



**Gordon Institute
of Business Science**
University of Pretoria

**Ethical Clearance
Approved**

Dear Tendai Mutambanengwe,

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

[Ethical Clearance Form](#)

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.