

**FACTORS INFLUENCING THE INTENTION OF SMALL BUSINESS OWNERS'
ACCESS TO MICROCREDIT SERVICES IN MAKANA MUNICIPALITY**

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by

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ABSTRACT

Small, micro, and medium-sized businesses (SMMEs) are known to be crucial to an economy as they play a significant role in economic development, poverty alleviation and employment creation. Yet, they still struggle to obtain debt financing from formal financial institutions such as banks. Banks require collateral as leverage for the risks they take, and small businesses' failure to obtain collateral limits their access to debt financing. As a result, governments have made it easier for microfinance institutions to start and operate, granting microcredit to small businesses. The South African government developed microfinance institutions to give microloans to small businesses through microcredit programs. Despite this, there is low adoption of microcredit services by small enterprises in South Africa. This study investigated the factors influencing the intention of small business owners to access microcredit services in Makana Municipality.

The study was supported by the extended theoretical framework of the Theory of Planned Behaviour, which comprised the study's factors: positive affect, perceived benefits, perceived deterrents, subjective norms, perceived behavioural control and knowledge of microcredit services. The study adopted a positivist paradigm and a quantitative research design. Non-probability sampling methods of judgement and snowball sampling were used to select 126 small businesses in Makana Municipality. The study used a self-administered questionnaire to collect the primary data. The study used descriptive statistics to describe the sample factors, exploratory factor analysis and Cronbach's alpha for validity and reliability. Pearson's product-moment correlation and multiple regression were used to test the study's hypotheses.

The study found that most small businesses were owned and managed by one person, and most small businesses would obtain a loan from non-governmental organisations that fund small businesses and microfinance institutions if they needed a business loan. The explanatory factor analysis (EFA) results showed that attitudes, norms, behavioural control and intention were relevant for small businesses in Makana Municipality. The study showed a statistically significant relationship between attitude and intention to access microcredit services. The results also found a statistically significant relationship between subjective norms and intention to access microcredit services. The results further showed no relationship between perceived behavioural control, including knowledge and intention to access microcredit services. The study recommends that small business owners be aware of the benefits of microcredit services to form positive attitudes. Family, friends and people whose opinions are valued should encourage small business owners to apply for microcredit services to understand what

microcredit is and the benefits and costs of using the product. The identity of two factors influences the intention of small business owners to access microcredit services, and practically provides recommendations on how small businesses may improve access to microcredit services. The results imply that microcredit and microfinance institutions can be used to understand some of the factors that influence the intention of small business owners to access microcredit services and, therefore, tailor their products to be an attractive package for small business owners. This study suggests that a similar study be conducted in other provinces, including rural areas where more people are adopting the different types of microcredit services, to better understand factors influencing small business owners' intention to access microcredit services.

KEYWORDS: Small business, Debt finance, access to finance, microcredit, Theory of Planned Behaviour.

DECLARATION

I, *Emma Marwa, g21m7892*, declare that the thesis “*Factors Influencing the Intention of Small Business Owners to Access Microcredit Services in Makana Municipality*”, which I hereby submit for the degree of Master of Commerce in Financial Management at Rhodes University, is my work. I also declare that I have not previously submitted this thesis for a degree at this or any other tertiary institution and that all the sources I have used or quoted have been indicated and acknowledged using complete references.

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LIST OF ABBREVIATIONS

BRIAPI	Bank Rakyat Indonesia Application Programming Interface
CFI	Corporate Finance Institute
CIPC	Companies and Intellectual Property Commission
DTI	Department of Trade & Industry
EFA	Exploratory Factor Analysis
ETPB	Extended Theory of Planned Behaviour
FIC	Financial Intelligence Centre
GBS Mutual Bank	Grahamstown Building Society Mutual Bank
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GNP	Gross National Product
ILDLP	International Leadership Development Programme
ILO	International Labour Organization
KM	Knowledge of Microcredit
LLC	Limited Liability Company
MFRC	Microfinance Regulatory Council
MFSA	Microfinance South Africa
MFSA	Micro Finance South Africa
MOI	Memorandum of Incorporation
MSME	Micro, Small and Medium Enterprise
NASASA	National Stokvel Association of South Africa
NCA	National Credit Act
NEF	National Empowerment Fund
NGO	Non-Governmental Organisation
PA	Positive Affect

PB	Perceived Benefit
PBC	Perceived Behaviour Control
PD	Perceived Deterrents
PTY	A proprietary company
ROSCAs	Rotating Saving and Credit Associations
SAB Foundation	South Africa Breweries Foundation
SADC	Southern African Development Community
SAMAF	South African Microfinance Apex Fund
SARS	South African Revenue Service
SEDA	Small Enterprise Development Agency
SEF	Small Enterprise Foundation
SEFA	Small Enterprise Finance Agency
SDG	Sustainable Development Goal
SMEgo	Digital platform to support Small to Medium Enterprises
SMEs	Small to Medium Enterprises (used interchangeably with SMMEs)
SMME	Small, Micro and Medium Enterprise
SMMEs	Small, Micro and Medium Enterprises
SMMESA	Small, Micro and Medium Enterprises South Africa
SN	Subjective Norms
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
UIF	Unemployment Insurance Fund
UNOSSA	United Nations Office of the Special Adviser on Africa
URT	United Republic of Tanzania
USAID	United States Agency for International Development
VIF	Variance Inflation Factors

CHAPTER 1: INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction and Background

Small, micro, and medium enterprises (SMMEs) are important for economic development, mainly because they promote job creation (reducing unemployment), poverty eradication, equitable income distribution and improved lifestyles (Van Staden, 2022; Maneesha, 2020; Tuffour, Amoako, and Amartey, 2020). This also includes countries such as South Africa, where the South African government has prioritised entrepreneurship and the SMME sector since the publication of the 1995 White Paper on Small, Micro and Medium Enterprise (SMME) growth (Enaifoghe and Vezi-Magigaba, 2022). In addition, this can be seen from the introduction of an SMME ministry and additional support organisations, such as the Small Enterprise Development Agency (SEDA), which were formed to make this industry a major contributor to economic growth (Nhlapo, Nieuwenhuizen and Ladzani, 2011; Bureau for Economic Research, 2016).

However, South African SMMEs seemingly have a high failure rate during their early stages of operations (Leboea, 2017). According to Lings (2014) and Usama and Yusoff, (2018), SMMEs in South Africa appear to have a relatively high percentage of business failure. According to estimates, 40% of all new small businesses in South Africa fail during the first year of operation, 60% within the second year, and 90% within the first ten years. One of the primary reasons small businesses fail is the lack of access to financial services (Wulandary, Jumariah and Alfin, 2021; Herrington, Herrington, Kew, and Mwanga, 2014). Equity finance is not widely used or chosen by entrepreneurs in developing countries (Cumming and Groh 2018); thus, small businesses prefer debt finance. The concept of debt finance refers to the acquisition of interest-bearing financial products, such as bank loans that must be repaid with interest as capital repayments at a future date (Dlova, 2017; Correia, Flynn, Uliana, and Wormald, 2011). Most small businesses are drawn to debt funding from banks (short-term and long-term) because this is a more attractive, realistic, and obtainable source than external equity (Mutezo, 2015; Musara and Fatoki, 2012). Contrary to equity finance, debt finance does not influence the ownership and management of small businesses compared to equity finance, where company ownership is exchanged for cash (Fatoki, 2014; Bruns and Fletcher, 2008).

For most small businesses, their inferior positions in the business hierarchy, lack of collateral and lack of long and trackable performance records substantially reduce the chance of obtaining trade

credit from suppliers and clients. Previous studies indicate that small businesses struggle to access bank loans because of the difficulty in providing valuable collateral and proving their creditworthiness, among other factors (Asah, Louw, and Williams, 2020; Godke Veiga and McCahery, 2019). The difficulty in accessing debt finance for the successful operation of small businesses in Africa due to a lack of collateral has resulted in the governments facilitating the establishment and operation of microfinance institutions that offer microcredit to small businesses (Agyabeng, Anomah, and Aduamoah, 2014; Dauda and Nyarko, 2014; Adjei, Arun and Hossain, 2009). Access to finance refers to businesses' ability to acquire or obtain financial services (Giang, Trung, Yoshida, Xuan and Que, 2019). Many researchers show that a lack of collateral is one main reason small businesses have limited access to finance (Jenkins and McKelvie, 2016; Makomeke, Makomeke and Chitura, 2016). The inability of small businesses to acquire loans from formal financial institutions, such as banks, due to the high collateral requirements, has resulted in the introduction of microfinance and microcredit in South Africa. Although the introduction and use of microcredit was successful in South Africa, microcredit services have primarily been used by individuals for household consumption rather than for the operation of small businesses (Zingoni, 2010; Finmark Trust and The Centre for Microfinance, 2010).

Microfinance Institutions were officially launched in South Africa in 1992 (Bateman, 2019; Paradigm Shift, 2010). Microcredit refers to a small loan given to those who lack a steady source of income, collateral, or any credit history (Khandker and Koolwal, 2016; Li, Gan, and Hu, 2011). It aims to support and assist entrepreneurs who cannot access the finance needed to start a small business or capitalise on an idea (Corporate Finance Institute (CFI) Education Inc., 2022). Microcredit loans are offered by microfinance institutions, which can be governmental or non-governmental organisations, and target small businesses and microenterprises (Islam, 2016; Rukwaro, 2001). Small businesses can access debt finance through microcredit with little to no collateral or what is deemed 'social collateral' (Johnson and Rogaly, 1997). As an initiative to promote the use of microcredit services by South African small businesses, the government introduced agencies through the Department of Trade and Industry (DTI) to oversee the channelling of finance and other related resources to small businesses (Mashigo and Klingelhofer, 2012). In rolling out the initiative, the Eastern Cape province was one of the first provinces to have a microfinance agency called the Small Enterprise Foundation (SEF) through the Department of Trade and Industry. The SEF aimed to reduce unemployment and eliminate poverty by providing microloans to marginalised microenterprises through microcredit

programmes in 2010 (Mashigo and Klingelhofer, 2012; Seta, 2013, cited in Mjuza and Ntsalaze, 2019). There is a relatively low uptake of microcredit services by small businesses in South Africa. This study is about the investigation of the factors that influence the intention of small business owners to access microcredit services in the Makana Municipality area. This is important as the access to microcredit by small businesses can aid in the survival and growth of small business in South Africa, reducing unemployment and poverty. The study is conducted on small business owners in Makana Municipality in the Eastern Cape based on the Theory of Planned Behaviour (TPB). The Eastern Cape is the ideal location for using microcredit services as it has the highest levels of unemployment (Statistics South Africa, 2020) and, thus, higher levels of poverty. Thus, access to microcredit by small businesses could aid in the survival and growth of small businesses, reducing unemployment and poverty. However, the factors associated with using and accessing microcredit services remain unknown in the Eastern Cape.

The Theory of Planned Behaviour (TPB) can help understand the factors influencing the intention to access microcredit services (Macha, 2018; Satsios and Hadjidakis, 2018; Jebarajakirthy and Lobo, 2014). According to the Theory of Planned Behaviour (TPB), an individual's intention to perform certain behaviour could be predicted by factors consisting of attitudes, subjective norms, and perceived behaviour control (Ajzen, 1991). Attitude refers to the extent to which individuals have a favourable or unfavourable evaluation in response to the studied subject, while subjective norm refers to the perceived social pressure to perform or not to perform the behaviour (Ajzen, 1991). Perceived Behaviour Control (PBC) refers to an individual's perception of how easy it is for that person to perform a certain behaviour, given the presence or absence of necessary resources and opportunities. (Ajzen, 1991). The TPB model is the most appropriate model for measuring the intention of accessing microcredit services, as it has been used to predict financial behaviours (Satsios and Hadjidakis, 2018; Cucinelli, Gandolfi, and Soana, 2016). Similarly, in studies that have investigated the intention to access microcredit services, it was found that attitude, subjective norms, and perceived behaviour control positively influence the intention of the consumers to access and use microcredit services (Macha, 2018; Ibrahim, Fisol and Haji, 2017; Abdullah and Wahab, 2015). The study will focus on micro-enterprises and small businesses, which will be referred to as small businesses in the study.

1.2 Problem Statement

One of the most identified reasons for business failure is limited access to finance. Microfinance, especially microcredit, has been launched in South Africa to help small businesses access debt financing; however, there is a relatively low uptake of microcredit services by small businesses in South Africa. This study aims to identify the reasons behind this. The previous studies that have investigated the intention to access microcredit services have mainly been conducted in countries such as Sri Lanka and Bangladesh (Putri Fithria and Kasri, 2018; Macha, 2018; Kajenthiran, Achchuthan and Ajanthan, 2017) and have focused on individual customers, such as youth and farmers. These studies suggest that all studied variables could influence the different individual customers, with smallholder farmers' behavioural intentions being significantly influenced by subjective norms, knowledge of microcredit, perceived government support, tolerance for risk and entrepreneurial desire, while youth's positive affect, perceived deterrents associated, and subjective norms, particularly from friends, also influence their purchase intentions. In the South African context, most of the microfinance research that has been done mainly focused on topics such as the impact of microfinance on microenterprises (Olugbenga and Mashigo, 2017), microcredit as a government strategy for Micro Enterprises Development in South Africa (Mashigo, 2014) and microcredit as a community development strategy: a South African case study (Thabethe, Magezi, and Nyuswa, 2012). Therefore, there is a gap in the factors that influence small businesses' intention to access microcredit services in the Eastern Cape, particularly those in Makana Municipality. Makana Municipality is relevant since microcredit institutions primarily target rural areas, especially micro and small businesses (Islam, 2016; Chan, 2005; Rukwaro, 2001).

1.3 Research Objectives

This section states the study's primary and secondary objectives. The secondary objectives validate and affect the primary objective.

1.3.1 Primary Objective

The study's primary objective is to investigate the factors that influence the intention of small business owners to access microcredit services in the Makana Municipality area.

1.3.2 Secondary Objective

- SO₁ To provide an overview of small businesses (SMMEs) and microcredit services in South Africa.
- SO₂ To use the extended theory of planned behaviour to examine the factors influencing access to microcredit services.
- SO₃ To adopt statistical techniques to determine the influence of factors on access to microcredit services.
- SO₄ To empirically test the influence of factors (Positive Affect (PA), Perceived Benefit (PB), Perceived Deterrents (PD), Subjective Norms (SN), Perceived Behavioural Control (PBC), and Knowledge of Microcredit (KM)) on access to microcredit services.
- SO₅ To provide recommendations to small business owners and microcredit providers to improve access to microcredit services in the Makana Municipality.

1.4 Significance of the Study

The importance of the study will examine factors that influence the intention of small business owners to access microcredit services in the Makana Municipality area. This study will contribute to the body of knowledge as it will apply the extended Theory of Planned Behaviour (TPB) in examining the determinants of access to microcredit services in South Africa. Whilst studies on microcredit have been done elsewhere, little research has been conducted on the Makana Municipality with its peculiar socio-economic factors. Applying TPB and statistical analysis will provide new insight into how attitudes, subjective norms, and perceived behavioural control influence small business owners' decision-making processes in choosing to access microcredit. Furthermore, empirical hypothesis

testing will provide concrete evidence of a relationship between these variables and the likelihood of access to microcredit services.

The results of this study may have significant policy implications for the government and other regulatory bodies involved in the microfinance sector. By establishing the most critical factors influencing access to microcredit services, the study may help policymakers in Makana Municipality design targeted interventions that will reduce barriers to credit access, especially for small business owners who are typically excluded from formal financial channels. For instance, it can inform financial literacy program development, introduce more inclusive lending criteria, or expand microcredit services to unreached areas. Microcredit providers can also design their products and services to make them more attractive and convenient for small business owners, thereby promoting the financial inclusion agenda.

This study may also offer insight into factors affecting the intention of small business owners to access microcredit services in the Makana Municipality, South Africa. The findings may form a basis for policy development and the creation of interventions aimed at enhancing the accessibility of microcredit for small businesses, which can spur economic growth in the area in general. This study will have several stakeholders who will benefit from it, including small business owners, microcredit providers, policymakers, and academic researchers. For small business owners, the study provides recommendations to accessing microcredit services and enable them to make sound decisions regarding financial access and management. Microcredit providers, both banks and non-bank financial intermediaries, will also gain from the study as it will determine the key determinants of demand for their services. From such knowledge, these institutions can tailor their facilities more to meet the specific requirements of small businesses, which can translate into increased microcredit loan uptake and repayment rates.

For policymakers, the study could contribute to developing more effective regulations and support structures that enable small businesses to grow, thereby contributing to broader economic goals such as job creation, poverty alleviation, and social inclusion. Furthermore, academics and researchers specialising in entrepreneurship, microfinance, and small business development will also benefit from the empirical results and theoretical underpinnings to inform future research and contribute to the body of knowledge regarding access to microcredit services.

1.5 Operational Definitions and Hypothesis of the Study

This study will apply the extended Theory of Planned Behaviour (TPB) to examine the independent and dependent variables influencing the intention of small business owners to access microcredit services. In this expanded model, the independent variable is intention to access microcredit services, while the dependent variables are Positive Affect (PA), Perceived Benefit (PB), Perceived Deterrents (PD), Subjective Norms (SN), Perceived Behavioural Control (PBC), and Knowledge of Microcredit (KM). The variables were selected based on their common occurrence in microcredit studies and behaviour intention models.

In the extended TPB, attitude is subdivided and operationalised as positive affect, perceived benefits and perceived deterrents against microcredit services. Attitude towards financial options can be readily tested by considering the positive affect, benefits and deterrents associated with the activity, as held by Pinto, Parente, and Palmer (2000). Positive Affect (PA) refers to the emotional response or excitement towards borrowing, which previous studies found to influence behavioural intention strongly (George and Kumar, 2014). Perceived benefit denotes the belief among small business owners that microcredit services will yield favourable outcomes such as business growth, access to capital, and improved financial security (Erkin and Ozsoy, 2012) while perceived deterrent refers to the perceived barriers or risks associated with microcredit access, including concerns over high service charges, collateral requirements, lack of information, or distrust in financial institutions (Jebarajakirthy, Lobo and Hewege, 2014). In addition, subjective norms (SN) refer to social pressures perceived to behave in accordance with or opposite the use of microcredit, typically measured by the effect of family and close friends as referents (Ajzen, 1991).

Perceived Behavioural Control (PBC), a core element of the TPB, is operationalised in this study using the respondents' perceived confidence in performing loan interest management and repayment. This concurs with research conducted by Jebarajakirthy et al. (2014) and Macha (2018), who highlighted financial self-efficacy as the core driver of loan access intention. Knowledge of Microcredit (KM) is a valuable addition in this extended model, referring to the knowledge of microcredit services, terms, conditions, and implications on the part of the individual. Umar, Mas'ud, and Matazu (2021) state that TPB must keep evolving to context-specific variables such as financial literacy. Kajenthiran, Achchuthan and Ajanthan (2017) also demonstrated that knowledge results in

rational financial behaviour, cementing its position as a significant predictor. Thus. Knowledge of microcredit is included as a factor.

This extended TPB model has also been used widely in microcredit research across different contexts to explain subtle predictors of intention. For example, Jebarajakirthy et al. (2014) employed a similar extended TPB to examine microfinance use among women in South Asia, while Macha (2018) used the model to study rural Tanzanian borrowers. These works established that broadening TPB beyond its initial three variables offers a deeper explanation. As such, this research uses the extended TPB as the most suitable framework for studying access to microcredit in South Africa's Makana Municipality. Table 1 below presents operational definitions of the dependent and independent variables according to the extended TPB model.

Table 1: Operational Definitions of Variables

Construct	Operational Definition	Authors
Positive Affect (PA)	Refers to the emotional disposition of small business owners who experience positive feelings such as pride, excitement, and satisfaction when using microcredit services to finance their business operations.	Jebarajakirthy, Lobo and Hewege (2014)
Perceived Benefit (PB)	Denotes the belief among small business owners that microcredit services will yield favourable outcomes such as business growth, access to capital, and improved financial security.	Erkin and Ozsoy (2012); Janz and Becker (1984)
Perceived Deterrent (PD)	Refers to the perceived barriers or risks associated with microcredit access, including concerns over high service charges, collateral requirements, lack of information, or distrust in financial institutions.	Jebarajakirthy, Lobo and Hewege (2014)
Subjective Norms (SN)	Describes the perceived social influence exerted by significant referents—such as family members, peers, or business mentors—on the small business owner's decision to access microcredit.	Ajzen (1991); Jebarajakirthy, Lobo and Hewege (2014)
Perceived Behavioural Control (PBC)	Represents the small business owner's perception of their ability to access and successfully manage microcredit, including their confidence in repaying loans and bearing interest costs.	Ajzen (1991); Jebarajakirthy, Lobo and Hewege (2014)
Knowledge of Microcredit (KM)	Reflects the level of awareness and understanding a small business owner has regarding microcredit products, providers, terms, benefits, and obligations.	Li et al. (2011); Nabi and Aima (2012); Jebarajakirthy, Lobo and Hewege (2014)
Intention to Access Microcredit (I)	Defined as the motivational readiness and deliberate plan of a small business owner to apply for and utilise microcredit services for business purposes.	Ajzen (1991)

Source: Researcher's construction

Table 1 shows the operational definition of independent and dependent variables. Information on the measurements of each variable will be provided in detail in Chapter 4. Chapter 4 explains the research design and methodology adopted in the study.

The hypothesis of the study was formulated from the research objectives and the assumptions of the adopted extended theory of planned behaviour to test whether the factors influencing the intention to access microcredit. The hypothesis of the study is presented below:

H₀: The factors do not significantly influence the intention of small business owners to access microcredit services.

H₁: The factors significantly influence the intention of small business owners to access microcredit services.

1.6 The Structure of the Study

The study is structured into six chapters, as indicated in Table 2 below.

Table 2: Structure of the study

Chapter	Name of Chapter	Focus
Chapter 1	Introduction and background of the study	Chapter 1 presents the introduction and background of the study. It also presents the problem statement and the primary and secondary objectives of the study. Furthermore, it provides an overview of the research methodology. Lastly, it outlines how this study is structured according to the study chapters.
Chapter 2	Overview of Small Businesses	Chapter 2 presents an overview of small businesses in South Africa to assist in understanding their importance and relevance to the study. The chapter will describe the concept of small businesses and the ownership structure of small businesses. The chapter additionally presents details regarding the importance of small businesses, support for small businesses, and small business failure. Furthermore, the chapter delves into the challenges small business owners encounter, the financial structure small businesses adopt, and the existence of a financial gap. The chapter will also provide previous research on access to finance for small businesses in South Africa. The chapter ends with a summary.
Chapter 3	A review of microcredit and the theoretical framework	Chapter 3 presents the literature review on microcredit and the study's theoretical framework. The chapter first provides an overview of microfinance, the importance of microfinance, the microfinance industry and the microfinance Grameen model. The chapter then discusses the microcredit overview before discussing microcredit in South Africa, the importance of microcredit, providers of microcredit, legislation of microcredit in South Africa and the requirements for microcredit are then discussed. The chapter also discusses the Theory of Planned Behaviour as the intention model of microcredit. The modified Theory of Planned Behaviour is then examined to understand small businesses' intention to use microcredit services, as supported by previous studies, before concluding with the chapter summary.
Chapter 4	Research design and methodology	This chapter presents the research design and methodology adopted in this study. It will also discuss the research paradigm, sampling, data collection method, validity and reliability, data analysis techniques used to test the hypotheses of this study and ethical considerations.

Chapter 5	Data analysis and results	Chapter 5 focuses on the data analysis and results of the study. Descriptive statistics (frequency and percentages) were used to summarise the SMME owners' demographic information and the SMMES' characteristics. Furthermore, it discusses the correlation results (from Pearson's Correlation measures Coefficient) showing the relationships between intention to access microcredit and positive affect, perceived benefit, perceived deterrent, subjective norms, perceived behavioural control, and knowledge of microcredit services. This chapter also presents the multiple regression results showing the strength of the relationship between access to microcredit services and factors influencing the intention to access microcredit.
Chapter 6	Summary, conclusions and recommendations	The study's summary, conclusions, and suggestions are presented in Chapter 6. It offers synopses of every earlier chapter, including the methods used to accomplish each one's research goals. In addition, the results will be examined, recommendations will be made in light of the results, the study's theoretical and practical contributions will be highlighted, and limitations and suggestions for additional research will be covered. Finally, closing remarks will be discussed in this chapter.

Source: Researcher's own creation

1.7 Chapter Summary

The chapter provided the introduction and background of the study. The chapter highlighted the importance of small businesses, their challenges, and their financing options. In this chapter, the financing option and the challenges that small businesses are exposed to led to the introduction of a problem statement. The problem statement was presented, and the study's objectives were discussed and divided into primary and secondary objectives. In addition, the significance of the study, operational definition and hypotheses were introduced. Lastly, the structure of the study was outlined. The next chapter will provide an overview of small businesses.

CHAPTER 2 OVERVIEW OF SMALL BUSINESSES

2.1 Introduction

The previous chapter provided the background of the study. It also provided the research problem, the aim and the hypothesis of the study. The study aims to investigate the factors that influence the intention of small business owners to access microcredit services in the Makana Municipality area. To achieve this, the secondary objective is to provide an overview of small businesses in South Africa (SO₁). This chapter will thus achieve the secondary objective by providing an overview of small businesses in South Africa. This will be done by reviewing the literature on small businesses to assist in understanding their importance and relevance to the study. Therefore, this chapter will describe the concept of small businesses and the ownership structure of small businesses. The chapter will also present details regarding the importance of small businesses, support for small businesses, and small business failure. Furthermore, this chapter delves into the challenges small business owners face, the financial structure small businesses adopt, and the existence of a financial gap. The chapter will also provide previous research on access to finance for small businesses in South Africa. Finally, the chapter ends with a summary.

2.2 Description of the Concept of Small Businesses

There is no universal definition of small businesses in the field of business management (Berisha and Pula, 2015). The definition of small businesses varies based on the country and industry. For instance, small businesses are known as small, micro and medium enterprises (SMMEs) in South Africa, while in other African countries, they are known as micro, small, and medium enterprises (MSME) (Ng'ana, 2013). A standardised way of defining small businesses is using the qualitative and quantitative aspects of the definition. The qualitative aspect of the definition requires that owners operate a small business and have a relatively small share of its market, while the quantitative aspect consists of a few numbers of employees, annual earnings, and the total balance sheet figure. Small business definitions of the qualitative and quantitative aspects vary differently based on the country and industry. There are different qualitative and quantitative aspects in African countries such as Tanzania, Nigeria, and Kenya (Zhiri, 2017; Ng'ana'ana, 2013; URT, 2003) as opposed to South African aspects.

The National Small Business Act of 1996, amended in 2003, outlines the definition of a small business in South Africa. This definition includes qualitative and quantitative aspects and defines a small business as a separate, distinct entity, including cooperative enterprises and non-governmental organisations managed by one owner or more, including branches or subsidiaries (if any) and is predominately carried out in any sector or subsector of the economy with an annual turnover of less than 2 million to 25 million. The small business definition in South Africa has the qualitative aspect of being owned by one or more owners. It should, however, be noted that different countries use various measures of size depending on the country's development. The most common measures reflected in the definitions of small business are quantitative measures, including total investment, number of employees and sales turnover (Asah, Louw, and Williams, 2020; International Leadership Development Programme (ILDLP), 2014; Haselip, Desgain, and Mackenzie, 2014).

The qualitative and quantitative aspects of the small business definition in South Africa are reflected in the National Small Business Act of 102 of 1996, as it defines SMMEs based on the total number of employees, annual turnover, and the value of assets to categorise these ventures into small, micro, and medium enterprises in South Africa. The National Small Business Act 102 of 1996 in South Africa provides the definition and regulatory framework for small businesses (SMMEs). The National Small Business Act of 1996 classifies small businesses into three categories: micro-enterprises (including survivalist enterprises), small, and medium enterprises. Micro-enterprises refer to a micro business entity, often unregistered, with an annual turnover of less than R2 million, depending on the industry, with less than 20 employees and a maximum total balance sheet of less than R150,000 (SEDA, 2017). Small business refers to an enterprise with fewer than 50 full-time employees, an annual turnover of 2 million to 25 million South African rands, depending on the industry, and gross fixed assets of less than 10 million South African rands. A medium business refers to an enterprise with a headcount of fewer than 250 employees, an annual turnover of 4 million to 50 million, depending on the industry and fixed assets of 4.5 million to 1 million, depending on the industry.

The study will focus on small and micro enterprises, which will be classified as small businesses. The study will focus on small businesses and microenterprises as they are the primary targets of microfinance institutions (Islam, 2016). Also, Makana Municipality has seen the establishment of many small businesses after the agreement with the Raseborg Municipality

in Finland for inclusive sharing on economic development and gender emancipation (Baart, 2011). Table 3 shows the quantitative aspects of SMMEs in South Africa, with the annual turnover and maximum total balance sheet figures reflected in the South African Rand's currency, depending on the business industry.

Table 3: Definition and Categories of SMMEs in South Africa

Enterprise Size	Number of employees	Annual turnover	Maximum total balance sheet value	Source
Microenterprise	Less than 20	Less than R2 million	Less than R150 000	SEDA (2017)
Small	Less than 50	R2 million to R25 million	R2 million to R4.5 million	Small Enterprise Development Agency (SEDA) (2016)
Medium	Less than 250	R4.5 million to R50 million	R4.5 million to R18 million	Small Enterprise Development Agency (SEDA) (2016)

Source: Revised Schedule 1 of the National Definition of Small Enterprise in South Africa published on 15 March 2019 by the Department of Small Business Development (DSBD) under the National Small Business Act.

Table 3 shows different categories of small businesses based on the quantitative aspects, namely the number of employees, annual turnover, and maximum total balance sheet value. This study will focus on microenterprises with fewer than 20 employees and small businesses with fewer than 50 employees. The study will refer to microenterprises and small enterprises as small businesses.

2.3 Ownership Structure of Small Businesses

Small businesses have an ownership structure as they may be operated and managed by one or more individuals. Ownership structure refers to the rights and duties of individuals holding a relative amount of ownership claims in a business. Ownership structure holders can be foundations, families, or individuals (Onyehuluchukwu, Patrick and Chigozie, 2019). Ownership structure can also be defined as the ownership by different groups of shareholders (Lappalainen and Niskanen, 2012). Small business ownership structures and operations include sole proprietorships, partnerships, family-owned businesses, cooperatives, non-profit organisations, corporations, and limited liability company entities (Meysam and Masood, 2011). These ownership structures will be discussed below.

A sole trader, also known as a sole proprietor, is a business owned by one person who takes all the business's decisions, responsibilities, and profits (Černá and Fakulta, 2014). Small business owners can be classified as sole traders, as they will be the ones who would have started the business. One of the advantages of operating a sole trader is that they are relatively easy to form as there is no need to document any paperwork for enlistment (Onyehuluchukwu and Chigozie, 2019). As a sole trader, the business and the owner might not be separate entities; this means the business is indistinguishable from its owner. The inseparability of the owner and the business implies that the owner's liability is not limited, meaning there is a risk of the owner's personal estate being considered insolvent in the case of business failure (Correia, 2015). Another drawback of operating a sole proprietorship is that the business's continuous operation relies on the owner's survival, which implies that the owner's death results in the business's termination (Correia, 2015).

A small business ownership structure can be classified as a partnership. A partnership is when two or more individuals come together to start a business (Correia, 2015). A partnership is based on a partnership agreement that specifies the responsibilities of each partner as well as how each partner will share in the profits and losses of the business. In a partnership, all the profits and losses are shared between the partners, distinguishing it from a sole trader in the viewpoint of each partner. One benefit of a partnership is that partners can contribute and pool resources together, such as financial resources, management, and technical skills, allowing them to specialise in the strengths of each partner (Correia, 2015). Partners in a partnership are personally liable for any business debts or claims, meaning that each partner is liable for the partnership's debt; hence, there is no limited liability. A partnership can be a limited partnership where a limited partner does not take part in the managing of the business but contributes capital to the business while the general partner runs the business. A limited partner has limited liability up to their investment amount, while the general partner has limited liability for the partnership's debt (Shweta, 2022).

Small business ownership can be family-owned. This means that shareholders of the firm are exclusively family members. Family-owned firms have concentrated ownership structures (Lappalainen and Niskanen, 2012). One benefit of family-owned businesses is that they have longer investment horizons and better investment decisions as the family will have specific

knowledge about the business (Lappalainen and Niskanen, 2012; Sirmon and Hitt, 2003). In addition, family-owned small businesses are regarded as more risk averse, which benefits the founding family, which would face significant losses in the case of business failure (Anderson, 2023). Family-owned small businesses are regarded as risk-averse because their business represents a substantial proportion of their wealth, and they may wish to pass it on to the next generation of the family and would not like the business to fail and will not indulge in huge risks making them risk averse (Chang and Shim, 2015; Naldi, Nordqvist, Sjöberg and Wiklund, 2007). However, family-owned businesses limit small businesses' access to finance because family-owned businesses prefer independence against external investors, which reduces the firm's capacity to finance growth. The limit on finance access for family-owned businesses limits external finance to debt and family resources (Hamelin, 2013).

Small business ownership can be a cooperative. The post-apartheid South African government identified cooperatives as an effective means to empower the rural poor concerning the development of income-generating activities, human resource capacity, and increased savings and investment (Knight, 2006). In South Africa, cooperatives are governed by the Cooperatives Act (No. 14 of 2005), which indicates the duties and responsibilities of the government toward the cooperative movement. Cooperatives can operate as small businesses. A cooperative small business often exclusively serves its members, who would have contributed capital and obtained voting rights (Mushonga, Arun and Marwa, 2019). The management of the cooperative small business is elected by its members. In the case of investor-owned small businesses, investor members of the cooperative have equal rights irrespective of the amount of money contributed individually (Mushonga, Arun and Marwa, 2019). One benefit of cooperative small businesses is the collective bargaining power, which allows members and the cooperative to acquire products and services at more favourable prices (Nganwa, Lyne and Ferrer, 2010). Small business cooperatives get bargaining power by combining members' flexibility and market knowledge with economies of scale, enabling them to compete with larger businesses and survive competition (Der Walt, 2015). Small business cooperatives also benefit from increased marketing capacity due to pooling production outputs (Der Walt, 2015). However, operating a cooperative small business has a high chance of having conflict between members and the management selected (Der Walt, 2015). This likely occurs because of members' lack of responsibility and the reliance on decisions by specified individuals who are

part of the management. Thus, small business cooperatives have a high chance of conflict, resulting in high decision-making time.

Small businesses can also be non-profit organisations. Non-profit organisations are businesses carried out for charitable, educational, religious, literacy or scientific purposes (Onyehuluchukwu, Patrick and Chigozie, 2019). Non-profit organisations, according to the Non-profit Organisation Act (No 71 of 1997), are defined as a trust, company or other association of persons established for a public purpose and the income and property of which are not distributable to its members of office bearers except as reasonable compensation for services rendered. Non-profit organisations can be called non-governmental organisations (NGOs) or civil society. Non-profit organisations can be registered or not registered in South Africa according to the Non-profit Organisation Act (No 72 of 1997). One benefit of operating a non-profit organisation is that donors will fund the business, and non-governmental organisations (NGOs) can solicit public and private grants, implying that access to finance is more accessible as they have access to grants. Non-profit organisations are also entitled to income tax exceptions on donation tax and, for some organisations, transfer duty on immovable property where applicable (Fincor, 2023). However, nonprofit organisations make less income than for-profit organisations. Research indicates that small business nonprofit organisations can get the finance they need from both the private and public sectors through donations from individuals and companies, allowing them to give back to communities and carry out charitable, educational, religious, or scientific purposes (Onyehuluchukwu, Patrick and Chigozie, 2019). An example of a non-profit small business organisation in South Africa is Siyaziza Trust (Siyazisiza Trust, 2023).

A small business can be a close corporation. A close corporation is an organisation with a separate legal entity from the owners and people who control it and is governed by the Companies Act (Onyehuluchukwu, Patrick and Chigozie, 2019; Correia, 2015). Close corporations benefit from having members enjoy limited liability, removing the exposure to personal liability in the case of liquidation. According to the Companies Act of 2008, no registration of close corporations will be permitted, with only existing close corporations being allowed to continue to operate (Correia, 2015). To qualify as a small business close corporation in South Africa, all shareholder members or members of the business must be natural persons and not have any shares in any other private company. The members of the Small Business Act

must hold no member interest in other close corporations. The Gross income for the small business corporation year assessment should be at most R14 million and not more than 20% of the gross income, and all the capital gains consist collectively of investment income, and members also enjoy limited liability, rendering personal service (SME South Africa, 2022). The close corporations will disappear with time as they are converted into private companies (Correia, 2015).

In addition, a small business can be a private company. A private company refers to a company that has to include the words Proprietary Limited or (Pty) Ltd after its name and cannot trade its shares publicly (Correia, 2015). A private company can also be defined as a business with no capital traded in a secondary market (Minnis and Shroff, 2017). A private company has restrictions on the transferability of shares, and the business Memorandum of Incorporation (MOI) should stipulate that the company is not allowed to issue shares to the public (Correia, 2015). Private companies should have at least one shareholder and director as management, separated from ownership (Correia, 2015). This means that shareholders will elect a board of directors who will elect a management team to run the daily duties of the business. One benefit of operating a private company is that there are limits to the owner's personal liability for a business debt; thus, members enjoy limited liability. This removes the exposure to personal liability in the event of liquidation of the business. Another benefit of a private company is that a member's interest can be sold without terminating the business's existence. (Correia, 2015) This means the owner's existence does not limit a company's lifespan unless the business fails. However, a private company is more costly and complicated to operate than sole proprietorships and partnerships.

Furthermore, a small business can be a limited liability company (LLC). A limited liability company is a separate legal entity distinct from those who own, manage, and control the business (Onyehuluchukwu and Chigozie, 2019). A limited liability company is created by businesses that want to be taxed and managed like a partnership but protected from liability like corporations (Warda,2005). LLC members can manage and run the business themselves or have managers who are not members. LLC can be a domestic or foreign LLC, with a domestic LLC referring to a business formed in the town of operation. In contrast, a foreign LLC refers to a business operated in another state to do business in a different state (Warda, 2005). One benefit of a limited liability company is that there is a separate legal entity. This means there is

limited liability, implying that shareholders will not lose their personal assets in the case of the company's liquidation. However, operating a limited company is more costly than operating a sole proprietorship or a partnership.

The ownership structures of small businesses can, therefore, take the form of sole proprietorships, partnerships, family-owned businesses, cooperatives, non-profit organisations, corporations, private companies, and limited liability companies.

2.4 Importance of Small Business

Many researchers indicate the crucial role played by small businesses in the economy and society (Saah, 2021; Akugri, Bagah and Wulifan, 2015; Akbaba, 2013). Small businesses comprise 90% of businesses in developing and developed countries. Small businesses contribute positively to a nation's social and economic development (Ncube and Chimucheka, 2019; Rosman and Rosli, 2013). Small businesses contribute to a country's economy by contributing to the country's Gross Domestic Product (GDP), Gross National Product (GNP), and providing employment. Small businesses improve countries' societal development by reducing deprivation, promoting poverty alleviation, and promoting equal income distribution within the nation. Small businesses are also a source of innovation in new products and respond to the immediate needs of the local people (Engidaw, 2022). Following is a discussion of the importance of small businesses in contributing to the gross domestic product, employment for the local people in the communities, promoting equal income distribution among workers, social development goals and innovation in consumer markets.

Small businesses are essential as they have been very influential to the Gross Domestic Product (GDP) and Gross National Product (GNP) of many countries, including South Africa. The Gross National Product refers to the net operating surplus plus fixed capital consumption and all wages earned over a given period (Saah, 2021). The gross domestic product can also be defined as the Gross National Product (GNP) plus the net factor income from abroad. In the South African economy, between 90 and 91% of the country's enterprises are small businesses (Ncube and Chimucheka, 2019; Rosman and Rosli, 2013), contributing 30-57% of the country's Gross Domestic Product (Bruwer and Coetzee, 2016). Saah (2021) believes small businesses currently contribute to 39% of South Africa's GDP. One of the most significant contributors to the GDP of South Africa is the manufacturing industry, which is also the home

of small businesses, making up 9% of the sector (SEDA, 2018). Small businesses enhance national economic growth, making them vital in a country's contemporary business world and economic development, leading to more employment.

Small businesses are important as they are regarded as a source of employment for the local people in the communities. Small businesses are important because they fight structural employment and ensure that even the least educated have something to do by creating work in the informal sector, creating jobs for people who may have failed to penetrate the formal employment structures (Bakar, Talukder, Quazi and Khan, 2020). Small businesses are also a source of employment for educated people, thus providing a source of income for both the educated and uneducated (Saah, 2021). In South Africa, small businesses contribute approximately 61% of employment and 77% of all private-sector employment (Atiase, Mahmood, Wang and Botchie, 2018). Small businesses account for 70% of businesses operating in the informal sector. Thus, it is evident that small businesses are a source of employment, especially in South Africa, a country faced with unemployment. In South Africa, unemployment was 31.9 % for the fourth quarter of 2024 (StatsSa, 2024). Therefore, small businesses could assist in employment creation as most enterprises in Africa, including South Africa, are small businesses which can improve human resources and create more employment for countries' job seekers (Sarah, 2021; SEDA,2015).

Small businesses assist in equal income distribution among workers by employing low-income earners, unskilled, and bottom-of-the-pyramid citizens (Ale Ebrahim, Ahmed and Taha, 2010). According to SEDA (2018), a large share (75%) of SMMES in South Africa are black-owned, therefore supporting the redressing of the historical imbalances caused by Apartheid in South Africa (Chimucheka, 2013). Small business operations allow more participants to earn an income, increase their living standards and assist in the income distribution scale through employment, self-employment, and skills acquisition.

Small businesses are also crucial for social development goals such as poverty alleviation and promoting community entrepreneurial and business skills (Saah, 2021; Etuk, Etuk, and Michael, 2014). Small businesses ensure social development by reducing deprivation. Deprivation encompasses small businesses reducing poverty, including hunger, illiteracy, illness, poor health, powerlessness, voicelessness, humiliation, insecurity, and lack of access

to basic infrastructure (Asah, Louw and Williams, 2020). The income generated by small businesses enables small business owners and employees to maintain a healthy lifestyle, as they can purchase food commodities and health commodities from health facilities with the income and benefits, they acquire from the small business. This contributes to the human development index of individuals and provides income for business owners, employees, and their immediate families therefore, alleviating poverty. Small business support systems also offer business skills to owners and employees (SEDA, 2018), improving the literacy of individuals associated with small businesses. Thus, small businesses are crucial for social development.

Small businesses are regarded as a source of innovation in consumer markets, as they introduce new products and services and develop new technologies (Fatoki and Patswawairi, 2012). Small businesses achieve this by pursuing niche markets and customising products based on customers' needs. The flexibility of small businesses provided by their flat hierarchical structure enables them to respond faster to changes in the external economic environment by reducing the new product turnover rate. Introducing new products and technologies into existing markets puts competitive pressure on existing businesses to increase efficiency. The innovation provided by small businesses is also crucial as it brings diversity to the products available, increasing the product selection range for customers (Fatoki, 2014). The diversity in product range allows small businesses to satisfy consumer demands better, as customers will have a wide variety to choose from.

Small businesses contribute to many aspects of the economy, as discussed above. The importance of small businesses for society and the economy has resulted in the support given to small businesses to ensure their growth and survival. The support provided for small businesses extends to the government and private sector.

2.5 Support for Small Businesses In South Africa

The government of South Africa has introduced policies that support and promote small businesses in South Africa, together with the private sector, which has presented programmes that assist small businesses in their operations (Saah, 2021).

Zhou and Gumbo (2021) believe that all levels of government must support the small business initiative. To support small businesses, the legislative structure in most countries, including South Africa, has advocated for the constitutionalisation of small businesses in the country. The first government policy on small business development was written in the 1995 White Paper plan. The government policy on small business development was introduced to redefine the role of small businesses in the new South Africa. In 2004, a refocused strategy called the integrated small business development strategy was introduced. It aimed to create demand for small business products and services by increasing financial and non-financial support for small businesses and reducing their regulatory constraints (SEDA, 2016). In 2014, a Ministry of Small Business Development was designed to facilitate the development and promotion of small businesses in South Africa (SEDA, 2016). The creation of the Ministry of Small Business Development resulted in the appointment of Minister Lindiwe Zulu, whom the president appointed (Department of Small Business Development, 2023). The Ministry of Small Business Development is still operating, with the current minister being Minister Stella Ndabeni-Abrahams (Department of Small Business Development, 2023). The Ministry of Small Business Development in South Africa ensures that support and measures are taken to achieve the sustained growth of small businesses in South Africa, among other objectives.

Additionally, the government has introduced institutions in line with the small business development policy to aid in implementing the development strategy for small businesses. Examples of these institutions include the Small Enterprise Development Agency (SEDA), Khula Enterprises, Small Enterprise Finance Agency (SEFA), South African Microfinance Apex Fund (SAMAF) and National Empowerment Fund (NEF). These organisations provide financial and non-financial aid to small businesses in South Africa that meet specified criteria set by the organisations. The two leading government agencies established for small business development are Khula Enterprises and the Small Enterprise Development Agency. The South African Microfinance Apex Fund (SAMAF) was officially launched in 2006 to cover the gap in supporting micro and survivalist businesses, which a few private sector agencies supported by allowing them to grow their business and increase their asset base. More information about these institutions is provided in Table 4.

Private sector organisations and non-governmental organisations also support small businesses (Ladzani and Netswera, 2009). These organisations usually target small businesses in rural

areas and less developed communities. For instance, the South African Breweries Foundation is an independent trust that annually invests millions of rands towards developing entrepreneurship in South Africa (SAB Foundation, 2023). The foundation has the mandate to provide funding for SMEs to contribute to the economic and social empowerment of historically less privileged individuals through entrepreneurship development. Another example is Old Mutual, a financial institution that has the ‘The Old Mutual SMEgo programme’ that helps small businesses grow and sustain their businesses (Old Mutual Limited, 2023). Small businesses are required to apply for the SMEgo programme, and they will get assistance in addressing critical challenges small businesses face, such as managing revenue streams and maintaining sufficient working capital.

Table 4: Government Institutions for Small Business Development

NAME	DESCRIPTION
Small Enterprise Development Agency (SEDA)	SEDA agency offers business development services. SEDA offers non-financial services through more than 284 enterprise information centres in South Africa's municipalities.
Khula Enterprises	Khula offers small businesses access to finance. Khula works with major banks through community banking and private organisations. Khula also provides mentorship programmes.
Small Enterprise Finance Agency (SEFA)	SEFA provides development finance to SMMEs and cooperatives that cannot attract commercial credit.
South Africa Microfinance Apex Fund (SAMAF)	SAMAF provides loans to micro and survivalist businesses in poor areas based on the Grameen Bank in Bangladesh. The main aim is poverty alleviation.
National Empowerment Fund (NEF)	NEF offers various start-up small businesses and community and rural transformation. The financing capacity ranges from R250,000 to R10m, and the agency focuses on disadvantaged individuals.

Source: Adapted from Agupusi 2007, SEFA.

Table 4 provides information on Government institutions for small business development. These include Small Enterprise Development Agency (SEDA), Khulula Enterprise, Small Enterprise Finance Agency (SEFA), South Africa Micro Finance Apex Fund and the National Empowerment Fund (NEF). Although small businesses get support from the government institutions and the private sector, as discussed in Table 4 in the paragraph above, they face high failure rates despite the support.

2.6 Small Businesses Failure

Research indicates that despite small businesses being important for the economy, they still face high failure rates (Neneh and Van Zyl, 2012). Walsh and Cunningham (2016) define small business failure as a profitable enterprise that no longer meets the expectations of small business owners, which involves economic losses for the small business. Failure in a small business can be defined as when a small business liquidates or a business owner becomes bankrupt for business reasons (Fatoki, 2014).

In South Africa, almost 70% of small businesses fail within five to seven years of operation (Bushe, 2019; Friedrich, 2016). There is an estimation of 40% failing in the first year, 60% in the second year and 90% ten years from inception. Zulu (2015) believes that as few as 9% of businesses remain operational after ten years. The high failure and low survival rates of small businesses are reflected in the 2021 Global Entrepreneurship Monitor (GEM) report, which indicates the increase in business discontinuance rate by 9% between 2019 and 2021 in South Africa, with a percentage of 13.9% in 2021, ranking the third worst in the Level C Economies in the world. The causes of failure rates of small businesses in developing countries, such as South Africa, still need to be clarified as there is also a lack of a consolidated framework among developed countries such as South Africa that indicates the prospective challenges and their perspective cause on the different sizes of small businesses, including micro and small businesses, among others (Bushe, 2019).

Although it remains challenging to assess reasons for the high failure rates of small businesses globally, in South Africa, several challenges faced by small businesses have been identified as reasons for the high failure rates of small businesses. Literature has been developed on why small businesses fail and whether they fail during the startup phase or as they grow (Otto, 2018; Farja, Gimmon and Greenberg, 2017). The very high failure rate of small businesses in South

Africa is presently said to be attributed to poor access to financial resources (Feng, Hassan and Elamer, 2020; Walsh and Cunningham, 2016; World Bank, 2016). Some of the other reasons for the failure of small businesses are said to be attributed to the challenges of managerial incompetence, a lack of government support, a lack of training and education, and limited access to financial resources (Xiang and Worthington, 2017; Abraham, Strielkowski, Vošta and Šlajs, 2015). To better understand the causes of small business failure rates, the challenges that contribute to high failure rates of small businesses will be discussed below.

2.7 Challenges Faced by Small Business Owners

Scholars have studied numerous challenges to small businesses in both developing and developed countries (Naradda Gamage, Ekanayake, Abeyrathne, Prasanna, Jayasundara and Rajapakshe, 2020). The challenges are broadly classified as internal and external challenges. While the businesses can manage internal challenges, the external challenges are largely outside their control (Amoako, 2013; Irjayanti and Azis, 2012). In the context of South Africa, internal challenges are likely to include a shortage of education and training, lack of managerial experience, and limited access to financial capital (Kolstad and Wiig, 2015; Fatoki, 2014b; Radipere and Dhliwayo, 2014). On the other hand, external challenges include regulatory constraints, unavailability of markets, and poor economic conditions (Jenkins and McKelvie, 2016; Rogerson, 2008; Mahadea and Kaseeram, 2018).

One of the most common internal problems identified in South Africa is the lack of education and training (du Plessis and Marnewick, 2017). This problem equates to a lack of general business operations knowledge and management skills. As suggested by Urban and Naido (2012), most small business owners lack the skills necessary to run a business efficiently, but rather rely on informal techniques and intuition. Herrington, Kew, and Mwanga (2017) note that entrepreneurs mostly start businesses out of necessity and not opportunity, resulting in a skill gap. Muriithi (2017) concurs that adopting trial-and-error decision-making increases the likelihood of failure. Van Scheers (2011) and Agwa-Ejon and Mbohwa (2015) support the notion that skills shortages significantly limit small businesses from achieving their growth opportunities. Worku (2016) thus recommends that entrepreneurship education be provided at an earlier stage in schools to enable students to acquire a skill for self-employment.

Managerial incompetence is yet another significant internal challenge that negatively affects the sustainability of small businesses. This encompasses a lack of leadership skills, inadequate decision-making, and inadequate strategic planning (Sitharman and Hoque, 2016; Brink, Cant and Ligthelm, 2003). Valdeserri and Wilson (2010) find that poor leadership commonly results in underestimation of business timelines, inadequate vision, and poor financial management. Fatoki (2014) also contends that these leadership shortcomings are responsible for the prevalent misallocation of resources and organisational underperformance. Additionally, Muneerh, Ahmad, and Ali (2017) point out that poor financial management is a long-standing issue, closely linked with inadequate training and education. Neneh and Van Zyl (2012) also confirm that the absence of business experience impacts creditworthiness and capital accessibility. Barreira and Botha (2011) assert that the majority of small businesses lack long-term plans due to insufficient structured managerial training, reducing their potential for innovation or business expansion. Inaccessibility of markets is one of the most significant external growth-limiting factors.

Small businesses encounter an external challenge of getting into private and public sector markets due to inadequate information, stringent procurement regulations, and overwhelming compliance requirements, which can be referred to as inaccessibility of markets (Small Business Development, 2019; Fatoki and Garwe, 2010). Sophistication of sustainability expectations in South Africa is a barrier, particularly for rural and township businesses (Ndou and van Zyl, 2019). They do not have support structures, such as mentorship or compliance training, to enable them to meet the quality levels needed (Mutalemwa, 2015). For instance, rural horticultural exporters do generally not meet international quality specifications due to a lack of technical support (Schoombee, 2000). Thus, such external limitations often stifle business development that would otherwise be facilitated by adequate institutional support (Chimucheka, 2013). In addition to bureaucratic barriers, small businesses also face barriers posed by intense market competition and gatekeeping that is structural in nature.

Porter's Five Forces Model explains how the threats of new entry, suppliers' bargaining power, customers' bargaining power, substitute products, and competition among rivals restrict entry into the market (Du Toit, Erasmus and Strydom, 2009; Porter, 1985). For example, when a critical part is in the monopoly of a single supplier, price hikes can render the end product economically unviable for small producers (Mazzarol and Reboud, 2009). Similarly,

administrative procurement systems operate to the advantage of incumbent suppliers to the detriment of small businesses (Cant and Wiid, 2013). The entry of foreign players also increases competition, especially for small local businesses that lack the scale or financial clout to match (Lu and Beamish, 2001; Vandenberg, Chantapacdepong and Yoshino, 2016). All these forces progressively render it difficult for small businesses to enter the local or global markets. Internationalisation presents both an opportunity and a challenge for small businesses.

While globalisation offers new markets, the expenses involved are usually out of reach for small businesses. Vandenberg, Chantapacdepong, and Yoshino (2016) argue that the majority of SMES cannot afford to fund market research and development expenses to export or provide supplies to international businesses. Masocha and Fatoki (2018) further note that small businesses are usually not in a position to meet international product standards or logistic requirements. The remaining issues include foreign exchange volatility, export inexperience, and cultural dissimilarities (Leonidou, 2004; Love and Roper, 2015). Therefore, though internationalisation may result in long-run returns, the risk and initial investment deter most small firms from undertaking such ventures.

One of the most cited internal challenges in small business literature is limited access to financial resources. Limited access to finance includes access to credit facilities from the formal financial sector, implying that small businesses have limited access to financial markets (Mwende, 2021). Some reasons for limited access to financial resources include managerial incompetency, lack of collateral, the complex finance application process and high-interest rate charges (Jenkins and McKelvie, 2016; Makomeke, Makomeke and Chitura, 2016). Limited access to credit remains a significant setback to small business expansion as it also restricts small business growth (Fatoki, 2014; Chimucheka, 2013; Wulandary, Jumariah and Alfin, 2021).

Small businesses encounter difficulty in accessing formal financial markets due to the stringent requirements, such as collateral and extensive documentation (Mwende, 2021). Msomi and Maharaj (2021) argue that banks avoid lending to small businesses due to perceived risk, while the entrepreneurs themselves do not go to banks for fear of being rejected or not comprehending the terms. Makomeke, Makomeke and Chitura (2016) also note that traditional banks are designed to serve established businesses, not new ventures with minimal financial track

records. Additionally, poor financial literacy and the absence of business records also heighten poor credit access (Beck and Demirgüç-Kunt, 2006). As such, microcredit services have been promoted as a potential solution for bridging the financial gap among small businesses. Microcredit services offer smaller, flexible loans typically without conventional collateral requirements, but instead on the basis of social collateral or group guarantees (Worku and Auch, 2019; Armendáriz de Aghion and Morduch, 2005). Microfinance institutions, through microcredit, supported by the private and public sectors, provide much-needed finance for equipment purchase, stock acquisition, and operational expenses (Ledgerwood, 2013).

Studies by Banerjee, Duflo, Glennerster and Kinnan (2015) and Abed and Matin (2007) indicate that microcredit can lead to more entrepreneurship and reduced poverty, particularly if combined with training and mentoring. Thus, enhancing accessibility to these financial products and tools would eliminate one of the most debilitating challenges faced by small businesses in South Africa. As one of the key issues of small business failure is limited access to financial resources, the next section will discuss the financial structure of small firms in a bid to comprehend how financial constraints affect operational sustainability and growth (Agyapong, Agyapong and Darfor, 2011; Robson and Bennett, 2000; ILO, 2015).

2.8 Financing Structure of Small Businesses

Small businesses can access finance in the form of internal finance or external finance. Internal finance is when funds are acquired from within a company, such as retained earnings and owners' capital (Mostafa and Boregodwa, 2014). In contrast, external finance refers to finance obtained from sources other than existing owners (shareholders) or relatives by borrowing or issuing new shares. A share refers to proof of ownership of a part of the company or a unit's ownership of the issuing company (Correia, 2015). The share certificate represents proof of ownership. Bonds refer to high-security debt instruments issued by a borrower to raise funds. Small businesses prefer internal finance to external finance as the first source of finance, as supported by the Pecking Order Theory (Myers, 1984), which states that companies prefer internal financing, such as retained earnings, followed by debt, and then raising new equity. Businesses follow a pecking order in their funding sources based on the costs they incur. The Pecking Order Theory suggests that businesses rely on internal financing first as it has the lowest asymmetry costs and information asymmetry, followed by debt and, ultimately, equity (Mostafa and Boregowda, 2014).

Businesses also consider the cost of capital when selecting the finance structure and source of finance to use. The cost of capital refers to the weighted sum of the equity cost and the debt after-tax cost (Mostafa and Boregowda, 2014). Cost of capital includes the cost of equity and cost of debt weighted according to the business capital structure. The cheapest cost of capital is debt funding than equity funding, as debt funding has lower information costs (Frank and Goyal, 2003). This is why small businesses prefer debt funding to equity after internal funding has been exhausted. Regarding behavioural finance, corporate managers tend to choose internal financing over other sources because they have more control over internal funds (Kapoor and Prosad, 2017). Also, businesses use internal funding to maintain control of the business, as external equity use may result in issuing shares in exchange for capital, altering the ownership structure and management of the business. Therefore, debt is preferred over equity if a business must use external funding. This is further supported by the bootstrapping theory, which suggests that firms prefer to finance their capital requirements with external debt over external equity if sources of internal funds are exhausted (Winborg and Landstrom, 2001). The mix of internal and external funding is referred to as capital structure. Capital structure refers to the relative long-term debt and equity management used to finance an organisation's assets and operations (Myers, 1984). The capital structure is essential as it affects the financial stance of an organisation. A small business's capital structure is one of its main concerns because external financing is less available to them than that of larger businesses (Martinez, Scherger and Guercio, 2019). Small businesses create a financing strategy that minimises capital costs by having a funding structure (Yusra, Hadya, Begawati and Istiqomah, 2019; Wang and Zhu, 2013). The Pecking Order Theory supports this. After internal funds have been exhausted, most small businesses are drawn to debt finance from banks because this is a more attractive, realistic, and obtainable source than equity finance. Debt financing refers to acquiring interest-bearing financial products, such as bank loans, that must be repaid with interest as capital repayments at a future date (Correia, Flynn, Uliana, and Wormald, 2011). This type of financing can also be referred to as financial leverage. In contrast, equity finance refers to financial capital acquired from external channels other than existing partners and relatives (Abdulsaleh and Worthington, 2013).

There are different sources of external finance, and one of the most preferred sources of external finance is bank loans, which is debt finance mainly obtained from the formal financial sector consisting of commercial banks. Debt finance includes all long-term borrowing incurred by a business, including bonds. Bank loans or banking finance are primary sources of finance for small businesses in South Africa (Nemeroff, 2014; Beck, Demirgüç-Kunt and Maksimovic, 2008). Small businesses' primary source of debt finance is the formal financial sector, comprising commercial banks (Abdesamed and Wahab, 2014). Bank loans are a primary source of debt finance for small businesses because the advanced financial system in South Africa ensures easy access of small businesses by banks. They can connect with small business owners/managers and get information about the small businesses they require to award them loans. Banks can also connect and target small businesses in remote areas and turn them into clients, hence being the primary source of finance (Lekhanya, 2015). This is also supported by (Lekhanya and Mason, 2014), who indicated that self-funding and bank credit are rural small businesses' primary funding sources. However, small businesses face many challenges in accessing bank loans. For instance, Sanni, Oke and Alayande (2020) believe that small businesses have restricted access to affordable interest-rate loans due to the perceived risk of small businesses. This high perceived risk of small businesses results from the unlimited liability of the owners, lower managerial skills, as well as the low degree of diversification of products and small capital strength (Belás, Bartoš, Ključnikov and Doležal, 2015). Small businesses face challenges accessing bank loans because of information asymmetry, high costs and high perceived risk (Mwende, 2021; Rusu and Roman, 2017). Previous studies indicate that the lack of collateral and proving creditworthiness is one of the main reasons small businesses struggle to access bank loans, among other factors (Godke Veiga and McCahery, 2019; Rusu and Roman, 2017; Quaye, 2011).

Creditworthiness is an assessment of a person's or a business's ability to pay for goods purchased or services received. Creditworthiness is the valuation performed by lenders, determining whether a borrower may default on their debt obligation (Jonathan Law, 2016). Creditworthiness is assessed based on a business characteristic, such as its ability to repay the loan (Safi and Lin, 2014). Creditworthiness may be presented as credit ratings, which are quantified assessments of a borrower's creditworthiness after considering quantitative and qualitative data (Safi and Lin, 2014). Small businesses need to prove creditworthiness because financial institutions, commonly banks, are more reluctant to lend to small businesses as they

are regarded as high-risk borrowers because of their inadequate assets, low capitalisation, and high mortality rate (Mohd Harif, Hoe and Md Zali, 2011). Collateral affects a small business's creditworthiness (Mohd Harif et al., 2011). Collateral refers to the assets borrowers use to pledge to lenders as security for credit repayment (Gitman, 2010). Collateral may be in the form of either personal resources of owners/managers of small businesses or some identifiable business assets over which formal financial institutions can declare a prior claim over other creditors. Small businesses without collateral face resistance from the formal financial sector, as indicated by the World Bank (2016). Additionally, the World Bank (2016) suggests that only 10% of all small South African formal businesses have access to formal financing, as providing collateral is one of the most challenging aspects of obtaining credit. As a result, small businesses in South Africa that rely on formal financial loans for growth and survival are vulnerable to under-capitalisation, which means insufficient money needed to work effectively or grow and could result in small business failure. The limited access to finance for small businesses due to the lack of collateral and creditworthiness results in a financial gap in the business.

2.9 The Financial Gap Experienced by Small Businesses

The financial gap refers to a condition where a business has lucrative business opportunities but inadequate funds from internal or external sources to take advantage of opportunities that enhance business growth (Daskalakis, Jarvis and Schizas, 2013). The financing gap comes from high levels of information asymmetry and a lack of collateral and creditworthiness. The financial gap can also be referred to as the debt gap. According to Quaye (2014), the debt gap is when a sizeable portion of small businesses cannot access financing from the formal financial sector and other capital markets or finance providers. The debt gap occurs due to formal financial institutions' resistance to finance small businesses due to their structural characteristics such as profitability, ownership structure and few employees (Quaye, 2014). In South Africa, small businesses' access to finance from financial institutions remains a significant problem (Asah and Louw, 2021; World Bank, 2019; Daniel, Herrington and Kew, 2017). The difficulty in accessing debt finance from financial institutions to ensure the successful operation of small businesses in Africa has resulted in the governments facilitating the establishment and operation of microfinance institutions (Zingoni, 2010; Finmark Trust and The Centre for Microfinance, 2010).

Microfinance institutions offer microcredit to small businesses. Boermans and Willebrands (2018) believe that the expansion of microfinance and the banking sector in Africa may enhance the innovation and entrepreneurship of small businesses after looking at the constraints and financial behaviour of SMEs in Tanzania. The emergence of microfinance institutions providing microcredit services have reduced the financial gap between the ease of access of debt finance and entrepreneurial activity for small businesses with little collateral in Africa, including South Africa. South Africa's financial institutions have implemented microcredit schemes with the Department of Trade and Industry (DTI) and Small Enterprise Development Agency (SEDA), taking various measures to provide adequate and appropriate financing for small emerging businesses through microfinance (Caga, 2012). Microcredit will be further discussed in Chapter 3. Thus, this study will focus on investigating the factors that influence the intention of small business owners to access microcredit services in the Makana Municipality area, as the factors associated with using and accessing microcredit services are unknown.

2.10 Previous Research on Access to Finance for Small Businesses

This section will review previous research on access to finance for small businesses in South Africa between 2017 and 2023.

Table 5: Previous Research on Access to Finance for Small Businesses

Authors & Year	Purpose	Research Design	Results
Ngonisa, Mgxekwa, Ndlovu, Ngonyama and Mlambo (2023)	Investigate the impact of bank market structure and SMMEs' Access to Finance	Quantitative design on small businesses in all provinces in South Africa	<ul style="list-style-type: none"> • Non-linear relationship between bank market structure and access to bank finance. • High bank concentration increases the obstacles to accessing finance for SMMEs in South Africa.
Msomi and Maharaj (2022)	Evaluate access to finance, market access and viability of SMEs by exploring the correlation between access to credit funding obtained and its impact on SMEs' viability.	Quantitative design based in Kwazulu Natal	<ul style="list-style-type: none"> • A positive relationship between credit and viability. • The study revealed that SMEs believe that a shortage of collateral, a dearth of a cashflow statement and a lack of owners' equity impede them from obtaining finance.
Asah, Louw, and Williams (2020)	Analyse the availability of and access to credit from the formal financial sector and the performance of SMEs in Johannesburg, Gauteng Province, South Africa.	Mixed method based in the Gauteng Province	<ul style="list-style-type: none"> • Access to bank finance was the only challenge significantly correlated with performance. • It was found that collateral, audited financial documents and yearly firm turnover are significant in lending from the formal financial sector.
Fatoki (2021)	Examine if financial literacy moderates the relationship between access to finance and the performance of SMMEs in South Africa.	Quantitative based in the Gauteng and Limpopo Province	<ul style="list-style-type: none"> • Financial literacy moderates the relationship between access to finance and the performance of SMMEs.
Schmidt, Mason, Bruwer, and Aspeling (2017)	Explore barriers that limit access to finance for South African small retailers from the perspectives of finance providers (banking institutions) and finance seekers (small retailers).	Qualitative based in all provinces of South Africa.	<ul style="list-style-type: none"> • Access to finance opportunities by small retail business owners is due to strict bank regulations and factors inherent to small business owners, such as a lack of financial Knowledge to make the right decisions.

Source: Researcher using literature review

Table 5 above indicates some of the studies on access to finance for small businesses conducted in South Africa between 2017 and 2023. The table shows that most studies have been

quantitative, with one study being qualitative and the other a mixed-method approach. The past studies in South Africa, as indicated in Table 5, were in Gauteng Province, Limpopo and KwaZulu-Natal. Two studies were based on databases covering all provinces in South Africa. Although it is evident that there are past studies which report on the access to finance of small businesses, it is apparent that the studies indicated in Table 5 are not clear as to what the factors that influence the intention of small business owners to access microcredit services are. Hence, the study seeks to understand this by looking at the Makana Municipality area in the Eastern Cape, which was not looked at by the previous research, as indicated in Table 5.

2.11 Chapter Summary

The objective of the chapter was to provide an overview of small businesses. The chapter provides a comprehensive literature review on small businesses by defining small businesses as indicated by the National Small Business Act of 1996. The National Small Business Act provides three categories consisting of micro, small and medium businesses, and the current study will focus on micro and small businesses. The chapter then discusses the ownership structure of small businesses by looking at sole proprietorships, partnerships, corporations, cooperatives, non-governmental organisations, private companies, and limited liability companies before discussing the importance of small businesses and their positive contribution to a country's employment, GDP, social development and innovation. The different support structures offered to small businesses by the government and private sector were then discussed before looking at the failure rates of small businesses and the various challenges they incur, which include a lack of training and education and limited access to financial resources. The chapter further discusses the financing structure of small businesses and the existence of a financial gap before it concludes by providing previous research on small businesses' access to finance in South Africa. The next chapter will discuss microcredit and the theoretical framework of the study.

CHAPTER 3

A REVIEW OF MICROCREDIT AND THE THEORETICAL FRAMEWORK

3.1 Introduction

The previous chapter provided an overview of small businesses in South Africa. This chapter aims to achieve the secondary objective of providing an overview of microcredit services in South Africa (SO₁) and to use the extended theory of planned behaviour to examine the factors influencing access to microcredit services (SO₂). This was done by reviewing the literature on microfinance, microcredit services and factors related to the extended Theory of Planned Behaviour. The chapter will also provide the study's theoretical framework and summary.

3.2 Microfinance Overview

Microfinance is defined as providing deposits, credit and microinsurance by microfinance institutions to low-income groups and related small businesses who cannot obtain conventional loans in developed and developing countries (Zhao and Lounsbury, 2016; van Rooyen, Stewart and de Wet, 2012). According to the United Nations (United Nations Office of the Special Adviser on Africa (UNOSSA), 2013), microfinance institutions are defined based on the financial products and services they provide, namely remittances, micro-savings, microcredit, and micro-insurance (Loubere, 2019; Holloway, Niazi and Rouse, 2017; Cull, Deirgiic-Kunt and Morduch, 2013). For instance, a microfinance institution that provides credit services only can be named and defined as a microcredit institution. This means microfinance institutions are named based on their financial products and services. Therefore, microfinance, as discussed above, offers financial products consisting mainly of micro-savings, microcredit, and microinsurance.

Microfinance can also provide additional non-financial services such as business development sessions, which include technical and marketing assistance and management training, and social services, which include education to improve the welfare of clients (Sievers and Vandenberg, 2007; Goldmark, 2006). Non-financial services aim to enhance clients' productivity and market services, among other factors, which will assist them in thriving in their businesses, paying back microcredit loans, and saving money for entrepreneurs and small business owners. Microfinance can also provide financial literacy training to its clients (Zhao and Lounsbury, 2016) to assist clients in the financial management of savings and credit offered to them.

Microfinance has been introduced diversely worldwide and has significantly impacted Africa (Microfinance in Africa, 2013). Microfinance is seen as a financial pillar as it provides financial services to small businesses and individuals, who are usually excluded from the leading financial institutions (Onyekwelu, Ibe, Monyei, Attamah and Ukpere, 2023). As discussed in the paragraph above, microfinance offers various services, including credit, savings and insurance. Microfinance operates primarily in underdeveloped financial markets, which face difficulties such as dealing with clients without adequate collateral, inability to cope with the complexities of traditional financial institutions and mobility problems (Microfinance in Africa, 2013). Microfinance is provided in various forms, such as group lending, agent banking, mobile banking, and sequential loans (Microfinance in Africa, 2013). The following section will discuss the importance of microfinance for the underdeveloped financial markets.

3.3 Importance of Microfinance

Microfinance services are provided to individuals and local groups in developing and developed countries in rural and urban areas (García-Pérez, Fernández-Izquierdo, and Muñoz-Torres, 2020). Microfinance is essential and has been regarded as a contributor to the formal financial system as it strengthens and expands the system by providing an additional source of income (Ledgerwood, 1999). Microfinance encompasses the three components of welfare: economic (Sustainable Development Goal (SDG) Number 8), environmental (SDG number 11, and 12), and social (SDG 1) and finds a balance between them, having an impact on the financial system both directly and indirectly (Busch, Bauer, and Orlitzky, 2016; Starik and Kanashiro, 2013). Microfinance is distinctive because it balances social or developmental goals with financial objectives (López-Penabad, Maside-Sanfiz and Agha, 2024). With a double bottom line, these institutions aim to reduce poverty while remaining sustainable. Microfinance is vital as an instrument of financial inclusion.

The importance of microfinance has gained popularity globally as it is seen as a provision for financial inclusion. Financial inclusion means a multidimensional variable comprised of access to regulated transactional bank account products, credit products, insurance products and savings or investment products (Janzen, Carter and Ikegani, 2021). Microfinance has emerged as a transformative tool for financial inclusion, offering critical financial services to individuals and small businesses that are often excluded from traditional banking systems (Iwuanyanwu,

Gil-Ozoudeh, Okwandu, and Ike, 2024). Microfinance provides access to finance through the provision of credit in the form of microcredit loans, which relieve credit constraints caused by market failures in developing countries. This is achieved as microcredit loans require little to no collateral for one to qualify for a loan, as it has fewer restrictions than traditional banks (Zhao and Lounsbury, 2016). Microfinance also provides access to finance from micro-savings. The micro savings component of microfinance allows clients to save money, which they can use in case of emergency and for investment purposes, assists the less privileged with their financial needs, and contributes to poverty alleviation (Zhao and Lounsbury, 2016). Access to microfinance provides access to financial services, including credit, savings and insurance, which can play a vital role in creating a constant flow of income for the less privileged, ensuring that they do not deplete their working capital, thereby reducing their vulnerability to financial and economic shocks (Microfinance in Africa, 2013). Hence, microfinance is essential as it provides access to finance and thus increases financial inclusion.

One important aspect of microfinance is poverty alleviation. Poverty alleviation aims to improve the quality of life for those currently living in poverty and reduce the income fluctuation between the poor and non-poor scenarios (Rahman, 2021). Microfinance is seen as a tool for poverty alleviation, as recent findings have revealed the potential for microfinance to contribute to household welfare and reduce poverty (Felix and Belo, 2019). This is achieved as total income is increased and consumption expenditure can be covered as there will be access to finance through the provision of microfinance (Berhane and Gardebroek, 2011; Li, Gan, and Hu, 2011; Kaboski and Townsend, 2012). Poverty alleviation is also achieved as long-term food security (Kianersi, Jules, Zhang, Luetke, and Rosenberg, 2021), quality of life (Mazumder and Lu, 2015) and women's empowerment (Wellalage and Thrikawala, 2021) are ensured through the provision of microfinance. The provision of credit services by microfinance institutions increases low-income individuals' income and asset base, enabling them to become prospective credit facilities of conventional banks (Abrar, Hasan and Kabir, 2021). In addition, a study by Wang and Ran (2019) found that microfinance can alleviate poverty; however, a sustainable path needs to be established for poverty alleviation. Thus, more sustainable measures must be taken to ensure that microfinance alleviates poverty.

Another benefit of microfinance is that it is an effective source of employment opportunities and increases the number of domestic and additional jobs. This implies that more businesses

are operated by providing capital and access to finance, creating jobs for individuals. For instance, a study by Bikbaeva and Gailnazarova (2009) showed that microfinance combined served an estimated 70,000 clients, creating jobs for an additional 200,000 people. The provision of credit services and, in some instances, non-financial services, such as business development training for small businesses and entrepreneurs, creates job opportunities in terms of self-employment and employment opportunities. Hence, microfinance is essential as it provides employment opportunities for many people.

3.4 Microfinance Industry

The microfinance industry refers to microfinance institutions that provide microcredit, micro-savings, micro-insurance, and financial literacy services. As previously indicated, microfinance institutions include microsavings, microcredit and microinsurance institutions (Reza, 2010). This section of the study will focus on the microfinance industry.

The microfinance industry is diverse and geographically dispersed. The microfinance industry is made up of profit-oriented institutions and non-profit institutions. Over the years, the industry has seen the commercialisation and shift from non-profit to profit organisations. The profit-oriented microfinance institutions rarely adopt the joint liability lending mechanism, which permits those without collateral to replace physical collateral with social collateral. Social collateral refers to local forms of association that express trust and norms of reciprocity, which can improve the efficiency of society by facilitating coordinated actions (Lerpold, 2012; Rankin, 2002). Social collateral is based on the principle that individual and group relationships constitute an important asset that can be called on during a crisis and is enjoyed for one's sake or leveraged for material gain (Lerpold, 2012; Woolcock and Narayan, 2000). Social collateral allows members to acquire a loan and share the responsibility for repayment. The profit-oriented microfinance institutions are accustomed to targeting salary workers and microbusinesses (Chikalipah, 2018).

South Africa's population remains unbanked or underbanked, presenting potential for growth in retail banking and microfinance. The microfinance industry has been growing and expanding over the past two decades in Sub-Saharan Africa (SSA), with a rate of over 10% per annum; this builds on the remarkable growth witnessed by Sub-Saharan Africa after 2000 (Moyi, 2019; Chikalippah, 2017). However, the developmental microfinance sector in South Africa is

immature, with only two institutions having achieved scale by servicing more than 2,000 clients (National Treasury, 2023). The lack of microfinance institutions in South Africa is primarily because of the expense and licensing requirements since the only pragmatic approach to sustaining their organisation strategy, which involves accepting deposits and making payments and credit, is by getting a full banking licence, even if they do not normally operate in the entire range of operations permitted to banks with licenses (National treasury, 2023).

The microfinance market size is estimated to be R27.75 billion based on 2018 revenue values, with a forecasted significant growth between 2018 and 2024 (South African Microfinance summary, 2019). The Microfinance South Africa (MFSA) represents more than 1300 microfinance credit provider offices in South Africa that are registered with the National Credit Regulator (Microfinance South Africa, 2024). The digital era and the use of mobile money services have enabled users in the microfinance industry to access microfinance products via mobile phones through mobile money services (Chikalipah, 2018). Mobile money services have been the fastest-growing segment of the microfinance industry, with over a hundred million active mobile money users (Jack and Suri, 2014).

3.5 Microfinance Institutions

Microfinance institutions refer to financial institutions pursuing a peculiar business model, providing loans to the poor through particular lending technologies such as group lending and unconventional individual lending (Schulte and Winkler, 2019). Microfinance institutions are based on joint liability and peer pressure with intensive screening, monitoring, non-bankable collateral and dynamic incentives to assess the creditworthiness of borrowers and ensure willingness to repay (Armendáriz and Morduch, 2010). Microfinance institutions are specifically established to support business development and community empowerment. Microfinance institutions aim to collect funds and manage deposits, primarily channelling funds through loans to small business players and providing business development services through consulting (BRIAPI, 2024). Microfinance institutions are vital to national economic recovery, financial inclusion and poverty alleviation (Sahu, 2021).

Microfinance institutions can adopt a minimalist approach or a maximalist approach. The minimalist approach is when microfinance institutions provide only financial services, while the maximalist approach is when microfinance institutions offer to their clients financial and

non-financial services, such as small businesses getting financial services and non-financial services such as business development and social services that improve the field of health, education and culture (Goldmark, 2006; Labie and Mees, 2005). Some researchers, including the early studies of D’Zmura (1985) and Boomgard (1989), argue that the minimalist approach is adequate as credit services are enough to alleviate poverty and provide small business success. This is also supported by Dr Muhammad, who believed that it is more efficient to use the existing skills than introduce new skills, and by providing credit-only minimalist services, clients can immediately put into use the existing skills they have rather than wasting time teaching them new skills. This allows clients to immediately put into practice the skills they already know (Lensink, Mersland, Vu and Zamore, 2018; Yunus, 2007). However, supporters of the maximum approach argue that credit alone may not be enough to ensure stable employment and productivity. The reasons for poverty and business failure at the grassroots level include economic and social problems, including a lack of marketable skills and resource management know-how (Amha, 2003). The continuous debate on whether microfinance should follow a minimal or maximalist approach is ongoing, determining the type of products different microfinance institutions provide.

3.6 Microfinance Products

There are three main microfinance products provided by microfinance institutions that include micro savings, microcredit, and microinsurance.

3.6.1 Microsaving

Microsavings are defined as small deposits provided by microfinance institutions as an incentive to assist customers in saving funds for emergencies or set goals (Loubere, 2019; Balasubramanian and Subramanian, 2012). Microsavings can also be defined as savings deposited by those with low income, who live in poverty, or who have a small amount of savings (Hulme, Moore and Barrientos, 2015). Microsavings are important for microfinances at both a micro and macro level (Karkan,2014). Micro savings are beneficial at a macro level as they strongly predict future economic development. At the same time, they are beneficial from a micro perspective as they better meet the demands of the poor by enhancing their overall well-being (Schicks and Rosenberg, 2011; Ashraf, Karlan and Yin, 2010; Ashe, 2002). In addition, the ability of microfinance to take deposits in the form of micro-savings allows them to accomplish cost efficiency and sustainability (El-Zoghbi, 2010; Abakaeva and Glisovic-

Mezieres, 2009; Dokuliova et al., 2009). For instance, The Small Enterprise Foundation (SEF) had a saving product called loan size strategy, which required clients to have a savings balance of at least 10% of the amount they sought to borrow in their savings accounts opened at a bank or post office, as well as a deposit of at least 2% of their current loan size every two weeks (Dalla Pellegrina, De Michele, Di Maio and Landoni, 2021). In addition, the Capitec Bank micro savings introduced the product on a pilot project, which required no minimum balance other than an R10 balance when opening the account and an interest rate of 7% per annum regardless of the balance (2003).

3.6.2 Microinsurance

Microinsurance is a system where individuals contribute to a common fund to distribute the risk and offer financial security to low-income earners in the face of specific uncertainties in return for regular cash payments. Churchill (2006) defines microinsurance as the protection of low-income individuals against specific perils in exchange for regular premium payments proportionate to the likelihood and cost related to the risk involved. The microinsurance scheme assesses the probability and expense of the risks involved (Mutengezanwa, Gombarume, Njanike and Charikinya, 2011; Churchill, 2006). According to the National Treasury, published in the 2011 policy document on microinsurance, microinsurance differs from traditional insurance because it focuses mainly on the low-income market. The microinsurance sector has seen significant growth in Africa, but despite this, there is still considerable room for expansion for microinsurance in South Africa and Africa at large (Chikumbu, 2024). South Africa has a developed micro-insurance industry, partly due to the prevalence of funeral insurance among low-income people (Smith, Chamberlain, Hougaard, Smit and Carlman, 2010). Besides funeral insurance, micro-insurance is not extensively used or available in South Africa (Chummun and Bischoff, 2014). Non-life insurance has been relatively under-taken by low-income households in South Africa, despite the introduction of new products (Alhassan and Magazi, 2021). The National Treasury policy contains details that govern the microinsurance product. Microinsurance is essential as it helps clients circumvent the risk of external vulnerability, such as health issues or death.

3.6.3 Microcredit

Microcredit refers to the provision of small collateral-free loans for income-generation activities awarded to those lacking a steady source of income, collateral, or any credit history

(Khandker and Koolwal, 2016; Aagaard, 2011). Ding and Abdulai (2020) define microcredit as providing small business loans. Microcredit can also be defined as a small amount of money loaned to a client by a bank or institution (Al-Shami, Razali and Rashid, 2018; Bateman, 2012). Small loans characterise microcredit loans. This means that loans are offered in small amounts, which vary based on the country. For instance, in South Africa, the range is between loans of up to R50,000 with an amount of up to R100,000 per single owner in the case of exceptional circumstances and proper business investment analysis (SEFA, 2023). According to the Microcredit Summit (2002), a microcredit loan is an extension of small loans to entrepreneurs who cannot qualify for commercial bank credit.

The current study will focus on the microcredit product of microfinance as it is considered one of the most critical economic development tools, providing access to credit to non-bankable individuals, including small business owners, providing them access to finance through the provision of credit (Aagaard, 2011). Microcredit has been identified as one of the main advantages of microfinance, providing capital to entrepreneurs who may not have adequate capital and collateral to get loans from traditional banks. The capital microfinance institutions provide through microcredit can be used to expand business activities to potentially increase microfinance institution users' living standards (Beisland, D'Espallier and Mersland, 2019). The study also focuses on microcredit, as there is limited exploration of the motivations of microfinance borrowers who borrow microcredit and the use of the loans over time (Canales and Greenberg, 2016; Chliova, Brinckmann, and Rosenbusch, 2015; Shahriar and Garg, 2017). Thus, the study aims to investigate the relevant factors that influence the intention of small business owners to access microcredit services.

Microcredit institutions are regarded as a component of microfinance that offers microcredit services. This portion of the study will focus on microcredit institutions. Microcredit has gained much recognition globally, with many researchers referring to it as the collective term of 'Microfinance'. Bateman (2012) suggests that microfinance began as microcredit and became an umbrella term for all available micro-activities. The microcredit system was introduced in 1980 with the Grameen Bank Model, a classic example of the microcredit programme. The Grameen Bank microcredit model, introduced by Dr Muhammad Yunus, promoted low-interest rate finance to the marginalised individuals in society by providing them with finances they

would use for reinvestment (Ahmed, Siwar and Idris,2011; Chan and Abdul Ghani, 2011). The Grameen model will be discussed in depth under the Microcredit model in section 3.7.

Microfinance institutions that only provide microcredit services can be called microcredit institutions. Microcredit institutions can be part of microfinance institutions or banks. Microcredit institutions in the microfinance industry have dual financial and social performance objectives (Beisland, DEsplalier and Merland, 2019). Other microfinance institutions are moving to the triple bottom-line objectives, including environmental ones (Allet and Hudon, 2015; Dorfleitner et al., 2021). The social performance objective refers to the contribution to the fight against poverty, while the financial objective is about being financially sustainable in the long run (Hudon et al., 2020). However, a challenge microfinance faces is that the simultaneous financial and social performance goals can conflict. Recent studies have suggested that many microfinance institutions increasingly focus on financial performance at the expense of the social component of the dual objectives (Hermes et al., 2011). This phenomenon is referred to as the mission drift of the microfinance sector (Copestake, 2007). This has resulted in the targeting of the less privileged being regarded as more expensive than targeting wealthier clients, and may strain the financial performance of microfinance institutions. The mission drift has resulted in ethical problems arising with institutions initially created to provide microcredit to vulnerable people, shifting to less vulnerable clients. The following section will discuss the microfinance model, especially the Grameen Bank model, which supports microcredit services or institutions.

3.7 Model of Microcredit Service

The microfinance model supports microcredit. According to Olugbenga and Mashigo (2017), the Grameen Bank model is a standard microfinance model. The microfinance models are established based on the criteria of group lending schemes and other collateral substitutes, consisting of mandatory savings, insurance funds, and loan guarantees. Microcredit is based on the Grameen Bank model.

Muhammad Yunus of Bangladesh established the Grameen Bank model in 1976, and its foundations are trust and mutual accountability. The model is based on the principle of social collateral, creating groups to acquire loans, attending mandatory meetings for the loans and the availability to acquire another loan after total repayments of existing loans have been made by

the group (Muhinuddin et al., 2020). The Grameen Bank model uses social collateral, which refers to local forms of association that express trust and norms of reciprocity, which can improve the efficiency of society by facilitating coordinated actions (Lerpold, 2012; Rankin, 2002). Social collateral is based on the principle that individual and group relationships constitute an important asset that can be called on during a crisis and is enjoyed for one's sake or leveraged for material gain (Lerpold, 2012; Woolcock and Narayan, 2000). Social collateral allows members to acquire a loan and share the responsibility for repayment. The collective responsibility of the Grameen bank model minimises the rate of default payment due to the group pressure to repay the loan (Ojah and Mocketi, 2010).

The Grameen model was initially operationalised and introduced in villages to extend credit in Bangladesh. The Grameen Bank model was formed by introducing microfinance branches that offered microcredit loans in Bangladesh. The employees of the microfinance institution made known the services available through word of mouth and interaction with the local people in the villages. A group consisting of five members was required to qualify for the loan. A chairperson and secretary were selected within the group, and it was the chairperson's responsibility to discipline the group and ensure that members attended and participated in weekly and regular meetings in which they were required to answer questions about their actions regarding the loans. The questions ensured that the trust and credibility of the members could be assessed, as some villages have none of the traditional mechanisms that prospective borrowers use to determine the creditworthiness of individuals. In the Grameen model, if one member fails to repay a loan, all members of the group risk having their line of credit suspended or reduced (Yunus, 1999). The Small Enterprise Foundation has adopted the Grameen Model group scheme in South Africa.

The Grameen Bank model relied on subsidies to reduce interest rates. The Grameen Bank model proved unsuccessful in the long run, resulting in the transition from poverty lending to commercial or financial microfinance programmes and lending. This resulted in the late 1980s and 1990s microfinance institutions shifting towards a financial system approach that emphasised the self-sufficiency of the institutions. As a result, microfinance institutions are now regarded as both a poverty eradication measure and an economic empowerment development tool, as supported by the United Nations, the International Monetary Fund and

the World Bank (Nkungwana, 2020). Bateman (2012) suggests that microfinance began as microcredit and became an umbrella term for all available micro-activities.

The Grameen bank model has seen many adaptations, expansions, and developments in different countries, mostly in developing and underdeveloped nations, as a salient policy instrument to tackle and eradicate poverty and upgrade the livelihood of poor people (Begum et al., 2019). The Grameen bank model can present itself as a community banking methodology based on a group of five members; the village banking method with a group of 25–50 individuals with low income who establish a community-based credit and savings. Bank Guarantees are organisations that require a bank guarantee as social collateral, and credit unions that come together to save money and extend loans to members at the same interest rate, as explained in Table 3.1. The Grameen Bank model also offers direct credit lending, allowing individuals to take out loans. With direct lending, the lender must investigate and know the customers well enough before the loans are granted (Muhinuddin et al., 2020). Microcredit lenders of direct lending need to be aware of the high chances of failure of repayments, as individuals don't have the pressure from group members to repay the bank loans. The Grameen Bank works with the presumption that even people who can't acquire conventional loans and services are capable of managing their own financial affairs and development given suitable conditions, such as small, long-term loans on easy terms (Nobel Media AB, 2020).

Table 6: Adaptations and Types of the Grameen Model

Name of Model	Description	Source
Community Banking Methodology / Solidarity Group	Classic microfinance model, often called the ‘Grameen model’ after the pioneering Grameen Bank in Bangladesh. It involves five-person solidarity groups in which each group member guarantees the other member’s repayment.	(Armendariz and Labie, 2011; (Moloi and Ntshakala, 2016)
Village banking method	Expands the solidarity group concept to a larger group of 15- 30 people who are responsible for managing the loan provided by the microfinance as well as for making and collecting loans to and from each other; members typically make a savings contribution to a central pool, from which other members can take loans.	(Armendariz and Labie, 2011; Basu, 2013)
Bank Guarantees organisation	The lending organisation requires a bank guarantee for the loan to be provided. The bank guarantee could emanate from different sources, such as donors, government agencies, or savings group members. In this regard, the guarantee serves as credit collateral.	Tau, 2020.
Direct Lending/ Individual Lending	This type of lending is made available to clients who are not dependent on some form of group support system but who can provide collateral or substitute funding.	Armendariz and Labie, 2011.

Source: Researchers' Construction

3.8 Importance of microcredit

Microcredit is an important microfinance tool used to alleviate poverty through development assistance. It assists small businesses in accessing capital for their businesses, whether start-ups or already existing businesses. Microcredit is important as it raises incomes and broadens financial markets by providing financial services to small-scale entrepreneurs without access to capital markets and provides credit in the form of loans to borrowers with minimal access to conventional banking systems and formal sources of finance, allowing borrowers access to finance (Ali et al., 2016). Microcredit provision is also important as it provides employment

and income generation, contributes to small business development and is of political and economic importance in developing countries.

Microcredit is important as it provides access to credit to both rural and urban areas of developing countries that do not have easy access to the mainstream formal sector financial institutions. This means that microcredit clients have access to finance that they can use for consumption or supporting entrepreneurial incentives that are easily accessible in their respective areas. Microcredit has less strict requirements when acquiring credit than formal financial institutions and does not require collateral in the case of joint liability lending, making access to credit more accessible. Through the provision of microcredit loans, members of African countries who cannot access formal financial services can be reached and provided with financial services to improve their standards of living while contributing to economic growth (Razzaq, Maqbool, and Hameed, 2019; Alemayehu and Lemma, 2014). This is because some microcredit loans aim at business development, allowing the loans to alleviate poverty through entrepreneurial initiatives, which create disposable income (Khavul, 2010). Microcredit loans also provide access to finance for consumption, which can be used to improve food security and payment of day-to-day expenses. Thus, microcredit is important as it allows for access to finance.

Microcredit is important as it contributes to the development of small businesses. Small business development refers to the support focused on small businesses, consisting of programmes that assist in marketing, financing, and business-related assistance (Bika, Subalova and Locke, 2022). Through the provision of microcredit loans, small businesses can operate and grow their business as they will have access to finance. The 2005 Micro Credit Summit resulted in lenders in South Africa designing financial products tailored for small businesses through microcredit services. Waithaka, Marangu and N'gandu (2014) believe that microcredit is an effective tool for developing small businesses as it assists in accessing capital for both new and existing businesses. The provision of microcredit services increases the chances of small businesses operating successfully as they will have a competitive advantage in terms of access to finance and can use the funds to pay for day-to-day operations and the growth of their small businesses. Thus, microcredit is important as it allows members of developing countries to start small businesses and create disposable income, creating better living standards for the members of the businesses as they generate revenue.

In addition, microcredit is important as it significantly impacts employment and the average income of participants in rural and urban areas (Tria, Harun and Alam, 2022; Banu et al., 2021; Datta and Sahu, 2021). This means that microcredit makes a provision for the creation of employment and the generation of income. Microcredit has the potential to create employment as it creates job expansion in the informal sector by providing access to finance, which can be used to start businesses through entrepreneurial initiatives (Tria et al., 2022). For instance, microcredit programs mainly encourage women to participate in the labour market and help to absorb female informal employment (Tria et al., 2022). This is supported by Sahu, Datta and Maity (2021) study, which confirmed that microcredit has the potential to generate employment. A study by Ncanywa and Getye (2016) in South Africa found that microcredit negatively correlates with unemployment and is an effective device for economic development. The study recommends that policymakers continue to implement measures of this policy, given its positive contribution to Gross Domestic Product. Microcredit also improves the income generation for participants as they will have more access to disposable income, as supported by a study by Banu et al. (2021), which found a significant positive effect of microfinance in terms of the microcredit product on the average income of participants. Hence, microcredit is important as it significantly impacts employment creation and the average income of clients.

The provision of microcredit services as a source of finance beyond the outreach of mainstream commercial banks is of political and economic importance in developing countries like South Africa due to the history of apartheid and the marginalisation of black people economically. The provision of microcredit services after the apartheid era in South Africa resulted in the marginalised black community having access to finance as election bankers considered 70% of the population 'unbankable' (Kirsten, 1997) before 1994. The provision of microcredit resulted in marginalised individuals having the option to operate small businesses and generate income. For instance, the government of South Africa introduced the Small Enterprise Foundation, Group Credit Company and the National Stokvel Association of South Africa (NASASA), which makes formal finance available in conjunction with formal Banks like First National Bank with support from USAID. This has resulted in the marginalised community being able to operate their businesses and get income as they have access to finance, which requires little to no collateral. Microcredit is therefore essential as it provides credit to marginalised individuals without adequate collateral to acquire funding from financial institutions such as

commercial banks. It helps address community economic imbalances by improving living standards and income equality.

3.9 Different Types of Microcredit Lending Services

There are different types of microcredit lending services offered to customers, including joint liability lending and direct lending. Joint liability lending refers to a lending mechanism which allows a group of individuals to acquire a loan and provide a loan payment guarantee through the group repayment pledge (Attanasio, Augsburg, De Haas, Fitzsimons and Harmgart, 2015). This means that small group borrowers have a joint liability of the loan and must take it upon themselves to guarantee that each member makes the due payment. Joint liability is based on social collateral, an incentive adopted to encourage microcredit recipients to repay loans by agreeing to the joint liability of the loan repayment (Kachkar and Djafri, 2022; Rotzer, 2007). Joint liability lending can also be called Group lending, loan liability lending or Group contracts. Loan repayments usually commence after the loan has been issued, and payments are made at an agreed time, depending on the agreement with the microcredit institution. Late repayments are recorded as payments made after the agreed due date payment, and they attract penalties. Under joint liability lending, individuals can only acquire another loan once all acquired group loans have been paid in full (Muchnick and Kollamparambil, 2015).

In joint liability lending, one member's default payment will result in others having to contribute to ensure repayment and prevent default payment. Group members usually cover an individual's missed shortfall due to their dependence on future credit. As a result, joint liability lending fosters screening, monitoring and enforcement of contracts among the borrowing group, which reduces the lenders' agency costs and improves the group members' repayment. As discussed under the microfinance Models, joint liability lending can present itself as a Community Banking Methodology/ Solidarity Group, Village Banking Method and Bank Guarantees organisation. One disadvantage of group lending is that it is time-consuming as it usually involves regular repayment meetings of the loans and exerts social pressure on individuals (Attanasio et al., 2015). This has resulted in microcredit institutions also providing individual lending.

Individual lending can also be called direct lending. Individual lending implies that the individual who acquires the loan is solely liable for the repayment and may have to provide

some form of collateral. Individual lending is made available to individuals who can provide collateral or substitute funding and are not dependent on a group support system. The provision of financial services to individuals instead of groups is similar to traditional banking in that collateral or collateral substitutes may be required from borrowers (Armendariz and Labie, 2011). Direct lending is gaining popularity in microcredit and microloan services in areas such as Russia, China and Eastern Europe (Brau and Woller, 2004). Banerjee (2013) states that individual loans are substantially more significant and more likely to be collateralised. Therefore, direct lending is not the focus of this study as this type of lending is popular in other geographical areas than South Africa.

3.10 Microcredit In South Africa

Microcredit institutions underwent different stages in South Africa as they work towards reaching the maturity stage (Ojah and Mokoteli, 2010). The stages include pioneer, breakout, consolidation and eventually maturity. Microcredit institutions officially launched in South Africa in 1992 as microfinance institutions (Bateman, 2019; Paradigm Shift, 2010).

The official launch of microcredit in 1992 was part of the **pioneer stage** between 1980 and 1994. This occurred when the microcredit model was introduced to rebuild post-apartheid South Africa (Bateman, 2019). This happened after an increase in the supply of microcredit in South Africa in 1990 (Bateman, 2019). The pioneer stage consisted of lenders that operated illegally and charged excessive interest to customers by charging a higher rate than the ceiling of the Usury Act of 1968 (Paradigm Shift, 2007). The term Usury Act refers to the law that covered the financial aspect of money lending contracts, and the role of the Usury Act of 1968 was to protect consumers against exorbitant interest rates (Otto, 2010). The microcredit services that charged excessive prices during the pioneer stage were too few and did not attract the official's attention. Following the pioneer stage was the **breakout stage** from 1995 to 1999. The breakout phase had high industry growth due to the early pioneers' penetration and the high growth of the microfinance industry (Baloyi, 2016; Paradigm Shift, 2007). The high growth rate also occurred as the microcredit industry had been legalised in the pioneer stage, with the 1997 first formal South African analysis indicating an increase in formal microfinance of an estimated 3500 institutions and an increase in the volume of loans of 6.5 billion between 1995 and 1997.

The **consolidation stage** occurred from 2000 to 2007. The consolidation stage saw a fall in the rapid growth rate of microfinance experienced in the breakout phase. This happened due to the introduction of the Microfinance Regulatory Council (MFRC), a microlending regulator, and the government's outlawing of payroll lending. This drove many microcredit institutions out of the market due to decreased profits and high regulatory compliance costs. The rate of microcredit loans continued to increase, but at a slow rate compared to the breakout phase. The maturity stage of microcredit has not been reached and will occur when the industry growth rate reaches a sustainable pace and a consistent regulatory framework is developed (Baloyi, 2017; Paradigm Shift, 2007).

3.11 Providers of Microcredit In South Africa

Microfinance has changed dramatically during the last decade, moving from a universe of donor-financed NGOs towards a widely disparate industry (Mersland, 2009), including a growing number of commercial banks, individual moneylenders, non-bank credit organisations and specific programmes that are tailored to meet the needs of poor rural households (Ding and Abdul, 2022; Brière and Szafarz, 2015). The microcredit industry comprises of microcredit providers, who can be formal or informal lenders. These formal and informal lenders make up the microcredit providers in South Africa.

Formal microcredit providers refer to the registered financial institutions governed by the country's laws and regulations, while informal lenders include semi-formal providers such as non-governmental organisations, non-bank financial institutions and member-owned institutions. In South Africa, formal microcredit lenders are registered lenders who comply with the National Credit Act and National Credit Regulator, including banks (Bayai, 2017). The South African financial institutions providing microcredit services in the form of microfinance institution mediations can be categorised as non-governmental organisations, micro-lenders, banks and member-based organisations comprising financial service cooperatives.

3.11.1. Non-Government Organisations

Non-government organisations that provide microcredit services can be either locally or internationally owned. The non-governmental organisation mainly targets rural areas and townships because of their developmental nature and social orientation, and these areas are close to their targeted clientele (Bayai, 2017). One of the largest non-governmental microcredit

suppliers in South Africa is the Small Enterprise Foundation (Bayai, 2017). The Small Enterprise is one of the leading non-profit microfinance providers in South Africa. The foundation was established in January 1992 in the Limpopo area to combat poverty, as Limpopo has one of the highest poverty rates in South Africa (Dalla Pellegrina, De Michele, Di Maio and Landoni, 2021). The organisation has since expanded into other provinces, including the Eastern Cape, Gauteng, and Mpumalanga. The Small Enterprise Foundation focuses on providing microcredit services through the joint liability method and provides other branches of microfinance services, including savings and insurance. Although South Africa has some non-governmental organisations, their significance is limited as the country has inclined to big microfinance commercial banks (Bayai, 2017).

3.11.2 Banks

Banks are financial institutions with the authority and function of issuing loans, taking deposits from the general public, providing payment services such as electronic transfers, and directly impacting customers' finances (Kidwell, Blackwell and Whidbee, 2016). Karim et al. (2011) noted that commercial banks have become a dominant part of the microfinance sector in the Southern African Development Community (SADC), notably in South Africa, Zimbabwe, Angola, DRC, Mozambique, Tanzania, and Malawi. This is because commercial banks account for an estimated 81% of Southern Africa's total borrowers. Banks can be subdivided into three groups, namely, Tier 1 Banks, Tier 2 banks, and micro banks in South Africa (Baloyi, 2017).

The **Tier One banks** comprise retail banks, investment banks and the Development Bank of Southern Africa. Examples of Tier One banks providing microcredit services include First National Bank, Standard Bank, Absa, Nedbank, and Investec. The Financial Services Charter regulation required the specified banks to satisfy the following criteria to provide microcredit services: investment in low-income housing, investment in black small and medium businesses, and access to financial services (Baloyi, 2017). The **second tier of banks** includes locally controlled banks, including The Post Bank of South Africa. Micro Banks refer to banks that can be regarded as Microfinance Institutions, as they only offer services to low-income earners. In South Africa, banks, including Capitec Bank, African Bank, and Meeg Bank, can be regarded as microbanks, which are microfinance institutions (Bayai, 2017).

3.11.3 Member-based organisations

Member-based organisations provide their members with financial services, including deposits, insurance, and credit only. Member-based organisations include financial cooperatives, informal stokvels and mutual banks.

Financial service cooperatives do not operate for a profit and offer services, including loan advancements and insurance and accept deposits from members against the issue of shares (Van Zyl et al., 2011). Financial service cooperatives are closed-ended and do not offer their services to non-members. These are regarded as village banks. Stokvels refer to a group or association of individuals who make regular contributions to a pool of savings or a common fund, generally weekly, fortnightly, or monthly (Mkhize, 2017). Stokvels are also known as Rotating Saving and Credit Associations (ROSCAs). Each member can draw from the fund, usually for a specific purpose. Investment stokvels are mainly used to generate income for small businesses and refer to stokvels that save or bank the pool of savings to carry out capital projects or invest in a business venture, property, or shares (Van Zyl et al., 2011). Each stokvel member has the right to rejoin after the disbursement of capital and profits. In addition, Mutual banks are similar to banks and offer electronic transfers, asset-backed loans, and bank overdrafts. Mutual banks differ from regular banks regarding ownership, Base II, and minimum capital requirements (Bayai ,2017).

3.11.4 Microlenders

Microlenders make provisions of mostly unsecured small amounts of money to low-income earners. Individuals are awarded the funds for consumption, debt management, emergencies, and small business financing. Failure to repay the amount owed may result in the seizure of assets to recover the cash loan (Van Zyl et al., 2011). In South Africa, microlenders can be formal or informal. Formal micro-lenders are those registered as credit providers with the National Credit Regulator and comply with the National Credit Act and any regulations issued in terms thereof. This is the case unless the lender has fewer than 100 credit agreements or the micro-lender has an outstanding loan book of less than or equal to R500,000 (Van Zyl et al., 2011). Micro Finance South Africa (MFSA) represents most of the industry's professional role players in South Africa. It has developed a code of conduct to engender a high standard of professionalism and integrity among its members.

The structure of the microcredit industry comprises the formal and informal sector, which houses the different microcredit providers, including non-governmental organisations, microlenders, banks, and member-based organisations. The microcredit industry is controlled by regulation and legislation to ensure its well-functioning. The next section will discuss the legislation of microcredit services in South Africa.

3.12 Legislation of Microcredit Services in South Africa

The South African government has introduced legislative frameworks to create an environment that enables the provision of microcredit services. The legislation of micro-lending services became legitimised in South Africa in 1992 after the Usury Exemption Notice to the Usury Act of 1968 was signed into law (Wringly, 2019; Yacoob, 2006). The Usury exemption allowed credit providers to charge unregulated interest on small loans, so that credit providers would cover the entire loan, making microlending more attractive.

The exemption to the Usury Act did not last due to the inaccessibility of microcredit and the exploitation of the qualifying borrowers by microlenders, resulting in the establishment of the Micro Finance Regulatory Council (MFRC) in 1999 under an Exemption to the Usury Act (Ciaran, 2005). The MFRC is essential to the development of microfinance institutions in South Africa. The MFRC ensures a fair relationship between microfinance institutions and borrowers, such as small businesses, by regulating microlending, improving consumer protection against excessive charges, and ensuring efficiency in the provision of credit (Mashigo and Klingelhofer, 2012).

The introduction of the Microfinance Regulatory Council (MFRC) resulted in the identification of problems in the credit lending legislation in South Africa, which included the fact that credit costs were still too high and it provided ineffective consumer protection for low-income groups (Wringly, 2019; Ciaran, 2005). This resulted in the Department of Trade and Industry drafting the ‘Consumer Credit Policy Framework’, which subsequently led to the drafting of the National Credit Bill (Wringly, 2019). The Consumer Credit Policy Framework and the National Credit Bill were established after the MFRC, indicating that microcredit had a minimal impact on poverty, inequality, and social exclusion.

In 2007, the South African Government passed the National Credit Act (NCA), which officially cancelled the Usury Law of 1968 and the Usury Law Exemption of 1992 (Bamu, Schuckman and Godfrey, 2007). The initial purpose of the National Credit was to promote a credit market that is fair, transparent, accessible, responsible and sustainable (Louw and Stoop, 2012). The National Credit Act's purpose includes reducing the cost of finance and improving the accessibility of the credit market to all South Africans (Bankseta, 2006). The National Credit Act was also formed in South Africa to monitor the operations of the microfinance institutions in the country and ensure that they contribute to the development of small businesses in South Africa.

The NCA made new limits on the cost of credit, which became effective under the National Credit Regulations on the 6th of May, 2016 (Wrigley, 2019). These amendments focused on changing the maximum permissible interest rates and fees, aiming to reduce the cost of credit for most credit categories. Thus, the National Credit Regulations govern microcredit services operations in South Africa. A study by Wrigley (2019) indicated that the shortfalls in microcredit regulation in the NCA suggest that many of these regulations could be more confident, precise, and direct. Hence, the regulation of microcredit should be more specific and not fall under the general financial sector. Although the NCA has been powerless regarding informal money lending and associated informal credit agreements, it does govern formal microcredit.

3.13 Requirements for Microcredit Services

Microfinance institutions have requirements that make applicants eligible to qualify for microcredit services. However, it is important to note that different microcredit lenders have different requirements for the eligibility of microcredit services, depending on whether they are profit-making or non-profit-making organisations. Group lending and Individual lending mechanisms also come with varying eligibility requirements, with standard requirements such as application forms, valid identification, and proof of operation of small businesses being required by the majority of the service providers in the case of small businesses. The requirements for small businesses to acquire microcredit services are discussed below.

An essential requirement for an applicant to qualify for microcredit is the administrative paperwork needed to apply for the loan (Falkena, 2004). Microcredit applicants must provide

a completed loan application form indicating their details, the funds they would like to borrow and their use. The application form has to be accompanied by supporting documents, which may include a valid proof of identification, an outstanding business proposal for small businesses or an application letter for self-employed individuals, proof of business location, proforma invoices of the item to be financed by the loan where applicable, up to date repayment along with bank accounts statements lasting six months. As microfinance loans fall under the credit provider bracket, they will have to meet the Financial Intelligence Centre (FIC) requirements, which are to identify and verify the identity of the customer, including obtaining and verifying information of the individual or the registration of a legal person and their address or location. Customers must provide valid proof of identity, national identification book or smart card, and proof of residence, occupation status and source of funds in certain cases (Financial Intelligence Centre, 2023). The applicant must provide all the required supporting documents at the time of application. The number and type of supporting documents depend on the selected microcredit lender.

To qualify for microcredit services in South Africa, small businesses must be operational within the South African borders. Depending on the microcredit lender providing the microcredit services, 100% control of interest must be held by a South African citizen with a valid South African Identity. For instance, in the case of the Small Enterprise Finance Agency (SEFA), small businesses applying for microcredit services should be operational in South Africa, and their small businesses must demonstrate the provision of employment or create economic empowerment (SEFA, 2022). Microcredit service lenders may also provide microcredit services to businesses located in specific towns and areas within South Africa. This mainly applies to non-profit organisations that select certain rural areas and townships because of their developmental nature and social orientation (Bayai, 2017).

Another requirement for microcredit services is that applicants should only have a loan from one microcredit lender. If one attempts to acquire a loan from providers such as SEFA, the indication of an application for more than one loan to different microcredit lenders indicates risky credit behaviour that reduces the chances of loan approval and negatively affects one's credit score (SEFA, 2022). The applicant of microcredit services must be registered and have a bank account with the microcredit provider to be eligible for a loan if the microcredit lender offers a bank account (GBS Mutual Bank, 2022).

In addition, another criterion for microcredit services for small businesses is that they have to have been in operation for a minimum of six months before they can apply for microcredit services. Small businesses must provide performance records and the projected income level to be acquired from capital injection. Microcredit applicants must also agree to the repayment plans proposed by microcredit providers. The repayment plans can be short or long-term, depending on the microcredit loan applied, with regular payments at each interval. In the case of direct lending, individuals who are small business owners must provide a reference to loan repayability, and the business operation should be viable and sustainable and show the ability to generate income. Small business access to microcredit has also been affected by the interest rates demanded by the microcredit institutions, which have to be paid back with repayment instalments (Woriku and Muchie, 2019). In some cases, this has been seen as a hindrance to access to microcredit services.

Regarding non-governmental organisations such as SEFA, small businesses, also regarded as microenterprises, must register with the Small Business Development (SMMESA) before qualifying for microcredit services. This applies to small businesses, which are considered spazas, general dealers and grocery stores. Small business owners must have a permit to operate, which can be a municipal permit or a license to trade. The small business owners must also be registered with the Companies and Intellectual Property Commission (CIPC), the South African Revenue Service (SARS), and the Unemployment Insurance Fund (UIF) in cases where they are not already registered with these boards (Sefa, 2022). Small businesses may also be required to attend training business sessions and be open to the assessment of entrepreneurial, auditing and management skills upon receiving the loans. These measures are taken to ensure that the small business remains in operation and can make its repayments.

The prerequisites required for small business owners to access the financial packages of microcredit service providers have been discussed above. These requirements are beyond the reach of some small businesses, which has disabled the small businesses from accessing the financial packages, which can lead to the growth of their innovative hubs. This shows that despite the presence of microfinance institutions and the willingness of small businesses to be given those funds, the required prerequisites also act as a barrier to their access to finance, along with the high interest charges applied by some microcredit providers. The next section

will discuss the adoption of microcredit in South Africa, since there are barriers that might prevent access to financial services.

3.14 The Adoption of Microcredit In South Africa

Many factors affect the adoption of microcredit in South Africa, such as lack of financial stability, cultural and value impediments, systematic fraud, methodological defects, government intervention, uncontrolled growth and shortage of credit rating agencies (Saeed, 2014). Customer demographics such as age, gender, education, and employment status influence purchase intentions for financial products and services (Ahmed et al., 2010), including microcredit. The adoption of microcredit is predicted by consumers' intention to purchase financial products and services. Theories of consumer behaviour can be used to explain purchase behaviour, which is the outward manifestation of a consumer's thinking (cognitive) and feeling (affective) functions (Mkhize, 2017). The theory used in this study to determine the adoption of microcredit is the Theory of Planned Behaviour. This is because the theory is underpinned by the assumption that human behaviour is essentially rational, and that the immediate antecedent of any behaviour is intention. Intention refers to an indication of how hard people are willing to try and how much effort they are planning to apply in performing the behaviour (Ajzen, 1991).

Previous studies on the adoption of microcredit have measured the intention to use microcredit services basing it on the Theory of Planned Behaviour (Kajenthiran, Achchuthan and Ajanthan, 2017; Macha, 2018; and Jebarajakirthy et al., 2014). This study will use the Theory of Planned Behaviour to investigate the factors that influence the intention of small business owners to access microcredit services in Makana Municipality.

3.15 Intention Model of Microcredit

This section will discuss the Theory of Planned Behaviour and the extended version of the Theory of Planned Behaviour as the intention model of microcredit.

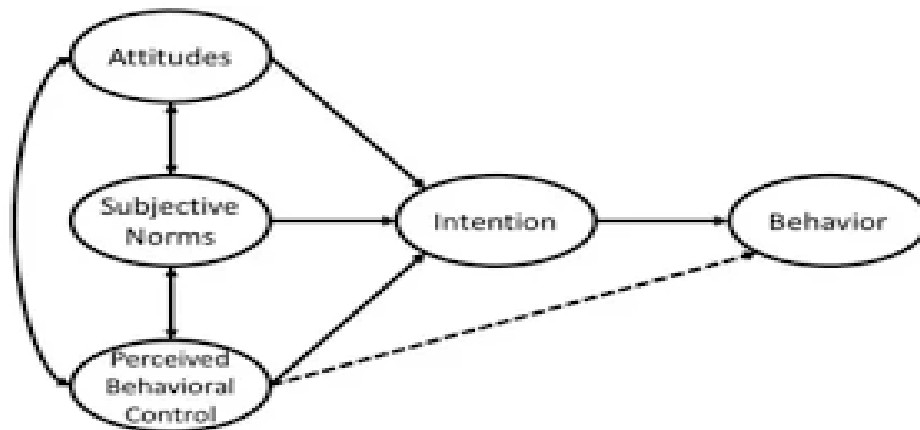
3.15.1 Theory of Planned Behaviour

The Theory of Planned Behaviour was established by Ajzen (1991) as an extension and revised version of the Theory of Reasoned Action (TRA), which had shown a weakness in that volitional control over a given behaviour was limited (Jebarajakirthy and Lobo, 2014). The

Theory of Reasoned Action was established by Fishbein and Ajzen (1975), and the theory proposed that one's attitude and subjective norms lead to actual behaviour. Ajzen (1991) then expanded the TRA to develop the Theory of Planned Behaviour by adding perceived behavioural control, which predicts both intention and behaviour. Ajzen (1991) left the theory open to any additional predictor variable that could explain the intention and, subsequently, the behaviour. The Theory of Planned Behaviour is a psychological theory that links beliefs to behaviour and is used to predict behavioural intention. The Theory of Planned Behaviour has attitude, subjective norms, and perceived behavioural control as conceptually independent variables (Ajzen, 1991), with intention as the mediating variable and behaviour as the model's dependent variable.

The Theory of Planned Behaviour (TPB) is a more desirable model for measuring the intention to conduct certain behaviours. Many authors have used the Theory of Planned Behaviour to investigate financial behaviours (Satsios and Hadjidakis, 2018; Cucinelli, Gandolfi, and Soana, 2016). Other related behaviours, such as credit card usage (Xiao, Tang, Serido and Shim, 2011; Shim, Barber, Card, Xiao and Serido, 2010) and purchase behaviour of microcredit in the case of war-affected youth in Sri Lanka (Jebarajakirthy, 2015). The TPB is a more desirable model for measuring the intention to adopt microcredit because the framework considers several determinants of purchase intentions, such as perceptions, attitudes and the norms towards products and services, allowing for in-depth and valuable insights about customer behaviour to be revealed (Bhattacharjee, 2000). Figure 3.1 below shows the Theory of the Planned Behaviour diagram.

Figure 3.1: Theory of Planned Behaviour



Source: Theory of Planned Behaviour, Ajzen (1991)

As indicated in Figure 3.1 above, the independent variables of the theory of planned behaviour are attitude, subjective norms and perceived behavioural control. The theory, according to Ajzen (2005), indicates that human behaviour is directed by three primary constructs, which are attitude (do I want to do it?), subjective norms (do other people want me to do it?) and perceived behavioural control (do I perceive I am able to do it and do have the resources to do it?). Intention is the mediation variable and refers to the indicators of a person’s readiness or perceived likelihood to perform a specific behaviour (Ajzen, 2020; Fishbein and Ajzen, 2011). Intention is also defined as the subjective probability of performing a behaviour (Ajzen, 1991) and is one reason researchers attempt to understand why people perform a given behaviour. Intention is predicted by the three conceptually independent variables of attitudes, subjective norms and perceived behavioural control. As indicated in Figure 3.1, behaviour is the dependent variable; behaviour refers to an action specified by action, target, or context of the priority group or segment of the population that can be observed (Fishbein and Ajzen, 2011). An investigation into the purchase intentions of small business owners for microcredit services is needed to understand the factors influencing the purchase or access intention of microcredit services.

3.15.2 The extended version of the Theory of Planned Behaviour

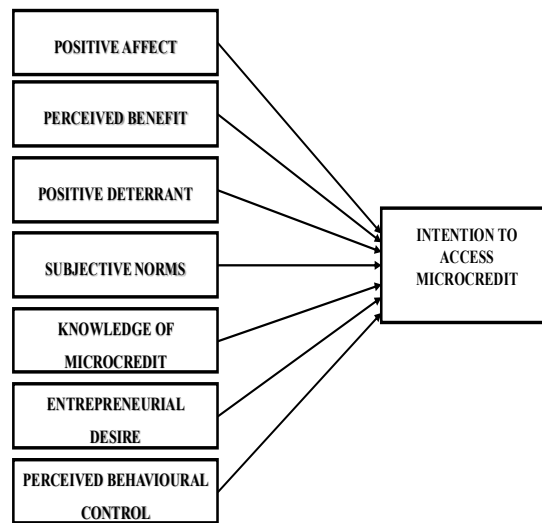
The extended version of the TPB refers to extensions and modifications of the Theory of Planned Behaviour. The extended version is the most appropriate model for measuring the intention to access microcredit services, as it has been clear for almost a decade that the TPB is experiencing modifications and expansions (Umar, Mas’ud and Matazu, 2021). Extended versions of the Theory of Planned Behaviour have been used by many authors (Kajenthiran

and Achchuthan Ajanthan, 2017; Macha, 2018; and Jebarajakirthy et al., 2014) to measure the intention to use microcredit services. This follows Ajzen's (1991) suggestion that the Theory of Planned Behaviour is open to further inclusion of additional constructs or factors if necessary. This is also supported by Montano and Kasprzyk (2008), who suggest that determinants of behavioural intention vary generally across behaviours. TPB theories were developed and primarily used in research in Europe, the US, and Canada, and, therefore, they lack applicability in developing countries as demographic and environmental factors differ between developing and developed countries.

Hence, modifying and using the theory as a building block for product-specific adoptions is essential to enable meaningful investigations (Jebarajakirthy et al., 2014; Airhihenbuwa and Obregon, 2000). The extended Theory of Planned Behaviour model by Jebarajakirthy et al. (2014) identifies positive affect, perceived benefit, perceived deterrent, subjective norms, perceived behavioural control, knowledge of microcredit and entrepreneurial desire as relevant factors affecting the intention to access microcredit services. This extended version of the conceptual model is shown in Figure 3.2 below. These factors have been found to have a significant relationship with the intention to use microcredit services in other countries but have not yet been tested in South Africa (Kajenthiran et al., 2017; Macha, 2018; Jebarajakirthy, 2015; and Jebarajakirthy and Lobo, 2014). This study will also use the extended version of the TPB model as constructed by Jebarajakirthy et al. (2014), as it has also been used to measure microcredit services in other developing countries (Kajenthiran et al., 2017).

This current study will exclude the entrepreneurial desire variable as the research is based on small business owners, who are accepted in this study, to have entrepreneurial desire, mindset and motivation for production or performing economic activities. This study aims to investigate the factors that influence the intention of small business owners to access microcredit in the Makana Municipality area without taking into account the entrepreneurial desire of the small business owners.

Figure 3.2 Extended Version of the Theory of Planned Behaviour



Source: Jebarajakirthy et al. (2014)

Figure 3.2 shows the factors that are identified to influence the intention to use or adopt microcredit services by Jebarajakirthy et al. (2014); these include positive affect, perceived benefit, subjective norms, perceived behavioural control, knowledge of microcredit and entrepreneurial desire.

3.16 Factors Influencing Intention to Use/Adopt Microcredit and Related Hypothesis

As discussed in the section above, consistent with the Theory of Planned Behaviour, attitude, subjective norms and perceived behavioural control influence purchase intentions and access to microcredit. Additional factors include knowledge of microcredit and the entrepreneurial sector, as explained by the extended version of the Theory of Planned Behaviour by Jebarajakirthy et al. (2014). This section will discuss the factors that are shown to influence the intention to access microcredit services in Figure 3.2. which excludes entrepreneurial desire. This section will start with intention, namely the study's dependent variable, and then discuss positive affect, perceived benefit, perceived deterrent, subjective norms, perceived behavioural control, and knowledge of microcredit independent variables.

3.16.1 Intention

The Theory of Planned Behaviour can be used to investigate the factors affecting the intention of small business owners to access microcredit services because the theory has been used to predict purchase intentions in other developing countries (Kajenthiran, Achchuthan and

Ajanthan, 2017; Macha, 2018; Jebarajakirthy et al., 2014; Schmidt, 2017; Smith, Terry, Manstead, Louis, Kotterman and Wolfs, 2008; Mannetti, Pierro, and Livi, 2002). Several studies have attempted to examine the behavioural factors that could influence individuals' intention to adopt microfinance services in Africa, including countries such as Tanzania and Sri Lanka and have focused on young war-affected youth and farmers (Kajenthiran, Achchuthan and Ajanthan, 2017; Jebarajakirthy, 2015). However, a lack of studies has examined the behavioural factors that could influence individuals' intention to adopt microfinance services in South Africa. Therefore, the study will seek to make an important contribution to the field. Intention is a dependent variable in this study, and similar to many studies, such as Kajenthiran, Achchuthan and Ajanthan (2017) and also see the model by Jebarajakirthy et al. (2014) that is adopted in this study. However, in terms of the Theory of Planned Behaviour, it is a mediating variable because it's seen to influence actual behaviour.

Intention is a mediating variable that influences the actual behaviour. Intention refers to the subjective probability of performing a behaviour and indicates a person's readiness or perceived likelihood to perform a specific behaviour (Ajzen, 2020; Fishbein and Ajzen, 2011; Ajzen, 1991). Research has indicated that purchase intentions are the best predictors of purchase behaviour, with predicting purchase intention being much more accessible to researchers than actual purchase behaviour (Peter and Olson, 2010; Park, Lennon and Stoel, 2005). This is because consumers are more likely to purchase the product when they form an intention to purchase it (De Cannière, De Pelsmacker and Geuens, 2009). Therefore, it might be best to predict the behaviour and its associated factors.

3.16.2 Attitude

Attitude is the evaluation of a specific behaviour as good or bad (Ajzen, 2020; Fishbein and Ajzen, 2011). Attitude can be defined as the favourable or unfavourable perception of behavioural performance. The appraisal of the behavioural outcomes of certain behaviours influences whether the outcomes can be favourable or unfavourable (Ajzen, 1991; Tonglet, Phillips, and Read, 2004). Individuals' attitudes towards a particular behaviour influence their intentions of adopting or not adopting the behaviour. Three components of attitudes are positive affect, perceived benefit, and perceived deterrent. These will be examined as microcredit literature suggests that customers have these attitudes towards microcredit (Jebarajakirthy et al., 2014; Jose, Rugimbana and Gatfield, 2012; de Goey, 2012; Turvey and Kong, 2010). This

is similar to the model of Jebarajakirthy et al. (2014) as well as other studies that looked at microcredit and suggest that customers have these types of attitudes towards microcredit (de Goey, 2012; Jebarajakirthy et al., 2014; Jose et al., 2012; Turvey and Kong, 2010).

Positive affect refers to one's aspect of pleasurable and positive experience (Peterson, 2006). Positive affect assesses whether one feels happy or not when obtaining microcredit. Affect refers to a balanced feeling state (Erevelles, 1998). Positive affect includes feelings of excitement, activeness, alertness, determination, interest, pride, and strength (Russell and Barrett, 1999). Positive affect is closely related to an individual's emotions, mood, behaviour and feelings. The positive affect of this research will assess whether small business owners feel excited and happy to acquire microcredit services. This results from individuals making emotional decisions when applying for microcredit and being less concerned about repayment (Schicks, 2014).

Perceived benefit is a component of attitude that refers to the benefits associated with microcredit, influencing purchase intentions (Jebarajakirthy and Lobo, 2014). The expected returns of a particular behaviour valued by target users increase their perception of the benefits, which in turn influence purchase intentions (Tanadi, Samadi, and Gharleghi, 2015; de Goey, 2012; Jose et al., 2012). A study in Zimbabwe by Mishi and Kapingura (2012) shows that microcredit consumers generally expect benefits from microcredit programmes, which greatly influence future purchase decisions of microcredit. Research also indicates that customers have expectations that obtaining microcredit results in increased household income and contributes to community welfare by creating employment opportunities (Kajenthiran, Achchuthan and Ajanthan, 2017; Estapé-Dubreuil and Torreguitart-Mirada, 2010). Therefore, this study will investigate the perceived benefits of small business owners based on increased revenue income and the creation of employment opportunities measures (Jebarajakirthy and Lobo, 2014; Estapé-Dubreuil Torreguitart-Mirada, 2010).

Perceived deterrent refers to the customer's concerns about awareness, service charges, and collateral requirements for obtaining microcredit (Jebarajakirthy and Lobo, 2014). Perceived deterrent will be measured based on small business owners' concerns about interest, service charges, collateral requirements, documentation, long delays in obtaining microcredit, bribes, and repayment capacity. This is done as research indicates that customers' perception of

deterrents influences purchase intentions for microcredit (Jose et al., 2011; Li et al., 2011). This is similar to previous studies based on microcredit (Li et al., 2011; Turvey and Kong, 2010; Turvey and Kong, 2009; Jose, Rugimbana and Gatfield, 2012). For instance, a study by Leopold (2012) indicates negative perceptions about microcredit in South Africa, which can contribute to the purchase intentions of the product.

Therefore, as discussed above, this study will measure the attitude component based on perceived benefit, perceived deterrent, and positive affect.

3.16.3 Subjective Norms

Subjective norms refer to an individual belief in the social pressure to participate in a particular behaviour. Social pressure can arise from various groups such as friends, community, family members or referent groups (Abdul-Jabbar, Intan, Awadh Bin-Nashwan, and Rahim Romle, 2016; Malebana, 2015). The greater the individual's reliance on reference groups to perform the behaviour, the higher the intention to perform the intended behaviour. Subjective norms are a predictor that impacts the intention to seek for microcredit (Butler, Kobati, Anyidoho, Colecraft, Marquis and Sakyi Dawson, 2012; Amin, Rahman, Sondoh Jr and ChooiHwa, 2011). For instance, group mechanism lending for microcredit members' expectations and perceptions might influence one's decision to apply for microcredit. This applies in collectivist societies such as rural areas with strong relationships and ties among individuals (Wydick, Hayes and Kempf, 2011). Wydick et al., 2011 suggest that the low education levels of microcredit services in rural areas and townships also increase the reliance on the views of reference groups and family members. Subjective Norms will be measured by assessing how family, friends and reference groups affect small business owners' access to microcredit services. In the current study, small business owners without knowledge and understanding of microcredit services will likely have a higher chance to rely on others' opinions, who may be more knowledgeable about the product and have experience.

3.16.4 Perceived Behavioural Control

Perceived behavioural control reflects an individual's perception of how easy or difficult it is to perform a particular behaviour after considering the necessary resources and opportunities available (Ajzen, 1991). Perceived Behavioural Control is influenced by each control factor's perceived power or impact that can facilitate or inhibit the behaviour (Montano and

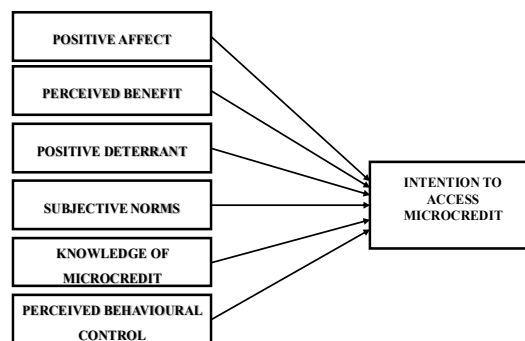
Kasprzyk,2008). As a result, applicants of microcredit need confidence in their ability to incur the interest costs and to repay the loans from microcredit services (Butler et al., 2012). The perceived behavioural control needs to be assessed as microcredit applicants are required to demonstrate that they can overcome risks and challenges in their potential business to manage and increase their income (Butler et al., 2012). The TPB argues that individuals may be unable to perform certain behaviours directly or indirectly when they lack certain skills, opportunities, cooperation or resources (Ajzen and Madden, 1986). Research indicates that perceived behaviour determines purchase intention of credit usage, such as microcredit, as incurring debts cannot be under people's volitional control (Chudry, Foxall, and Pallister,2011). Thus, microcredit lenders must indicate that they can overcome risks and challenges in their business ventures and have the confidence to bear interest rates and repay their loans (Meyer, 2013; Hilson and Ackah-Baidoo, 2011). Perceived behaviour will be measured in this study by assessing small business owner's ability to obtain loans for small business operations and repay the loan.

3.16.5 Knowledge of Microcredit

The knowledge of a product influences the intention to purchase the product. Knowledge of products refers to the overall knowledge that includes information about the functional attributes of products and brand differences in attributes (Lee and Lee, 2009). Microcredit knowledge is essential in increasing the intention to seek microcredit (Jebarajakirthy et al., 2014; Li et al.,2011; Nabi and Aima, 2012). Knowledge of microcredit refers to the awareness of microcredit (Jebarajakirthy et al., 2014). Existing theories indicate that the knowledge of credit and finance tends to define people's intentions and decisions of obtaining and using credit and financial products (Xiao et al., 2011; Shim et al., 2010, 2009). According to Brucks (1985), two forms of product knowledge exist: subjective and objective product knowledge. Subjective knowledge refers to people's assessment of how much and what they know about the product type, while objective product knowledge represents the person's actual knowledge when investigating purchase behaviour (Brucks, 1985). This current study will assess the subject knowledge as it significantly influences purchase intentions and behaviour (Jebarajakirthy, 2015; Gronhaug, Hem and Lines, 2002). Previous research indicates that knowledge is an antecedent to attitudes, perceived behavioural control and subjective norms. A study by Mishi and Kapingura (2012) in Zimbabwe found that Zimbabwean women who were more aware of microcredit services had stronger intentions to apply for microcredit

services. Microcredit knowledge will be measured by assessing small business owners' final knowledge concerning microcredit. This is supported by research that indicates a positive relationship between financial knowledge and financial behaviour (Robb, 2011; Robb and Woodyard, 2011). Thus, knowledge of microcredit services has to be assessed in this study. The section above identifies the independent and dependent variables of the study.

Figure 3.3: Framework of the Study



Source: Adapted from Jebarajakirthy et al. (2014)

Figure 3.3 shows the independent and dependent variables. Therefore, the independent variables will be positive affect, perceived benefit, perceived deterrent, subjective norms, knowledge of microcredit and perceived behavioural control, and the dependent variable will be the intention to access microcredit services.

3.17 Chapter Summary

The chapter's objective was to provide an overview of microcredit as a potential source of finance for small businesses, focusing on the role of microfinance institutions and the factors influencing small business owners' intention to access microcredit services. It discusses the importance of microcredit as a financial inclusion instrument, providing access to finance and employment. The microfinance industry is discussed, including the different institutions and geographic dispersion, with a growing rate of 10% in Sub-Saharan Africa. The Grameen Model, introduced by Muhammad Yunus in 1976, is discussed as the microcredit model. The chapter also discusses the different types of lending mechanisms, such as group and individual lending, and the stages of the microcredit industry in South Africa. The National Credit

Regulations framework is examined, and requirements for acquiring microcredit are discussed. Factors affecting the adoption of microcredit in South Africa, including lack of financial stability, cultural and value barriers, and governmental intervention, are identified. In addition, the intention model of microcredit is examined by discussing the Theory of Planned Behaviour and identifying the different factors affecting purchase intention, including attitude, subjective norms, perceived behavioural control, perceived deterrent, perceived benefit, positive affect, and knowledge. The next chapter will discuss the research design and methodology of the study.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 Introduction

The previous chapter presented a comprehensive overview of the microcredit landscape for small businesses in South Africa and adopted the Extended Theory of Planned Behaviour (ETPB) as the guiding theoretical framework. In alignment with the study's overarching goal, which is to investigate the factors that influence the intention of small business owners to access microcredit services in the Makana Municipality area, this chapter advances the empirical phase of the research.

Specifically, this chapter contributes to the following study objective of adopting statistical techniques to determine the influence of these factors on the intention to access microcredit services (SO₃). To meet these objectives, the chapter discusses the research paradigm underpinning the study and the research design and methodological approach employed. It details the data collection instruments and procedures used to gather both primary and secondary data from respondents. In addition, the chapter explores the reliability and validity of the instruments, the development and testing of hypotheses, and the statistical techniques used for data analysis. Ethical considerations that guided the research process are also thoroughly addressed. Finally, the chapter concludes with a summary that synthesises the major components covered, setting the foundation for the presentation of findings in Chapter 5.

4.2 Research Paradigm

The primary research paradigms in business management are interpretivism, positivism, realism and pragmatism (Liu and Liang, 2019). A research paradigm can be identified by its distinct research approaches and methodologies (McGregor and Murnane, 2010). Thus, identifying a research paradigm is crucial as it directly influences a researcher's choice of methods (Brown and Dueñas, 2020). Paradigms are also vital as they assist in setting ground rules for research that provide information on how best to evaluate new concepts for applying theory when observing phenomena (Brown and Dueñas, 2020). According to Guba and Lincoln (1994), traditionally, a paradigm consists of three building blocks: axiology, ontology and epistemology. Axiology refers to ethical considerations and "asks what ought to be" within a field of research (Deane, 2018). Axiology is essential as it considers what would be valuable and how to conduct ethical research within an area. Ontology refers to the researcher's method

of defining the truth or reality, specifying the nature of reality and what can be known about it (Antwi and Hamza, 2015), while epistemology is concerned with determining the nature of knowledge within a reality. Saunders, Lewis and Thornhill (2016) defined epistemology according to what constitutes acceptable knowledge, arguing that knowledge can either come from objective evidence that can be measured, subjective evidence from participants, or objective and subjective points of view, depending on the context.

This study adopted a positivist research paradigm. Positivist research is the belief that the best way to understand reality and gain knowledge is through experiments and observation (Antwi and Hamza, 2015). The positivist research paradigm views the external world as ordered and regular, and there is an objective truth with scientific patterns which can be predicted or explained through theories or laws (Chandler and Munday, 2020). According to Leedy and Ormrod (2014), positivist research follows a quantitative nature because researchers follow logic in the research and use quantitative measurements and inferential statistics to evaluate correlations with variables. The positivist paradigm was used in the study as the study was quantitative in nature, and the positivist paradigm is commonly used in quantitative research, where data is collected and analysed to obtain objective truth (Sekaran and Bougie, 2016; Neuman, 2014). This is mainly because positivists acknowledge that observation and objective truth are associated with scientific patterns; this study used the positivist perspective to investigate the influence of the factors that influence the intention of small business owners to access microcredit services in the Makana Municipality area. The research paradigm determines the research design selected.

4.3 Research Approach

A research approach can mainly be inductive, deductive or abductive. The inductive approach follows a logical process involving the formation of conclusions, propositions, and theories based on observations (Adams, Khan, and Raeside, 2015) while a deductive approach is defined by Jones and McCrickard (2021) as a way of conducting research in which an existing theory or conceptual framework is adopted and then data is gathered and analysed to support or refute that theory. The abductive approach is often recognised as a combination of the inductive and deductive approaches, which provides a bridge between the field and theory by overcoming the limitations associated with deductive and inductive approaches (Tiron, Tudor

and Urdari, 2014). Abduction adopts the previously indicated characteristics to best fit the event under study rather than being a pure blend of the two (Saunders et al., 2012).

The inductive approach is a qualitative research approach as it provides insights into findings and does not have a guided, established qualitative methodology (McFarland et al., 2018). On the other hand, the deductive research approach is mainly associated with a quantitative research design (Nordmark, 2017). The abduction approach is used to develop theories and draw logical conclusions about the world by identifying the circumstances that would make phenomena less perplexing to convert a fact into a matter of course (Bryman and Bell, 2015). According to Adams, Khan, and Raeside (2014), the deductive method begins with a general hypothesis supported by theory, which is narrowed down using statistical models to a specific hypothesis. The study adopted the deductive approach as it is associated with theory development and follows a positivist research paradigm and quantitative research design (Saunders, Lewis and Thornhill, 2016).

4.4 Research Design

According to Sekaran and Bougie (2018), research design represents a systematic framework or blueprint for specifying the procedure for collecting and analysing information. The main research designs used in scientific investigation are exploratory, descriptive, and explanatory (Sekaran and Bougie, 2019). The three research designs will be discussed below.

The exploratory research design refers to designs used when the phenomenon being investigated is relatively new or the researcher aims to develop and pose a research question for further investigation (Collis and Hussey, 2014). This approach utilises various methods, such as case analysis, focus groups, and survey questionnaires (Burns, Bellows, Eigenseher, Jackson, Gallivan and Rees, 2014; Struwig et al., 2013). In addition, descriptive research is a method used to describe the existing phenomena as accurately as possible (Atmowaroyo, 2018). Descriptive research covers some subtypes of research methods, such as surveys, correlation studies, quantitative studies, or content analysis (Atmowardoyo, 2018). A descriptive research design is appropriate for conducting quantitative inquiry because it allows for gathering and analysing information from quantitative perspectives (Tashakkori and Teddlie, 2020). Saunders et al. (2020) noted that descriptive research designs address what happened, where, and how often it occurred.

On the other hand, explanatory research design refers to the investigation that aims to clarify and justify detailed data. Explanatory research design answers questions of “why” and “how” (Grey, 2014). This research approach builds on descriptive and exploratory research, looking for causes and reasons and providing evidence to support or refute an explanation. Explanatory research is conducted when there is a need to discover and report some relationships among different aspects of the phenomenon under study. This study adopted an explanatory research design because it attempts to go beyond exploratory and descriptive research to identify why a phenomenon occurs (Das, 2016). In this case, it explained the factors that influence the intention to access microcredit services using the Extended Theory of Planned Behaviour as the theoretical framework.

An explanatory research design usually follows a quantitative approach. Quantitative research is an approach to conducting social research that applies a natural science and a positivist approach to social phenomena (Noor, 2008; Saunders et al., 2016). This study used an explanatory research design, which followed a quantitative approach because it was essential to validate already constructed theories in this study, such as Extended Theory of Planned Behaviour. This current study also used quantitative research as the research method was reliable and suitable for testing and validating already constructed theories about why and how phenomena occurred through testing hypotheses built before the data was collected. Quantitative research allowed the study to meet its objective of statistically testing the significant influence of the factors on the intention of small business owners to access microcredit services in Makana Municipality. Quantitative research was also used as the study was based on the positivist paradigm, and a study using the positivist paradigm is associated with quantitative research (Adams, Khan and Raeside, 2014). This study also used quantitative research because it had a relatively large sample size, which precluded the use of statistical methods and numerical data to identify relationships and test the hypothesis (Antwi and Hamza, 2015).

4.5 Research Methodology

Research methodology refers to the theory of how research should be undertaken (Leedy and Ormrod, 2015). It includes a system of beliefs and philosophical assumptions that shape the research questions' understanding and underpin the choice of research methods (Saunders et

al., 2016). Khan (2014) suggests that the research quality and its outcome are directly related to the validity of the methodology used. Quantitative research methodology can be experimental and non-experimental. This section will discuss experimental and non-experimental methodology.

An experimental methodology refers to the study of the relationships among variables, those manipulated and those measured (Pandey and Pandey, 2021). The experimental methodology determines the accuracy with which inferences can be made about observed relationships (Tyler et al., 2021). Experimental research consists of independent and dependent variables. Independent variables are variables of interest unrelated to the dependent variables (Pandey and Pandey, 2021), while the dependent variable is a measurable variable that the experimental manipulation will influence. Experimental methodology can be grouped into accurate experimental and quasi-experimental designs. True design experimental methodology requires random assignment, while quasi-experiment does not need it, although both require treatment manipulation (Pandey and Pandey, 2021).

Non-experimental methodology is any quantitative or qualitative research that lacks the manipulation of an independent variable (Reio, 2016). Non-experimental research measures variables as they naturally occur (in the lab or real world) and is the predominant research design used in the social sciences. Non-experimental study designs describe existing phenomena without manipulating conditions to affect subjects' responses, and there are no manipulations of an independent variable (Sutherland, 2016). The study adopted non-experimental research because the research was conducted in a natural environment, and some variables could not be manipulated. The study used a survey research methodology as it allowed the collection of information directly from the individuals who were being studied. This study also adopted the survey research methodology as it allowed for the collection of data from a large sample of business owners in the Makana Municipality within a reasonable amount of time and in a cost-effective manner.

4.6 Sample Design

This section will discuss the sampling process. The section will discuss the population from which the data was drawn and the study sample.

4.6.1 Sampling and Population

Sampling is when individuals, objects, subjects, cases, or events with common characteristics are selected to be included in a study (Turner, 2020). Individuals for sampling are collected from a population. Population refers to any complete group or body of people, events, objects, or any collection of items having common characteristics under consideration in particular research (Fujimori et al., 2014). The study's target population was small businesses operating in the Makana Municipality area. The target population was small business owners and managers from all sectors of the economy who operate in Makana Municipality. The study was based in Makana Municipality as it is based in the Eastern Cape Province and is one of the regions with a high unemployment rate (Vallabh and Kutsi, 2018) and a 7.9 % contribution to the GDP of South Africa (Eastern Cape Socio-Economic Consultative Council, 2024). The study was intended to help small businesses survive and grow, which can assist in reducing the high unemployment and improve the province's GDP. The study focused on small businesses operating in the Makana Municipality area because Makana Municipality has seen the establishment of many small businesses after the agreement with the Raseborg Municipality in Finland for inclusive sharing on economic development and gender emancipation (Baart, 2011).

Leedy and Ormrod (2020) indicate that a sample refers to a particular part of the population, which is selected as an example for research purposes. The study used a sample as it was not practical and efficient to analyse the entire population of small businesses in the Makana Municipality area, and it was relatively cheaper to use a sample. The study used a sample frame for small businesses in Makana Municipality obtained from the Makana Municipality. A sampling frame refers to a complete list of all the cases in the target population from which the sample will be drawn (Saunders et al., 2016). However, the sample frame of small businesses in Makana Municipality was limited to 69 small businesses based on the list of small businesses in Makana Municipality provided by the Municipality. Therefore, the researcher added other small businesses in Makana Municipality using the snowball sampling method by getting referrals of other small business from the small business provided by the Makana Municipality.

The decision on the sampling technique and methods is necessary before the sample can be drawn. There are two types of sampling techniques: non-probability sampling and probability sampling. Non-probability sampling refers to a sampling method in which members of a

population do not have an equal chance of being selected (Gogtay and Thatte, 2016), while probability sampling refers to a sampling method in which samples are selected from a population by chance as the selection method depends on the researcher's subjective judgment and the researcher results cannot be extrapolated from the sample to the entire population (Elfil and Negida, 2017).

Probability sampling methods include cluster, systematic, multistage, and stratified, while non-probability sampling examples include snowball, quota, judgemental, purposive, and accidental techniques (Etikan and Bala, 2017; Bhattacharjee, 2012). The study will use a non-probability sampling technique in which the researcher can choose the elements or respondents to include in the sample (Moser and Korstjens, 2018; Sharma, 2017). This is because the sample frame is incomplete and will take longer than the duration of this study to compile a complete list of small businesses in Makana Municipality. The study was based on judgmental and snowball sampling methods. Judgmental sampling is also known as purposive sampling. It is a non-random sampling technique that selects a sample deliberately based on the knowledge and qualities of participants (Moser and Korstjens, 2018), while snowball sampling refers to a research method when initial contact is made with a small group of people who are deemed relevant to the research topic by the researcher (Bryman and Bell, 2014). These people are used to establishing contact with others. This study used judgmental and snowball sampling because judgemental sampling enabled the researcher to choose a respondent that was purposefully appropriate for the study's context based on personal judgment, in this case, small business owners in Makana Municipality, and snowball sampling enabled the researcher to extend the sample frame. To complete the questionnaire, respondents had to be managers or owners of small businesses operating in Makana Municipality. The additional inclusion criteria for the small business were that (1) it is registered with Makana Municipality, (2) has between one and 50 employees, (3) have an annual turnover of less than R2 million up to R25 million and has operated in Makana Municipality for at least one year; (4) and be a small business in various industries such as manufacturing, construction, trading (wholesale and retail) or service. The criteria for small businesses was used as they have been used in other studies to identify small businesses, such as the studies of Tendayi (2023), Saah (2019) and Al-Matani (2018). Furthermore, snowball sampling was used to extend the study's sample. The study fieldworkers got referrals to other small businesses from the small businesses that had completed the questionnaire, beginning with the small businesses provided by the Makana

Municipality. This allowed the study to increase the number of small businesses receiving the questionnaire and sample.

4.6.2 Sample Size

Sample size refers to the number of research respondents within the research data that a researcher requires to collect data from for the study (Al Kindy, Shah and Jusoh, 2016). In terms of quantitative research, Saunders et al. (2020) argue that it is essential to have sample sizes that will represent the population. The appropriate sample size depends on the population and significance of the study. This study targeted 126 SMMEs located in Makana Municipality based on the previous sampling frame from Makana Municipality studies. Previous studies in Makana Municipality looking at small businesses used a sample frame from Makana Municipality of 126 SMEs (Ncube and Chimucheka, 2019; Klaas, 2020). A sampling frame refers to a complete list of all the cases in the target population from which the sample will be drawn (Saunders et al., 2016). An equation was used to determine the minimum sample size. The researcher used Slovin’s (2012) equation for determining the minimum sample size:

$$= \frac{N}{1 + Ne^2} \dots \dots \dots (1)$$

Where n, N and e represent the sample size, population size, and sampling bias (error margin), respectively. Therefore, given the sampling frame population size of 126 obtained from the Makana Municipality and the error margin of 5% on the representative sample size for this research, the minimum sample size was estimated to be 88 as follows:

$$n = \frac{126}{1 + 126(0.05)^2} = 87.5 \sim 88 \dots \dots \dots (2)$$

Regarding Slovin’s (2012) equation, 88 small businesses in Makana municipality was determined to be the minimum for the study, as supported by Tangwo (2012), who states that a sample size must be more than 30 to be considered large. The minimum sample size calculation was justifiable due to the COVID-19 pandemic and its adverse effect on the survival of small businesses, which saw the closure of business operations (Ikwegbue, Enaifoghe, Maduku, and Agwuna, 2021). This affected the target sample of 126, as the number of small businesses decreased in 2019 and 2020 when the previous research was conducted. Therefore, the study's target sample size was 126 small businesses, with a minimum of 88. This is also supported by

previous studies in Makana Municipality, which had a sample size of 96 and 126, respectively (Ncube and Chimucheka, 2019; Klaas, 2020).

4.7 Data Collection

In a study, data collection involves gathering the required information to achieve the objectives and research questions. The data collection section will discuss the data collection source and methods, consisting of primary and secondary data. The section will also discuss the questionnaire data collection instrument and design, data collection procedure, and hypothesis, and it will end with ethical considerations.

4.7.1 Primary and Secondary Data

Data collection can be accomplished through a primary source or a secondary source. The study used both primary and secondary data. Primary and secondary data was collected. Primary data refers to data collected for the first time by the researcher. In contrast, secondary data refers to pre-existing data collected for another purpose, which can be used in other studies (Adams, Khan, and Raeside, 2014). Secondary data was collected from peer-reviewed and publicly available journals and studies. The secondary data shed light on and assisted in finding valuable data that was used in the study, while providing interpretations and arguments from other researchers.

Primary data for the study was collected using a questionnaire. According to Kumar (2020), a questionnaire is a research tool/instrument that collects data from respondents through standardised questions. The questionnaire instrument was used as it is the most effective and quickest method to gather data (Brace, 2018). A hardcopy self-administered questionnaire paper was the study's primary data collection instrument. The self-administered questionnaires were provided in English. A hard copy of the self-administered questionnaire form was delivered to small business owners by a fieldworker, and a consent declaration form accompanied it, which included a brief description of the purpose of the study. The self-administered questionnaire form was filled out and collected upon delivery. There are several advantages of self-administered questionnaires over interviews, including speed, lack of interviewer bias, and the possibility of anonymity and privacy to encourage more candid responses on sensitive issues (Cilliers, Davis and Bezuidenhout, 2014). Self-administered questionnaires are used because self-administered questionnaires and interviews are typical

data collection methods for use in positivist research (Collis and Hussey, 2014), and they can be administered by telephone, mail, email, or face-to-face from remote locations (Fujimori, Shirai, Asai, Kubota, Katsumata and Uchitomi, 2014). As a result, it is possible to examine multiple variables using extensive samples, making the results statistically significant. However, questionnaires have drawbacks, such as the high risk of low response rates. A questionnaire can have open and closed-ended questions. Open-ended questions refer to questions which allow respondents to give free-form answers by allowing long answers. In contrast, a closed-ended questionnaire refers to questions for which an answer is to be selected from a predetermined list of response actions (Kumar, 2020). The study used a closed-ended self-administered questionnaire as it enabled efficient data collection and analysis.

A closed-ended questionnaire may use a categorical scale and a Likert scale. This study used both the categorical scale and the Likert scale. The categorical scale was used in Section A and Section B of the study, while the Likert scale was used in Section C, making up the three sections of the questionnaire. Categorical data is statistical data comprising categorical variables converted into categories (Taha and Hadi, 2019). It represents a type of data that is discrete, distinct categories or groups. Categorical data are often used to classify items or observations based on particular characteristics or attributes. On the other hand, a Likert scale is a psychometric scale with multiple categories from which respondents choose to indicate their opinions, attitudes, or feelings about a particular issue (Nemoto and Beglar, 2014). A Likert scale is a set of statements (items) offered for a real or hypothetical situation under study (Joshi, Kale, Chandel, and Pal, 2015). The Likert scale will be used for Section C of the questionnaire.

4.7.2 Questionnaire Design

Questionnaire design refers to comprehensive and practical guidelines to plan, structure and compose questionnaires across all industries and purposes, ensuring valuable data insights are captured accurately and efficiently (Brace and Bolton, 2022). This section will discuss the structure of the self-administered questionnaire used in the study.

The self-administered questionnaire comprised of three sections: Sections A, B and C. The first two sections, A and B, collected demographic information about respondents and business characteristics. In contrast, section C gathered information on the factors that influence the

intention of small business owners to access microcredit services. The information in Section A included the gender, age, ethnic group, and level of education attained. Section B of the questionnaire was designed to capture detailed information on the characteristics of the businesses owned or managed by the respondents. These business characteristics include: the respondent's position within the business, the legal form or status of the enterprise (such as sole proprietorship, partnership, or private company), the economic sector in which the business operates (e.g. manufacturing, retail, construction or services), the number of employees, the duration of the business's operation (in years), the annual turnover or revenue of the business, and the preferred source or institution from which the business would typically seek a loan. The responses to both Section A (demographic information) and Section B (business characteristics) were collected using a categorical measurement scale, allowing for appropriate statistical analysis of frequencies and associations.

Section C of the questionnaire gathered information on the study's independent and dependent variables. An independent variable refers to a stable variable unaffected by other variables. It can also be defined as a variable that influences the values of a dependent variable (Hayes and Preacher, 2014; Collis and Hussey, 2009). On the other hand, the dependent variable refers to a variable thought to be affected by changes in the independent variable, also known as the outcome (Hayes and Preacher, 2014). The independent variables of the study were Positive Affect (4 items), Perceived Benefit (5 items), Perceived Deterrents (4 items), Subjective Norms (4 items), Perceived Behavioural Control (4 items), Knowledge of Microcredit (4 items) and the dependent variable were Intentions to Access Microcredit Services (4 items). A five-point Likert scale ranging from 1 - strongly disagree to strongly agree- 5, forming the basis of the closed-ended questions, was used in the study. The study used a five-point Likert scale, as it increases respondents' response rate and quality while reducing respondents' frustration level as it is easy to understand and complete (Sachdev and Verma, 2004). Sections A and B used categorical/nominal data, while Section C will use a Likert scale. See Annexure A for the Questionnaire used in the study.

4.7.3 Operationalisation of variables

The independent and dependent factors of the study in section C were operationalised. Operationalisation refers to defining abstract concepts such as variables and constructs in a way that allows them to be measured empirically and quantitatively (Leedy and Ormrod, 2019).

According to Hair, Black, Babin and Anderson (2014), two methods are typically used to choose the independent variables. The first method involves identifying variables from the theoretical model underpinning the research question or prior research. The second method consists of using the researcher's knowledge to intuitively choose variables for which there is no previous research or theory, which may logically be related to predicting the groups for the dependent variable.

This study combined previously operationalised variables used in other studies that are considered reliable and valid measuring instruments. The operationalised definition of the independent and dependent variables is provided in Table 7.

Table 7: Operationalisation of Variables

Factors	Statements	Scale & alpha	Authors
Positive Affect (PA)	I would be happy if I could use a microcredit loan to fund my small business.	Not available	Jebarajakirthy, Lobo and Hewege., 2014
	I prefer using a microcredit loan to fund my small business.	Not available	Jebarajakirthy, Lobo and Hewege., 2014
	The very thought of using microcredit loans for my small business excites me.	Not available	Jebarajakirthy, Lobo and Hewege., 2014
	I will be proud of myself if my small business uses a microcredit loan.	Not available	Jebarajakirthy, Lobo and Hewege., 2014
Factors	Statements	Scale & alpha	Authors
Perceived Benefit (PB)	My household income will increase if I take microcredit.	0.70	Jebarajakirthy, Lobo and Hewege., 2014
	My family's financial situation will improve if I take microcredit loans.	0.70	Jebarajakirthy, Lobo and Hewege., 2014
	Providers of microcredit loans are helping the community by providing loans to small businesses.	0.70	Jebarajakirthy, Lobo and Hewege., 2014
	My business income will increase if I take a microcredit loan.	Not available	Own construction
	My business prospects will improve if I take microcredit loans.	Not available	Own construction
Factors	Statements	Scale & alpha	Authors
Perceived Deterrent (PD)	The collateral requirements are high for a microcredit loan.	0.71	Jebarajakirthy, Lobo and Hewege., 2014
	I will incur high costs (service costs) when using a microcredit loan.	0.71	Jebarajakirthy, Lobo and Hewege., 2014
	There is a lot of paperwork when applying for a microcredit loan.	0.71	Jebarajakirthy, Lobo and Hewege., 2014
	Institutions providing microcredit loans for small businesses take a long time to approve them.	0.71	Jebarajakirthy, Lobo and Hewege., 2014
Factors	Statements	Scale & alpha	Authors
	Receiving a microcredit loan would impress my family members.	0.76	Jebarajakirthy, Lobo and Hewege., 2014
	My close friends support me if my business receives a microcredit loan.	0.76	Jebarajakirthy, Lobo and Hewege., 2014

Subjective Norms (SN)	People whose opinions are valued encourage me to apply for a microcredit loan.	0.76	Jebarajakirthy, Lobo and Hewege., 2014
	Receiving a microcredit loan for my business would impress my close friends.	0.76	Jebarajakirthy, Lobo and Hewege., 2014
Factors	Statements	Scale & alpha	Authors
Perceived Behavioural Control (PBC)	My small business can be approved for a microcredit loan.	0.71	Jebarajakirthy, Lobo and Hewege., 2014
	My small business would easily apply for a microcredit loan in the next 12 months.	0.71	Jebarajakirthy, Lobo and Hewege., 2014
	My small business has the funds to repay a microcredit loan.	0.71	Jebarajakirthy, Lobo and Hewege., 2014
	It would be easy for my small business to repay the microcredit loan.	0.71	Jebarajakirthy, Lobo and Hewege., 2014
Factors	Statements	Scale & alpha	Authors
Knowledge of microcredit (KM)	I know where to go to apply for a microcredit loan for my small business.	0.82	Jebarajakirthy, Lobo and Hewege., 2014
	I know the requirements needed to obtain a microcredit loan for my small business.	0.82	Jebarajakirthy, Lobo and Hewege., 2014
	I know the terms of a microcredit loan (e.g. interest rates and repayment periods).	0.82	Jebarajakirthy, Lobo and Hewege., 2014
	I know how to manage a microcredit loan.	0.82	Jebarajakirthy, Lobo and Hewege., 2014
Factors	Statements	Scale & alpha	Authors
Intention to access microcredit (I)	I intend to apply for a microcredit loan for my small business.	0.81	Jebarajakirthy, Lobo and Hewege., 2014
	I intend to apply for a microcredit loan for my small business in the future.	0.81	Jebarajakirthy, Lobo and Hewege., 2014
	I intend to apply for a microcredit loan to fund my small business.	0.81	Jebarajakirthy, Lobo and Hewege., 2014
	I intend to apply for a microcredit loan for my small business within the next 12 months.	0.81	Jebarajakirthy, Lobo and Hewege., 2014

Source: Researchers Construction

Table 7 provides the statements and operational definitions of Positive Affect (PA), Perceived Benefit (PB), Perceived Deterrents (PD), Subjective Norms (SN), Perceived Behavioural Control (PBC), Knowledge of Microcredit (KM), and Intention to Access Microcredit (I).

4.7.3 Data Collection Procedure

A closed-ended, self-administered questionnaire was distributed to small business owners and managers operating in the Makana Municipality. This study used a Rhodes postgraduate student fieldworker to recruit the study respondents. A fieldworker is used in many research settings and refers to those whose primary role is face-to-face engagement with participants, who usually speak the participants' first language, who are from or live in the study areas, and whose work entails moving around the study areas (Molyneux, Kamuya, Madiega, Chantler, Angwenyi, and Geissler, 2013). Fieldworkers in different research settings can be called research assistants, community interviewers, data collectors, field assistants, assessors, follow-up staff, or defaulter tracers.

The researcher obtained the fieldworker from the university in Makana Municipality with guidance from the supervisor. The research recruited fieldworkers using an advert made by the Department of Management and the Faculty of Commerce for potential candidates. The fieldworker most desirable for the position was selected. Fieldworkers are used as they are familiar with collecting data and have skilled interpersonal communication skills due to extensive informal training and experience from earlier volunteering and research (Molyneux et al. 2013). The researcher paid the fieldworker. The fieldworker was debriefed about the study and the procedure to follow by the researcher, with assistance from the supervisor. The fieldworker signed a non-disclosure agreement. The fieldworker was given hard copies of the research instrument and all the necessary ethics compliance documents for each participating respondent to complete. These included the self-administered questionnaire, ethics approval form and consent form. The fieldworker approached small businesses operating in Makana Municipality that met the selection criteria based on the small business sampling frame list obtained from the Makana Municipality and extended to other small businesses from the Business Form. The fieldworker approached potential respondents, explained the study, and asked if they would be willing to participate. The fieldworker indicated that a small business owner or manager concerned with the company's financing needed to complete the questionnaire. Once a respondent had agreed to participate in the research, the fieldworker provided the required documentation and the questionnaire and arranged a suitable time for collecting the completed survey with all other relevant documentation. Based on snowball sampling, the fieldworkers were referred to other small businesses willing to participate in the

study. The fieldworker conducted the research during their own time until the desired sample size was reached.

4.7.4 Ethics Considerations

Ethics is defined as the standards of behaviour that guide the research, how it is conducted and how it affects the rights of those affected by the research (Saunders et al., 2016). There are ethical considerations that the researcher adhered to while carrying out this study, which include confidentiality, voluntary participation, informed consent, and anonymity (Lichtman, 2014). Before completing the questionnaire, the research goal was made clear, and the respondents gave their consent by signing consent forms indicating whether they agreed to be part of this investigation. The confidentiality of respondents was assured as the self-administered questionnaire did not ask respondents to disclose their names, and their identities were not be utilised in the analysis and reporting of data. Instead, codes were assigned to each respondent. Informed consent from respondents was obtained before collecting their data, and a fieldworker who signed a non-disclosure agreement understood that no information about the respondents should be discussed outside of the parties to the research. Participation in the study was voluntary, and no one was coerced. The respondents were also informed that the study was voluntary, and they were allowed to withdraw from the research at any point without any consequences. Moreover, besides guaranteeing no form of token of appreciation to any respondent for completing the questionnaire, there was individual assurance against such rewards (Amos, 2014) throughout this study.

Consequently, before collection was done, the University Research Ethics Committee granted ethical clearance to conduct this study as primary data is collected. The researcher submitted an ethics application form with the questionnaire to the supervisor and the Rhodes University Human Ethics Committee through an Ethical Review Application system before the data collection, as requested by the university. The risk level for the study was indicated as medium, as the study is concerned with the financial information of small businesses. In addition, formal authorisation from relevant authorities of the small business operations to carry out the investigation was also included in the documents included with the questionnaire. The researcher acquired a gatekeeper letter from the Makana Municipality. (See Annexure B for the ethics Approval letter and Annexure C for the gatekeeper's letter used in the study).

4.8 Data Analysis

Data analysis refers to the process of performing certain calculations and evaluations in order to extract relevant information from data (Ibrahim, 2015). It involves reducing accumulated data to a manageable amount, developing summaries, looking for patterns and applying statistical techniques (Blumberg et al., 2011). Quantitative data analysis works to uncover relationships and interconnections. The data analysis entailed data capturing and dealing with missing data, validity and reliability, descriptive statistics and inferential statistics. These will be discussed below.

4.8.1 Dealing with Missing Data

Before data was analysed, data was collected from the study's respondents; each questionnaire was checked for completeness. Then, all primary data in a questionnaire was captured in Microsoft Excel, and all other missing data was detected and cleaned. In research, missing data refers to the absence of data values for a variable in the observation of interest, consequently reducing statistical power and representativeness (Kang, 2013). There are many ways to deal with missing data, including single and multiple imputations and removal. The single and multiple imputation of data refers to substituting missing data and replacing it with either the mean, mode or median of the data available in a sample (Cheema, 2014). This is done when the percentage of missing data is low. Data removal is when the entire data point that is missing information is deleted to help reduce bias. The study used single and multiple imputation of data as the response rate was low; therefore, no data collected could be disregarded, and there was a low percentage of missing data. This means that missing information in section C of the questionnaire averages was used to complete the data. The following section will discuss the validity and reliability of the measuring instrument.

4.8.2 Validity and Reliability of the Measuring Instrument

Validity refers to the extent to which a tool truly measures what it claims to measure (Kumar, 2020). This study considered two types of validity: Content and construct validity. Content validity refers to the assessment of the degree of correspondence between the items selected to constitute a summated scale and its conceptual definition (Saunders et al., 2016), while construct validity refers to the extent to which a set of measured variables actually represent the theoretical latent construct they are designed to measure (Saunders et al., 2016; Hair et al., 2014). The study ensured content validity by using statements from previous studies to measure

the study's independent and dependent variables. These statements were used to provide an operational definition of the factors in the study. Furthermore, experts in the field of microcredit services were evaluated to determine the operational definition of the factors together with the supervisor, who assessed the structure, language, and appropriateness of the questionnaire.

In addition, the study ensured the construct validity of the questionnaire by using exploratory factor analysis (EFA). EFA refers to a statistical procedure that determines underlying structures and relationships between variables and measures the strength of the relationship (Watkins, 2018). The objective of this statistical method is to summarise information contained in several original variables into a smaller set of dimensions (factors) with the minimum amount of information lost. Factor loadings of 0.5 will be accepted in the study, and any item loaded below 0.5 will be regarded as irrelevant and excluded from further analysis (Maskey and Nguyen, 2018; Williams, Onsmann and Brown, 2010). EFA's main objectives are to count the common factors influencing a group of measures and gauge how strongly each factor and each observed measure are related.

Reliability refers to the degree to which the measure of a construct is consistent or dependable (Bhattacharjee, 2012). Reliability can be defined as the importance of ensuring that the measuring instrument is error-free and produces consistent results (Zikmund, Babin, Carr and Griffin, 2010). According to Heale and Twycross (2017), reliability can be measured using Cronbach's alpha coefficient item scores. Reliability in the study was addressed by ensuring internal consistency using the item-to-total-correlation method (Hair et al., 2014). Internal consistency refers to an accepted measure of reliability, assuming that individual items or indicators of a measuring instrument measure the same construct and, therefore, are highly correlated. The Cronbach's alpha coefficient was used to measure internal consistency. The Cronbach alpha coefficient measured how well each item in a scale correlated with the remaining items (Heale and Twycross, 2017). Wiid and Diggins (2013) suggest that researchers must use Cronbach's alpha coefficients. The Cronbach alpha reliability coefficient is used to measure reliability and ranges typically between 0 and 1, with values of 0.60 to 0.70 considered the lower limit of acceptability (Hair et al., 2014). To ensure reliability, the researcher used Statistica to estimate Cronbach's alpha coefficient using data from previous studies. Reliability is checked with Cronbach's Alpha test, where a value > 0.7 indicates

reliability (Cooper and Schindler, 2020). Therefore, factors with Cronbach's Alpha values of 0.70 and above were considered reliable for this study.

4.9 Quantitative Data Analysis

This research used quantitative statistical data analysis to reject or not reject the null hypothesis (Bless, Higson-Smith and Sithole, 2013). The study was quantitative in nature and therefore used two types of statistics, descriptive statistics for description and inferential statistics. The section below will discuss descriptive and inferential statistics.

4.9.1. Descriptive Statistics

Descriptive statistical analysis of the data, such as means, standard deviations, frequencies and percentages, was initially conducted before inferential analysis. Descriptive statistics summarise data into meaningful, more straightforward, interpretative indicators such as percentages, quartiles, means and modes (Leedy and Ormrod, 2015; Adams, Khan and Raeside, 2014). An essential goal of this statistical technique is to use a smaller set of dimensions (factors) to summarise information contained in several original variables. Descriptive statistics such as frequencies, mean, and standard deviation was calculated based on the study's demographic information, business characteristics and factors (Khan and Raeside, 2014). This study used frequency and percentages to summarise small business owners' demographics and small business characteristics. Frequency and percentage refer to the number of times each variable occurs and a relative value indicating the hundredth part of a quantity, respectively (Hair et al., 2014). Frequencies and percentages were used to summarise information such as gender, age, ethnic group, level of education attained and business characteristics such as legal status of the business, sector of the small business, position held in the business, number of employees, number of years in operation, annual turnover and where to obtain a small business.

The study used the mean central tendency measure, which refers to an average of a dataset that balances two sides of data and is a measure of central tendency (Leedy and Ormrod, 2015). The mean reports and summarise the respondents' demographic data and the average responses related to each variable of this study, namely on positive affect, perceived benefit, perceived deterrent, subjective norms, perceived behavioural control, knowledge of microcredit and access to microcredit. The study also made use of the measure of variability. The measure of

variability refers to techniques for characterising how data values are distributed around a dataset's central tendency (Saunders et al., 2016). Measures of variability refer to the range, variance and standard deviation. The standard deviation was used to summarise information on the study's dependent and independent variables. Standard deviation refers to the square root of the variance (Field, 2009). Standard deviation was used to calculate and interpret the sections in the questionnaire. Thereafter, inferential statistics was conducted.

4.9.2 Inferential Statistics

Inferential statistics refers to techniques used to test whether hypotheses about a certain population are true by drawing inferences from a population sample (Leedy and Ormrod, 2015). Inferential statistics may include Pearson Product-Moment Correlation, multiple regression analysis and analysis of variance. This study used inferential statistics to test the hypotheses. The study's inferential statistics was conducted using Pearson Product-Moment Correlation and multiple regression analysis. The following section will discuss the Pearson product-moment correlation, multiple regression analysis, and hypothesis.

4.9.2.1 Pearson Product-Moment Correlation

Pearson Product-Moment Correlation refers to the measure of the strength of association between two variables, the independent and dependent variables (Zhou, Deng, Xia, and Fu, 2016 Adams, Khan and Raeside, 2014). The Pearson Product-Moment Correlation calculated the correlation between the factors of the study, but also identified multicollinearity between the factors, where the independent variables cause a standard error that makes some factors statistically insignificant when they should be significant (Hair et al., 2014). Hair et al (2014), define multicollinearity as the degree to which the impact of any predictor in the linear relationship can be influenced by or explained by other predictors in the analysis. This occurs when many variables in a multiple linear regression analysis substantially correlate with the dependent variable and one another (Shrestha, 2020).

Multicollinearity may be reduced by combining factors with high correlation into one factor (Kyriazos and Poga, 2023). Pearson Product-Moment Correlation was also used to assess the extent to which a correlation exists between positive affect, perceived benefit, perceived deterrent, subjective norm, perceived behavioural control, and knowledge of microcredit and access to microcredit services by small businesses. To determine the statistical significance,

the 5% level of significance was utilised. The following rule set by Schober, Boer and Schwarte (2018) for interpreting correlation statistics (r) was employed (Table 8):

Table 8: Interpretation of correlation statistics

Magnitude of correlation statistic	Interpretation
$r = 1$	Perfect correlation
$0.9 \leq r < 1.0$	Very strong correlation
$0.7 \leq r < 0.9$	Strong correlation
$0.5 \leq r < 0.7$	Moderate correlation
$0.3 \leq r < 0.5$	Weak correlation
$0.0 < r < 0.3$	Very weak correlation
$r = 0$	No correlation

Source: Schober et al. (2018)

Table 8 shows the interpretation of correlation statistics that resulted from the study's variables. Correlation of 0.9 and above was considered to show possible multicollinearity; thus, such factors were combined into one factor.

4.9.2.2 Multiple Regression Analysis

Multiple regression measures the extent to which a dependent variable is predicted by many independent variables (Quinlan, Babin, Carr, Griffin and Zikmund, 2015; Hair et al., 2014). The coefficient of multiple determination (R^2) is computed to accomplish this. The coefficient of multiple regression can take on any value between 0 and +1 and evaluates the model fit, prediction accuracy, or the percentage of the variance in the criterion or dependent variable that the predictor variables can statistically explain. Predictor variables are expected to impact or influence other variables (Adams, Khan, and Raeside, 2014). The beta (β) coefficient illustrates whether there are positive or negative linear correlations between the variables. The multiple regression analysis, the p-value, or significance level were calculated to evaluate the relevance of the correlations. The R-squared coefficient should be calculated as the variance of the outcome variable explained by the predictor variables. For this study, Beta (β) was used to represent the negative or positive linear relationships between variables and the strength of the relationships. The p-value was calculated to test the approximate significance levels of relationships between factors. The p-value will be less than 5%, or $p < 0.05$.

Multiple regression analysis was utilised in this investigation to determine relationships between the independent and dependent variables. Namely, to ascertain if significant relationships amongst Positive affect (PA), Perceived Benefit (PB), Perceived Deterrent (PD), Subjective Norms (SN), Perceived Behavioural Control (PBC), Knowledge of Microcredit (KM), and intention to access microcredit (I) exist. The following section will look at the hypothesis testing.

4.10 Hypothesis Testing of the Study

Hypothesis testing aims to decide whether or not a hypothesis about the population is supported by the sample (Taeger and Kuhnt, 2014). The hypothesis of the study was developed based on previous research on microcredit (Kajenthiran et al, 2017; Jebarajakirthy et al, 2014). There are two types of hypotheses: the null hypothesis and the alternative hypothesis. The null hypothesis states that the two variables have no significant relationship, while an alternative hypothesis states that it proposes a significant relationship between the variables (Saunders et al., 2016). This study tested the null hypothesis, rejecting it and indicating the acceptance of its alternative hypothesis. Table 9 shows the study's null hypothesis and relationships to verify and determine the study's null hypothesis.

Table 9: Null hypothesis

H₀: The factors do not significantly influence the intention of small business owners to access microcredit services.		
Relationships	p-value	Outcomes
Positive Affect does not influence the Intention to access microcredit services.	P>0.05	Accept
Perceived Benefit does not influence intention to access microcredit services.	P> 0.05	Accept
Perceived Deterrent does not influence intention to access microcredit services.	P>0.05	Accept
Subjective Norms does not influence the intention to access microcredit services.	P>0.05	Accept
Knowledge of Microcredit does not influence the intention to access microcredit services.	P>0.05	Accept
Perceived Behavioural Control does not influence the intention to access microcredit services.	P>0.05	Accept

Source: Researcher construction

Table 9 shows that if the p-values are greater than 0.05, all the relationships will be accepted, meaning that the independent variable is not significantly related to the dependent variable.

Thus, the null hypothesis was accepted, and the alternative rejected. Table 10 will discuss the alternative hypothesis of the study.

Table 10: Alternative hypothesis

H₁: The factors significantly influence the intention of small business owners to access microcredit services.		
Relationships	p-value	Outcomes
Positive affect influences intention to access microcredit services.	P < 0.05	Accept
Perceived benefit influences the intention to access microcredit services.	P < 0.05	Accept
Perceived Deterrent influences intention to access microcredit services	P < 0.05	Accept
Subjective Norms influence the intention to access microcredit services.	P < 0.05	Accept
Knowledge of Microcredit influences the intention to access microcredit services	P < 0.05	Accept
Perceived Behavioural Control influences the intention to access microcredit service.	P < 0.05	Accept

Source: Researcher construction

Table 10 presents the results of the hypothesis tests examining the relationships between various independent variables namely positive affect, perceived benefit, perceived deterrents, subjective norms, perceived behavioural control, and knowledge of microcredit and the dependent variable, intention to access microcredit services. In accordance with the statistical decision rule, if the *p*-value is less than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted. This implies that the independent variable has a statistically significant effect on the intention to access microcredit.

DECISION RULES

The following decision rules were used to interpret the hypothesis test results.

Based on Table 10:

Decision rules:

Suppose the p-values of three or more relationships were greater than or equal to 0.05. In that case, the null hypothesis was fully accepted.

The null hypothesis was partially accepted if the p-values of exactly two relationships were greater than or equal to 0.05.

The null hypothesis was fully rejected if the p-values of one or fewer relationships were greater than or equal to 0.05.

4.11 Chapter Summary

This chapter presented a comprehensive and systematic exposition of the methodological framework adopted in this study, aimed at investigating the factors influencing the intention of small business owners to access microcredit services in the Makana Municipality. The chapter began by articulating the philosophical underpinnings of the research through a detailed discussion of the research paradigm. The positivist paradigm was adopted to facilitate objective measurement and empirical testing of relationships between variables, as it supports the use of structured instruments and statistical analysis to generate generalisable findings. The research design and approach were elaborated to clarify the logical structure of the study. A quantitative, cross-sectional survey design was employed, allowing for the collection of numerical data at a single point in time. This approach was appropriate for statistically analysing relationships between dependent and independent variables as grounded in the extended theory of planned behaviour. Furthermore, the chapter outlined the target population, consisting of small business owners operating in the Makana Municipality, and described the sampling frame and techniques to ensure a representative subset of respondents. The sample size was determined using appropriate statistical guidelines to ensure validity and sufficient statistical power.

The chapter also provided a detailed account of the data collection tools, primarily a structured questionnaire, and the procedures followed during the data collection phase. Notably, this section included a discussion of operational definitions, where each variable - perceived benefit, positive affect, perceived deterrents, subjective norms, perceived behavioural control, and knowledge of microcredit, was clearly defined and linked to specific items in the

questionnaire. These definitions ensured conceptual clarity and measurement precision. Ethical considerations were thoroughly addressed, highlighting how informed consent was obtained, the confidentiality of participants maintained, voluntary participation ensured, and ethical approval from relevant bodies secured. These safeguards were critical to upholding the integrity and credibility of the research process.

The chapter also outlined the techniques used to ensure the validity and reliability of the data collection instrument. Content and construct validity were established through expert review and alignment with established theoretical frameworks, while reliability was assessed using statistical techniques such as Cronbach's alpha. A value of 0.7 or higher was considered acceptable for internal consistency. A central focus of the chapter was on the data analysis techniques, which included both descriptive and inferential statistics. Descriptive analysis provided insights into demographic and business characteristics, while inferential techniques such as Pearson Product-Moment Correlation and multiple regression analysis were employed to assess relationships between variables. In addition, hypothesis testing was conducted to statistically determine the significance of relationships between independent variables (e.g., perceived benefit, subjective norms) and the dependent variable (intention to access microcredit). The chapter concluded by outlining the decision rule used for hypothesis testing: if the p-value was less than 0.05, the null hypothesis was rejected and the alternative hypothesis accepted, indicating a significant relationship between the tested variables. The next chapter will report the empirical results of the study.

CHAPTER 5 EMPIRICAL RESULTS

5.1 Introduction

The previous chapter outlined this study's research design and methodology, including the statistical data collection and analysis techniques. This chapter presents and discusses the study's empirical results, specifically addressing the secondary objective to empirically test the influence of factors (Positive Affect (PA), Perceived Benefit (PB), Perceived Deterrents (PD), Subjective Norms (SN), Perceived Behavioural Control (PBC), and Knowledge of Microcredit (KM)) on access to microcredit services (SO₄). This chapter fulfils this objective by presenting findings from the data collected during the research process. The analysis was conducted using the statistical techniques described in Chapter 4, which are Exploratory Factor Analysis (EFA), Cronbach's alpha for reliability, descriptive statistics, Pearson Correlation analysis, and multiple regression analysis.

The chapter begins by reporting on the response rate and provides a demographic profile of the respondents, along with the business characteristics of the small businesses involved in the study. It then discusses the data's reliability and validity, specifically through using EFA and Cronbach's alpha values to assess internal consistency. Descriptive statistics are used to summarise and interpret the data on the key study variables, offering insights into respondents' perceptions regarding microcredit access. Subsequently, the Pearson Correlation Coefficient is employed to examine the strength and direction of relationships between the independent variables, that is perceived benefit, subjective norms, perceived behavioural control, positive affect, perceived deterrents, and knowledge of microcredit and the dependent variable, namely, intention to access microcredit services. This is followed by a presentation of the multiple regression analysis results, which determines each variable's predictive power. The chapter also interprets the results of the hypothesis testing in accordance with the statistical decision rule. Finally, the chapter concludes with a comprehensive summary, reflecting on the key findings and how they relate to the objectives and theoretical framework guiding the study.

5.2 Data Capturing and Missing Data

A total of 126 questionnaires were distributed to small business owners operating within the Makana Municipality. Of these, 104 questionnaires were returned, yielding a response rate of

82.5%. However, eight returned questionnaires contained missing data in Section C, which covered the key study variables. The single imputation method was employed to address this issue, whereby the missing data points were replaced with the mean value for each respective item in Section C. This method was considered appropriate given the relatively low number of missing responses and the modest overall sample size, which made case deletion impractical and risked compromising the robustness of the statistical analysis. Therefore, this study proceeded with all 104 responses for analysis.

All questionnaire data were captured and organised using Microsoft Excel and analysed using STATISTICA version 13.3. The following section provides a summary of the demographic characteristics of the respondents as well as the business profiles of the participating small businesses.

5.3 Demographic Information

Demographic information of the respondents was collected in Section A of the questionnaire. The information collected on the respondents was regarding their gender, age, race, and level of education. Categorical data was used to collect the information. Table 11 highlights the demographic characteristics of the respondents.

Table 11: Demographic Characteristics of the Respondents

Characteristic	Category	Frequency	Percentage (%)
<i>Gender</i>	Man	60	58
	Woman	44	42
	Total	104	100
<i>Age</i>	18- 30	19	18
	31-40	25	24
	41-50	26	25
	51-60	28	27
	60 years and above	6	6
	Total	104	100
<i>Race</i>	Black	46	44
	Coloured	11	11
	White	33	32
	Asian	14	13
	Total	104	100
<i>Level of Education</i>	Below Matric	6	6
	Matric certificate	27	26
	College certificate /Diploma	48	46
	Bachelors Degree	17	16
	Master Degree	4	4
	Other: Specify	2	2
	Total	104	100

Source: Primary Data

Table 11 presents the demographic profile of the respondents. The data indicates that most respondents were male (58%), while females accounted for 42% of the sample. With regard to age distribution, the most significant proportion of respondents (27%) fell within the 51–60 age group. This was followed by 25% of respondents aged between 41 and 50, and 24% between 31 and 40. Additionally, 18% of respondents were aged between 18 and 30, while only 6% were over the age of 60. Regarding population group, 44% of the respondents

identified as Black, followed by 32% who identified as White. Asian respondents comprised 13% of the sample, and 11% identified as Coloured. Regarding educational qualifications, most respondents (46%) reported holding a college certificate or diploma. This was followed by 26% who had completed matric, and 16% who held a bachelor's degree. A smaller portion of the respondents (4%) had attained a master's degree, while 6% reported having an education below matric level. Lastly, 2% of the respondents selected the "Other" category but did not specify their level of education.

5.3.1. Small Business (SMME) Characteristics

Information regarding the business characteristics of the small businesses (SMMEs) was collected from Section B of the questionnaire. The section used categorical data to collect information. Table 12 shows the SMME characteristics.

Table 12: Small Business (SMME) Characteristics

<i>Characteristic</i>	<i>Category</i>	<i>Frequency</i>	<i>Percentage(%)</i>
Ownership	Owner	32	31
	Manager	31	30
	Both	41	39
	Total	104	100
<i>Legal status</i>	Sole Trader	38	37
	Partnership	22	21
	Family Business	26	25
	Close Corporation	10	10
	Other (Specify)	8	7
Total	104	100	
<i>Business Sector</i>	Manufacturing	15	14
	Construction	11	11
	Trading (wholesale and retail)	39	38
	Service	35	33
	Other	4	4
	Total	104	100
<i>Number of Employees</i>	1-5 employees	54	52
	6- 10 employees	25	24
	11 -20 employees	20	19
	21 -50 employees	2	2
	More than 50 employees	3	3
	Total	104	100
<i>Years in Operation</i>	Less than 3 years	18	17
	4 -9 years	46	44
	10 -15 years	21	20
	16-20 years	10	10
	Above 20	9	9
	Total	104	100
<i>Annual Turnover</i>	Less than R50 000	18	17
	R51 000 – R100 000	46	44
	R100 000 – R1 million	21	20
	R2 million – R25 million	10	10
	More than R25 million	9	9
	Total	104	100
<i>Loan Provider</i>	Bank	17	16
	Microfinance	28	27
	Non-governmental organisations funding small businesses	48	46
	Close friends /family members	10	10
	Informal loan institutions such as loan sharks	1	1
	Total	104	100

Source: Primary data

Table 12 shows the business characteristics of the small businesses. The data shows that most small business owners are also managers of the business (39%), while 31% of the respondents are owners only, and 30% are managers. Regarding the ownership structure, the majority of the businesses are sole traders (37%), followed by family businesses (25%), and partnerships (21%). A minority of the businesses indicated that they were close corporations (10%), and 7% of the businesses indicated the other option, which was made up of private companies.

In addition, in terms of the business sector, most small businesses are in the wholesale and retail sector (38%). A significant number of small businesses indicated that they are in the service sector (33%), while 14% indicated the manufacturing sector. Only 11% of the small businesses are in the construction sector, with 3% of the businesses indicating the other option, which respondents identified as financial, hospitality, manufacturing and sales business sectors.

In terms of the number of employees in the small businesses, the majority of respondents (52%) indicated that their business employs between one and five employees. A smaller portion of respondents (24%) stated that they employ between six and ten employees, while 19% reported employing between eleven and twenty employees. Only 3% of respondents indicated that their business employs more than fifty employees, and a mere 2% reported that it employs between twenty-one and fifty employees.

Regarding the time businesses have been in operation, the most significant proportion of respondents (44%) indicated that their businesses have been operating for between four and nine years. A considerable number of respondents (20%) stated that their businesses have been operating for ten to fifteen years, and 17% reported operating for less than three years. Only 10% of respondents indicated that their business has been operating for sixteen to twenty years, while 9% reported that it has been operating for over twenty years.

In terms of annual turnover, most small businesses (46%) reported annual revenues between R100,000 and R1 million. A further 27% indicated that their annual turnover falls between R51,000 and R100,000. Only 16% of respondents reported having an annual revenue of less than R50,000, while 10% indicated annual revenue between R2 million and R25 million. Finally, just 1% of respondents stated that their businesses generate more than R25 million

annually. Furthermore, in terms of loan providers for small businesses, the majority of the respondents indicated that they would get loans from non-governmental organisations funding small businesses (46%), followed by Microfinance (27%), banks (16%), Friends/family members (10%) and Informal loans such as loan sharks (1%).

5.4 Validity and Reliability

According to the literature, it is clear that the reliability and validity of the measuring instrument are two indispensable features and are crucial as they ensure whether data is measured thoroughly (Sürücü and Maslakci, 2020). Validity refers to the extent to which a tool truly measures what it claims to measure (Kumar, 2020). This study will consider two types of validity: Content and construct validity. Content validity was checked as part of the questionnaire development, and construct validity was confirmed with Explanatory Factor Analysis (EFA). The EFA that shows items with a loading of 0.5 were retained as part of the factors in the study. EFA is a statistical technique used to identify and evaluate underlying relationships between measured variables (Lorenzo-Seva and Ferrando, 2024).

Reliability refers to the degree to which the measure of a construct is consistent or dependable (Bhattacharjee, 2012). According to Heale and Twycross (2017), reliability can be measured using Cronbach's alpha coefficient item scores. The rule of thumb for both reliability criteria is that they must be above 0.70 (Kim, Park, Choi, Kim and Jung, 2016). Reliability in the study was addressed by ensuring internal consistency using the item-to-total-correlation method (Hair et al., 2014). This study considered factors reliable if they produced a Cronbach's alpha equal to or above 0.7 (Kim et al., 2016). Table 13 summarises the EFA results for the study's independent variables.

Table 13: Factor Structure for Independent Variables

VARIABLE	FACTOR1	FACTOR2	FACTOR3	FACTOR4	FACTOR5	FACTOR6
CQ1	0.763	0.077	0.146	0.326	-0.050	0.050
CQ2	0.855	-0.002	0.034	0.020	0.032	0.073
CQ3	0.671	-0.021	0.227	0.318	-0.001	0.088
CQ4	0.803	-0.047	0.179	-0.080	0.102	0.051
CQ5	0.709	0.089	0.118	-0.204	0.172	0.117
CQ6	0.686	0.036	0.053	-0.157	0.364	0.060
CQ7	0.550	0.136	0.021	0.574	0.006	-0.145
CQ8	0.798	0.229	0.192	-0.112	0.034	0.112
CQ9	0.745	0.158	0.226	0.137	0.111	-0.048
CQ10	0.149	0.132	0.046	0.321	0.702	0.186
CQ11	0.201	0.462	0.271	0.204	0.166	0.435
CQ12	-0.077	0.189	-0.012	0.764	0.113	0.180
CQ13	0.132	-0.055	0.037	0.078	0.052	0.872
CQ14	0.290	-0.108	0.538	-0.053	0.473	0.183
CQ15	0.364	-0.017	0.711	0.188	0.042	-0.073
CQ16	0.395	-0.003	0.717	-0.137	0.081	0.077
CQ17	0.424	0.189	0.549	0.070	0.306	-0.090
CQ18	0.076	0.797	0.087	0.225	0.172	-0.102
CQ19	0.273	0.301	0.172	-0.329	0.528	-0.094
CQ20	0.016	0.855	-0.089	0.022	0.096	-0.030
CQ21	0.158	0.795	-0.035	-0.006	0.013	0.054
CQ22	0.168	0.638	0.453	-0.035	-0.307	0.214
CQ23	-0.010	0.517	0.577	-0.035	-0.348	0.230
CQ24	-0.034	0.358	0.515	-0.098	0.190	0.373
CQ25	-0.050	0.591	0.467	0.175	0.076	-0.217

Source: Primary Data

Table 13 presents the exploratory factor analysis (EFA) results on the study's independent variables. The EFA results show that items with factor loadings of 0.5 or higher were retained for further analysis, while any items with loadings below 0.5 were excluded due to their irrelevance. The table outlines six factors that were extracted based on the factor loadings of each variable. However, there were several adjustments made to the factors:

- Items CQ7 and CQ23 exhibited double loadings on two factors, meaning they had significant loadings on more than one factor. These items were deleted from the analysis as they did not meet the criteria for factor retention.
- Factor 4 contained only one item, which is generally not considered a meaningful factor in factor analysis. According to standard guidelines (Field, 2013), a factor with only one item is problematic and should be excluded from the analysis as it does not provide a reliable representation of the underlying construct. Consequently, Factor 4 was removed from further analysis

- Similarly, Factor 6 contained only one item (CQ13); thus, it was deleted from the analysis. According to Hair et al. (2010), a factor with only one item lacks the necessary complexity to be considered a valid factor and does not contribute to the interpretation of the underlying structure. Consequently, Factor 6 was removed from further analysis.

The remaining factors were retained for further analysis. The variance of the factor determines which factor should be retained based on the percentage of the variance accounted for by the variable (Khula and Moroke, 2016). Factor 1, with a total explained variance of 22.61%, was the most significant and explained the largest proportion of the variance in the data. Factors 2 and 3 explained 14.69% and 11.87% of the variance, respectively. In addition, Factor 5 of the variance explained 6.51% of the variance. Together, these four factors accounted for the majority of the variance, indicating that they represent the most important underlying dimensions in the dataset. The section below will discuss the EFA results of the independent variables.

5.4.1. Independent Variables

This section will discuss the independent variables that EFA extracted. Table 14 shows the validity and reliability of Factor One.

Table 14: Validity and Reliability of Factor One

% Variance: 22.62%		Cronbach's Alpha: 0.909		
Items	Statements	Factor loading	Items-total correl.	CA after deletion
CQ1	I would be happy if I could use a microcredit loan to fund my business	0.763	0.734	0.895
CQ2	I prefer using a microcredit loan to fund my small business	0.855	0.780	0.893
CQ3	The very thought of using microcredit loans for my small business excites me	0.671	0.653	0.900
CQ4	I will be proud of myself if my small business uses a microcredit loan	0.803	0.733	0.895
CQ6	My family's financial situation will improve if I take microcredit loans	0.709	0.645	0.901
CQ8	My business income will increase if I take a microcredit loan	0.798	0.517	0.910
CQ9	My business prospects will improve if I take microcredit loans	0.7449	0.740	0.893

Sources: Researcher construct

Table 14 shows the nine items loaded into factor one, CQ1-CQ6, CQ8 and CQ9. Factor one is identified as "Attitude" based on the items that loaded highly onto this factor, with a Cronbach's alpha of 0.909, indicating excellent internal consistency for the construct. The variance explained by Factor One is 22.62%, which suggests that this factor accounts for a significant portion of the total variance observed in the data for the independent variables.

The nine items in Factor One are related to the respondents' attitudes toward accessing microcredit loans for their small businesses. Notably, CQ2 had the highest factor loading at 0.855, suggesting that respondents strongly associated this item with the construct of Attitude, whereas CQ3 had the lowest factor loading at 0.671, but still above the acceptable threshold for factor loadings (usually considered to be 0.5 or higher). The Cronbach's Alpha after deletion values indicate how the reliability of the factor would change if each item were removed. Cronbach's alpha values remain high across all items, confirming that the set of items consistently measures the same underlying construct, attitude. Table 15 shows the validity and reliability of Factor Two.

Table 15: Validity and Reliability of Factor Two

% Variance: 14.69%		Cronbach's Alpha:0.848		
Items	Statements	Factor loading	Items-total correl.	CA after deletion
CQ18	My small business can be approved for a microcredit loan.	0.797	0.667	0.8160
CQ20	My small business has the funds to repay a microcredit loan.	0.855	0.664	0.817
CQ21	It would be easy for my small business to repay the microcredit loan.	0.795	0.615	0.826
CQ22	Receiving a microcredit loan for my business would impress my close friends	0.638	0.661	0.817
CQ23	I know the requirements needed to obtain a microcredit loan for my small business.	0.515	0.583	0.833
CQ25	I know how to manage a microcredit loan.	0.591	0.596	0.830

Source: Primary Data

Table 15 shows that factor two consists of six items that were loaded based on their relationships to the constructs of Perceived Behavioural Control and Knowledge of microcredit

loans, namely, CQ18, CQ20, CQ21, CQ22, CQ23 and CQ25. The Cronbach's alpha for this factor is 0.848, indicating good internal consistency. The variance explained by Factor Two was 14.69%, significant, reflecting the strength of the relationship between these items and the factor itself.

Factor Two incorporates both items that measure Perceived Behavioural Control (CQ18, CQ20, and CQ21) and Knowledge of Microcredit (CQ22, CQ23 and CQ25). Item CQ20 had the highest factor loading at 0.855, indicating a strong relationship with the latent variable. On the other hand, CQ23 had the lowest factor loading at 0.515, but it still met the threshold for inclusion, contributing valuable information regarding Knowledge of Microcredit.

The items-total correlation values suggest that all items have significant relationships with the overall construct. For instance, CQ20 had an items-total correlation of 0.664, indicating its strong association with the factor. The Cronbach's Alpha After Deletion values showed a minimal decrease when individual items were deleted, which supports the fact that the factor remains stable and reliable even without certain items.

One item from Perceived Behavioural Control, specifically CQ21, did not load well on Factor Two and was therefore excluded from the analysis. Additionally, CQ22, which was intended to measure Knowledge of Microcredit, also did not load onto the factor as expected and was not retained in further analyses. Based on the significant items that loaded onto Factor Two, it was renamed as Perceived Behavioural Control, including Knowledge, as it accurately represents the combination of these two dimensions. The reliability and validity of this factor were confirmed by the results of the EFA, with Cronbach's alpha indicating a strong internal consistency for the construct. Table 16 shows the validity and reliability of Factor Three.

Table 16: Validity and Reliability of Factor Three

% Variance: 11.87%		Cronbach's Alpha:0.799		
Items	Statements	Factor loading	Items-total correl.	CA after deletion
CQ14	Receiving a microcredit loan would impress my family members	0.538	0.563	0.772
CQ15	My close friends support me if my business receives a microcredit loan	0.711	0.659	0.724
CQ16	People whose opinions are valued encourage me to apply for a microcredit loan	0.717	0.619	0.745
CQ17	Receiving a microcredit loan for my business would impress my close friends	0.549	0.606	0.752

Source: Primary Data

Table 16 shows the four items loaded in factor three (CQ14 to CQ17). Factor Three consists of four items that were loaded based on their relevance to Subjective Norms regarding access to microcredit services. The Cronbach's alpha for this factor is 0.799114, indicating an acceptable level of internal consistency. The percentage variance explained by this factor was moderate, which reflects the moderate relationship between these items and the underlying latent variable.

Factor three was composed of items that measure Subjective Norms (CQ14 to CQ17), where social pressures and the influence of close family and friends were considered. Item CQ16, with a factor loading of 0.717, had the highest loadings, suggesting that it had the strongest relationship with Subjective Norms in terms of encouraging an individual to apply for a microcredit loan. In contrast, CQ14, with a factor loading of 0.538, had the lowest loading on this factor, but still contributed meaningful information about how the opinion of family members influences the decision to obtain a microcredit loan.

The items-total correlation values suggest that the items are fairly well correlated with the overall construct. For instance, CQ15, which relates to the support of close friends, showed a good items-total correlation of 0.659, indicating its contribution to the Subjective Norms factor. Similarly, CQ17, with a 0.606 correlation, also showed a moderate relationship with the factor. One item, CQ24, which was originally intended to measure Subjective Norms, was deleted due to poor loading and cross-loading with another factor. CQ23 was also loaded onto this factor

but was excluded from further analysis due to cross-loading issues, as it was better suited to another factor. The deletion of these items ensures that the factor structure remains clean and precise.

Given that the items loaded onto Factor Three consistently reflected the influence of Subjective Norms (i.e., family and friends' opinions), this factor was named Subjective Norms. The Cronbach's alpha supported the factor's reliability and validity, and the overall factor structure appears robust.

5.4.2 Dependent Variable

This section will discuss the dependent variable that EFA extracted. Table 5.7 shows the factor structure of the dependent variable.

Table 17: Factor Structure for Dependent Variable

Variable	Factor 1
CQ26	0.657
CQ27	0.907
CQ28	0.907
CQ29	0.748
Expl.Var	2.826
Prp.Totl	0.706

Source: Primary Data

Table 17 shows the Exploratory Factor Analysis (EFA) results for the dependent variable and its associated factor structure. The factor loadings are provided for each variable, with items that loaded below 0.5 being excluded from further analysis. Items CQ26 and CQ29 showed loadings below the required threshold of 0.5 and were removed from the analysis. As a result, the factor structure was clarified, with CQ27 and CQ28 achieving high loadings of 0.906668, indicating a strong relationship with the latent variable. The Explained Variance (Expl.Var) for Factor 1 is 2.825712, and the Proportion of Total Variance (Prp.Totl) is 0.706428, which signifies that this factor explains a significant portion of the overall variance in the data. After removing CQ26 and CQ29, the remaining items (CQ27 and CQ28) contributed to a revised Explained Variance of 1.644094. The next section will discuss the dependent variable. Table 18 shows the validity and reliability of the dependent variable.

Table 18: Shows the Validity and Reliability of the Dependent Variable

% Variance: 6.56%		Cronbach's Alpha:0.784		
Items	Statements	Factor loading	Items-total correl.	CA after deletion
CQ27	I intend to apply for a microcredit loan for my small business in the future.	0.907	0.644	N/A
CQ28	I intend to apply for a microcredit loan to fund my small business.	0.907	0.644	N/A

Source: Primary Data

Table 18 shows two items loaded onto Factor One, namely CQ27 and CQ28. The four items (CQ26 to CQ29) were originally intended to measure the intention to access microcredit services. However, only two items, CQ27 and CQ28, met the required factor loading threshold and were retained for further analysis. Both items demonstrated strong and identical factor loadings of 0.907, indicating a high degree of correlation with the latent construct. Items CQ26 and CQ29 were removed due to low factor loadings and limited interpretability, thereby enhancing the overall validity of the scale.

Based on the Exploratory Factor Analysis (EFA) results and the reliability analysis using Cronbach's alpha, the underlying factors that influence access to microcredit services were identified as: Attitude, Subjective Norms, and Perceived Behavioural Control, including Knowledge. Each of these factors exhibited acceptable levels of validity, evidenced by strong and interpretable factor loadings, and demonstrated high internal consistency reliability as indicated by their respective Cronbach's alpha coefficients, all of which were above the acceptable threshold of 0.7. These findings confirm that the scale items are both valid (accurately measuring the intended constructs) and reliable (consistently measuring those constructs).

5.5 Revised Operational Definition

Based on the EFA results and reliability analysis, four key factors were identified as influencing Intention to Access Microcredit services: Attitude, Subjective Norms, Perceived Behavioural Control, including Knowledge. Each factor demonstrated strong validity through acceptable factor loadings (all above 0.5) and high reliability with Cronbach's alpha values exceeding 0.7. These revised factors reflect the actual structure of the data and provide a more accurate operational framework for understanding the factors influencing the intention of small business

owners to access microcredit services. Table 19 below presents the operational definitions of these validated factors.

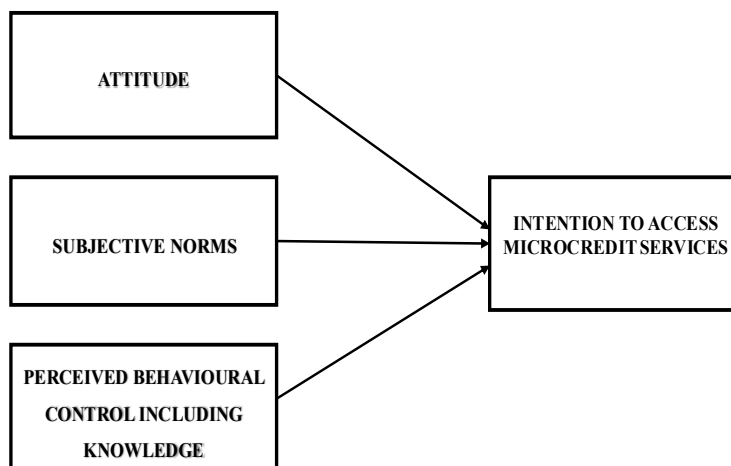
Table 19: Revised Operational Definitions

Factors	Definitions
Attitude	Attitude refers to the favourable perception of excitement, happiness and preference that comes with accessing microcredit, which has benefits such as business income, business prospects, and the financial situation of small business owners.
Subjective Norms	Subjective norms refer to a business owner's belief in the social pressure which can arise from family members, close friends, or people whose opinions are valued by the business owner in accessing microcredit services for their business through their support and having them impressed.
Perceived Behavioural Control and Knowledge	Perceived Behavioural control and knowledge refer to the small business owners' ability to easily get approved and repay the microcredit loan. It also includes knowledge of microcredit requirements, terms of credit loans, and managing a microcredit loan.
Intention to access microcredit services	Intention to access microcredit services refers to small business owners applying for a microcredit loan to fund their small business operations in future.

Source: Researchers construct

Table 19 shows how the factors of the study have been operationalised based on the EFA and Cronbach’s alpha results of the study. Figure 5.1 illustrates the revised framework for the study.

Figure 5.1: Revised Framework of the Study



Source: Researcher Construct

Figure 5.1 shows that attitude, subjective norms and perceived behavioural control, including knowledge, influence the intention of small business owners to access microcredit services. The revised hypothetical model of the study supports the Theory of Planned Behaviour rather than the extended version of the Theory of Planned Behaviour, as it includes attitude, subjective norms and perceived behavioural control. Therefore, the following hypothesis of the study is still relevant to the study:

H₀: The factors do not significantly influence the intention of small business owners to access microcredit services.

H₁: The factors significantly influence the intention of small business owners to access microcredit services.

The hypotheses was tested based on the relationships identified in the study. Table 20 shows the underlying relationships for the hypothesis of the study.

Table 20: Hypothesis and Underlying Relationships

Relationships	Decision Rule
The factors significantly influence the intention of small business owners to access microcredit services.	
There is a significant influence between attitude and intention to access microcredit services.	If p-value < 0.05, reject H ₀ and accept H ₁ .
There is a significant influence between subjective norms and intention to access microcredit services.	If p-value < 0.05, reject H ₀ and accept H ₁
There is a significant influence between perceived behavioural control including knowledge and intention to access microcredit services.	If p-value < 0.05, reject H ₀ and accept H ₁

Source: Researcher's Construction

Table 20 provides the hypothesis of the study and the relationships that was tested in the hypotheses. The decision rule indicates the extent to which the alternative hypotheses must be accepted. The following section will discuss the descriptive statistics for the independent and dependent variables.

5.6 Descriptive Statistics of Variables

A five-point Likert scale was used to assess respondents' perception of the independent and dependent variables. Descriptive statistics were then used to summarise respondents' scores for the independent and dependent variables.

The statements were grouped into Strongly Disagree (1), Disagree (2), Neutral (3) and Agree (4-5). Table 21 provides a summary of the descriptive statistics for the independent and dependent variables of the study.

Table 21: Descriptive statistics of the Independent and Dependent variables

Factors	Valid N	Mean	Std.Dev
Attitude	104	3.114	0.746
Subjective Norms	104	2.879	0.767
Perceived behavioural control including knowledge	104	3.308	0.827
Intention to access microcredit services	104	2.892	0.819

Source: Researchers Construct

Table 21 reveals that the respondents scored a mean of 3.114 for the statements measuring attitude. This suggests that the respondents were generally neutral regarding the statements measuring attitude. This means that the respondents were neutral about their feelings of happiness and excitement about accessing microcredit, as well as its potential to improve their business income and family financial situation. The standard deviation of 0.746 indicates some variation in responses around this neutral stance.

For the subjective norms, respondents scored a mean of 2.879, which implies that less than half of the respondents agreed with the statements measuring norms. This means that the respondents agreed that receiving a microcredit loan would impress close friends, family members, or those whose opinions they value. The standard deviation of 0.767 suggests there was moderate variation in the responses.

Regarding perceived behavioural control, including knowledge, the mean score of 3.308 indicates that respondents, on average, were slightly above neutral with the statements

measuring perceived behavioural control, including knowledge. This means the respondents were neutral on the belief that they could easily apply for and repay a microcredit loan and were knowledgeable about the process. The standard deviation of 0.827 suggests a fair amount of variation in respondents' perceptions.

Finally, the mean score of 2.892 for intention to access microcredit services implies that the respondents were neutral about their intention to access microcredit services. This means that the respondents were neutral whether they would apply for a microloan in the future. The standard deviation of 0.819 reflects some diversity in respondents' intentions.

5.7 Testing of Hypothesis

Inferential statistics were used to examine the hypothesis. The inferential statistics used in the study are the Pearson Product-Moment Correlation and multiple regression analysis. These will be discussed below.

5.7.1 Pearson Product-Moment Correlation Coefficient

Pearson Product-Moment Correlation refers to the measure of the strength of association between two variables, the independent and dependent variables (Zhou, Deng, Xia, and Fu, 2016). The Pearson Product-Moment Correlation will assess the strength and direction of the relationship between the independent and dependent variables (Adams, Khan and Raeside, 2014). The correlation coefficient “r” can range from -1 to 1. The interpretation of the correlation coefficient is shown in Table 8. Table 22 shows the results for the Pearson Product-Moment Correlation coefficient.

Table 22: Pearson Product-Moment Correlation Coefficients

Factors	Mean	Std.Dev	1	2	3	4
1. Attitude	3.072	0.772	1.000	0.596	0.229	0.712
2. Subjective Norms	2.879	0.767	0.596	1.000	0.286	0.623
3. Knowledge and Perceived Behavioural Control	3.308	0.827	0.229	0.286	1.000	0.297
4. Intention to access microcredit services	2.986	0.923	0.712	0.623	0.297	1.000
Red = p < 0.05 (statistically significant)						

Source: Primary Data

Table 22 shows several significant correlations between the factors. Attitude and intention to access microcredit services have the highest significant positive correlation ($r = 0.712$), indicating a high positive relationship. This means that as attitude increases, the intention to

access microcredit services tends to increase as well. Subjective norms and intention access microcredit services also show a significant positive correlation ($r = 0.623$), which is also considered a high positive correlation. This suggests that as subjective norms increase, the intention to access microcredit services also increases. Furthermore, there is a weak positive correlation between perceived behavioural control, including knowledge and intention to access microcredit services ($r = 0.297$). While this is still a positive correlation, it indicates a weaker relationship between perceived behavioural control, knowledge, and the intention to access microcredit services.

Additionally, Table 22 shows significant positive correlations between attitude ($r = 0.596$) and subjective norms, and between perceived behavioural control, including knowledge ($r = 0.286$), further highlighting the interconnectedness of these factors. There is also a positive significant correlation between attitude and knowledge and perceived behavioural control ($r = 0.229$). However, none of these correlations are overly strong, indicating no risk of multicollinearity.

5.7.2 Multiple Regression Analysis

Multiple regression measures the extent to which a dependent variable is predicted by many independent variables (Quinlan et al., 2015; Hair et al., 2014). This study used multiple regression analysis to determine the relationship between independent and dependent variables, that is, to determine the influence of Attitude, Subjective Norms, Perceived Behavioural Control including Knowledge, and intention to access microcredit services. Table 23 shows the results of multiple regression.

Table 23: Results of Multiple Regression Analysis

Dependent variable: Intention to Access Microcredit Services						
Independent variable	Std beta	Std. Err.	UnStd. beta	Std. Err.	t (100)	P-value
Intercept			-0.333	0.327	-1.019	0.311
Positive Attitude	0.501	0.081	0.619	0.101	6.160	0.000
Subjective Norms	0.304	0.082	0.366	0.099	3.689	0.000
Perceived behavioural control and knowledge	0.0905	0.069	0.101	0.077	1.314	0.192
R ² = 19.95%						
Red = p < 0.05 (statistically significant)						

Source: Primary Data

Table 23 shows that attitude has a significant and positive influence on the intention to access microcredit services ($\beta = 0.501$; $p < 0.05$). This implies that small business owners with a positive attitude of believing that accessing microcredit will improve their business income and family financial situation are more likely to have the intention to use microcredit services. This result supports the notion that when small business owners perceive microcredit services as beneficial, they are more inclined to consider accessing them.

Table 23 also reveals that subjective norms have a significant and positive influence on the intention to access microcredit services ($\beta = 0.304$; $p < 0.05$). This means that when small business owners feel that their close family, friends, and people whose opinions they value would be impressed or supportive of them using microcredit services, they are more likely to have the intention to access microcredit services. Therefore, social influence plays a role in shaping the intention of small business owners to access microcredit services.

However, there is no significant influence of perceived behavioural control, including knowledge, on the intention to access microcredit services ($\beta = 0.090$; $p > 0.05$). This indicates the ability to apply for or repay microcredit, or the knowledge of where to access such services, do not significantly influence the intention to access microcredit services by small business owners. This means even if business owners feel confident or knowledgeable about microcredit services, this does not mean they have intention to access microcredit services. Table 23 shows the factors explains 19.95% of the variance in intention to access microcredit services, indicating that attitude and subjective norms together account for nearly one-fifth of the variations in intention to access microcredit services. Table 24 shows the outcomes of the hypotheses of the study.

Table 24: Hypothesis of the Study

Hypothesis	beta	p-value	Outcome
H₁: The factors significantly influence the intention of small business owners to access microcredit services			
Attitude has a significant influence on the intention to access microcredit services.	0.501	0.000	Accepted
Subjective Norms have a significant influence on the intention to access microcredit services.	0.304	0.000	Accepted
Perceived Behavioural Control including knowledge, have a significant influence on the intention to access microcredit services.	0.090	0.192	Rejected

Source: Researchers construct

Table 24 shows the hypothesis of the study, and two relationships were positive and significant. Only one relationship was not positive, and the null hypothesis was fully rejected as two relationships were significant, as the p-values were less than 0.05., This means the alternative hypothesis were accepted.

5.8 Chapter Summary

The chapter provided the empirical results of the study. The chapter commenced by providing the number of responses provided, which were 104 respondents and provided the respondent characteristics and SMME characteristics. The results of the study indicated that the majority of the respondents were men (58%), with women making up 42% of the respondents. The age range of the respondents ranged from 18-30 years to 60 years and above. The majority of the respondents were black, with the rest of the respondents being spread out between white, Asian and coloured. The majority of the respondents have qualifications higher than Matric Certificates.

The chapter further revealed the small business respondent characteristics were both managers and owners. The legal status of the small business was made up of sole traders, partnerships, family businesses, and close corporations. In addition, the majority of the respondents had 1-5 employees. The majority of the respondents were in operation for more than 3 years, with only a few being in operation for less than three years. The respondents indicated they prefer to get a loan from non-governmental organisations for small businesses, microfinance institutions, banks, close friends /family members and informal loan institutions such as bank sharks.

The validity was measured using the Explanatory Factor Analysis (EFA). Initially, six factors were identified as factors affecting the intention to access microcredit services and one component was used to measure the intention to access microcredit services. However, based on the EFA results and the variables' respective Cronbach's alpha scores, only three factors were identified and considered valid and reliable for the study, which include attitude, subjective norms and perceived behavioural control and knowledge and the intention to access microcredit service component. The variables were re-operationalised according to the EFA results and presented in this chapter. The reliability of the study was measured using the Cronbach Alpha. The rule of thumb for Cronbach Alpha was that it should be above 0.70.

The results indicated that most respondents had a neutral stance on the different variables of the study. The study's hypotheses were examined using inferential statistics, specifically the Pearson Product-Moment Correlation and multiple regression analysis. The findings revealed that there was a strong and significant positive correlation between attitude and intention to access microcredit services, as well as between attitude and perceived behavioural control, including knowledge. It was also found that there was a strong, significant, and positive correlation between subjective norms and intention, indicating that the influence of social networks is critical in shaping behavioural intention.

There were other statistically significant positive correlations observed particularly between positive attitude, perceived behavioural control and knowledge, intention, and subjective norms. These results suggest that when small business owners hold favourable attitudes toward microcredit, have knowledge about it, and receive encouragement from their social circles, their intention to access these services increases substantially. Furthermore, the analysis showed that attitude is positively correlated with both subjective norms and perceived behavioural control, as well as with the intention to access microcredit services. This implies that these constructs are interlinked and that improving one may potentially strengthen the others. Overall, the results demonstrate the interdependence of attitudinal, social, and control factors in shaping small business owners' intentions to engage with microcredit services.

Moreover, the multiple regression analysis was done to determine the strength of the independent variables and dependent variables. The results indicated a positive relationship between attitude and intention to access microcredit services. In addition, there is also a significant positive influence of subjective norms on intention to access microcredit services. However, the results indicated that there is no significant relationship between perceived behavioural control, including knowledge, and intention to access microcredit services. Lastly, the hypotheses of the study were tested, and the null hypothesis was rejected and the alternative accepted. Chapter 6 will provide a summary of the study, including conclusions and recommendations of the study.

CHAPTER 6 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

Chapter 5 presented the results of the study. The chapter looked at the descriptive statistics of the sample and the inferential statistics to test the hypotheses and presented the outcomes of the study's hypothesis. The main result showed the significant influence of attitude and subjective norms on the intention to access microcredit services. This chapter uses the results reported in Chapter 5 to provide recommendations to small business owners on how to improve access to microcredit services (SO₅). This chapter commences with an overview of the previous literature review chapter, followed by the research design and methodology used in the study. The chapter will provide a summary of the results and a discussion of the results. Recommendations to small business owners will be made. The limitations and contributions for future research will also be discussed, and a chapter summary will be provided.

6.2 Research Objectives of the Study

This section provides the primary and secondary objectives of the study. The objectives of the study were discussed in the respective chapters. These are presented in Table 25 below.

Table 25: Summary of the Objectives

PRIMARY OBJECTIVE	
To investigate the factors that influence the intention of small business owners to access microcredit services in the Makana Municipality area.	
SECONDARY OBJECTIVES	ADDRESSED IN CHAPTER
To provide an overview of small businesses (SMMEs) and microcredit services in South Africa.	2 and 3
To use the Extended Theory of Planned Behaviour to explain the factors influencing access to microcredit services.	3
To empirically test the influence of factors (Positive Affect (PA), Perceived Benefit (PB), Perceived Deterrents (PD), Subjective Norms (SN), Perceived Behavioural Control (PBC), and Knowledge of Microcredit (KM)) on access to microcredit services.	4 and 5
To provide recommendations to small business owners and microcredit providers to improve access to microcredit services in the Makana Municipality	6

Source: Researcher's construct

Table 25 shows both the primary and the secondary objectives of the study. The table also indicates where the objectives were addressed in relevant chapters. The following section will provide the structure of the study.

6.3 Overview of the Literature Review Chapters

The literature review was discussed in Chapters 2 and 3 of the study. The first secondary objective of the study was to provide an overview of small businesses (SMMEs) and microcredit services in South Africa. Chapter 2 addressed the secondary objective by providing a description of the concept of small businesses. The National Small Business Act of 1996 classifies small businesses into three categories consisting of micro-enterprises (including survivalist enterprises) small and medium enterprises. Micro-enterprises refer to a micro business entity, often unregistered, with an annual turnover of less than two million South African rands, depending on the industry, with less than 20 employees and a maximum total balance sheet of less than R150 000 (SEDA, 2017). Small business refers to an enterprise with fewer than 50 full-time employees, an annual turnover of 2 million to 25 million South African rands, depending on the industry, and gross fixed assets of less than 10 million South African rands. A medium business refers to an enterprise with a headcount of fewer than 250 employees, an annual turnover of 4 million to 50 million South African rands, depending on the industry and fixed assets of 4.5 million to 18 million South African rands, depending on the industry. The chapter stated that small businesses will refer to micro and small businesses throughout the study.

The chapter also provided information on the ownership structure of small businesses, which include sole proprietorships, partnerships, family-owned businesses, cooperatives, non-profit organisations, corporations, and limited liability company entities. The importance of small businesses was also presented with small businesses contributing to the gross domestic product, employment for the local people in the communities, promoting equal income distribution among workers, social development goals and innovation in consumer markets. The chapter also provided information on the support offered to small businesses from both the government and private sector. The government of South Africa has introduced policies that support and promote small businesses in South Africa, such as the new Ministry of Small Business Development, which ensures that support and measures are taken to achieve sustained growth of small businesses in South Africa, among other objectives while the private sector provides

training and workshops to assist small business operations. In addition, small business failure is discussed as when a small business liquidates, or a business owner becomes bankrupt for business reasons. Small business failures are highly attributed to poor access to financial resources and the challenges of managerial incompetence, among other factors. The chapter also explored the financial structure of small businesses where small businesses can access finance in the form of internal finance or external finance. Internal finance is when funds are acquired from within a company, such as retained earnings and owners' capital, while external finance refers to finance obtained from sources other than existing owners (shareholders) or relatives by borrowing or issuing new shares. There are different sources of external finance, and one of the most preferred sources of external finance is bank loans, which is debt finance mainly obtained from the formal financial sector consisting of commercial banks. The chapter also explained the existence of a financial gap in which the emergence of microfinance institutions providing microcredit services has reduced the financial gap between the ease of access to debt finance and entrepreneurial activity for small businesses with little collateral in Africa, including South Africa. Additionally, the chapter presented earlier studies on South African small firms' access to financing.

Chapter 3 of the study addressed the secondary objective of the study which was to provide an overview of small businesses (SMMEs) and microcredit services in South Africa and to use the Extended Theory of Planned Behaviour to explain the factors influencing access to microcredit services. The chapter started by presenting an overview of microfinance. Microfinance refers to institutions providing deposits, credit and microinsurance by microfinance institutions to low-income groups and related small businesses who cannot obtain conventional loans in developed and developing countries. Microfinance, according to the United Nations, is defined based on the financial product it provides. Microfinance is offered in several ways, including group lending, agent banking, mobile banking, and staggered loans. Microfinance is a vital tool for financial inclusion in developing nations, offering microcredit loans with minimal collateral requirements and fewer restrictions compared to conventional banks. It also aids micro-savings, emergency funds, poverty reduction, and job creation, making it a vital mechanism for financial inclusion. The South African microfinance sector, comprising profit-driven and non-profit entities, is expected to reach R27.75 billion by 2024, with MFSA representing over 1300 credit providers. Microfinance institutions offer loans to the underprivileged through group and individual lending methods. Microfinance organisations

can adopt either a minimalist or maximalist strategy, offering financial (minimalist) and non-financial services (maximalist) to clients, including business development and social services, respectively.

Chapter 3 discussed key microfinance offerings, including micro-savings, microloans, and microinsurance. Microsavings are small deposits offered by microfinance institutions for emergencies or goals. Microinsurance distributes risk and offers financial security to low-income earners. Microcredit provides small, collateral-free loans for income-generation activities, specifically for small business loans. The Grameen Bank model is the foundation of microcredit. The Grameen Bank model is a community banking method that uses social collateral to enhance societal efficiency and reduce default rates. Introduced in Bangladesh, it has been adopted in various countries, primarily in developing and under-developed nations, to tackle poverty and improve livelihoods. The model can be a community banking method (5 members), village banking, bank guarantee organization, or credit union. It involves a group of five members or 25-50 individuals. Bank guarantee organisations require a bank guarantee as social collateral and credit unions come together to save money to extend loans to members at rational level of interest rates.

Microcredit is a vital microfinance tool that alleviates poverty by providing capital to small businesses in developing countries. It significantly impacts employment and income, creating job opportunities in the informal sector. Microcredit lending services include joint liability and direct lending, with joint liability reducing agency costs and individual lending requiring some form of collateral such as a pay slip. Microcredit institutions underwent different stages in South Africa as they worked towards reaching the maturity stage (Ojah and Mokoteli,2010). The stages include pioneer (between 1980 and 1994), breakout (from 1995 to 1999), consolidation occurred from (2000 to 2007) and eventually maturity. The maturity stage has not been achieved in South Africa in terms of microcredit institutions. Microcredit institutions officially launched in South Africa in 1992 as microfinance institutions (Bateman, 2019; Paradigm Shift, 2010). Providers of microcredit can be formal or informal, with formal lenders complying with the National Credit Act and National Credit regulators, while informal lenders include non-governmental organizations, banks, and microlenders.

The South African government has implemented legislative frameworks to facilitate microcredit services. The Usury Exemption Notice to the Usury Act of 1968 legitimized micro-lending in 1992. However, the exemption was short-lived due to inaccessibility and exploitation by microlenders. The Micro Finance Regulatory Council (MFRC) was established in 1999, leading to the development of microfinance institutions. In 2007, the National Credit Act (NCA) was passed, cancelling the Usury Law and introducing new limits on credit costs. The NCA made new limits on the cost of credit, which became effective under the National Credit Regulations on the 6th of May, 2016 (Wrigley, 2019). These amendments focused on changing the maximum permissible interest rates and fees, aiming to reduce the cost of credit for most credit categories. Thus, the National Credit Regulations govern microcredit services operations in South Africa. Microfinance institutions have eligibility requirements for microcredit services, depending on the organization's type. Small businesses must provide application forms, valid identification, and proof of operation. In South Africa, businesses must be operational within the country and have a valid South African Identity. Non-profit organizations in rural areas may be eligible. Applicants must have one loan from a single lender and have a bank account with the provider. Additionally, businesses must have been in operation for at least six months before applying for microcredit services. Regarding non-governmental organisations, small businesses, also known as microenterprises, in South Africa must register with SMMESA, CIPC, SARS, and UIF before qualifying for microcredit services. Factors like financial instability, cultural barriers, fraud, government intervention, and credit rating agencies influence adoption, while consumer demographics influence purchase intentions.

The Theory of Planned Behaviour, developed by Ajzen (1991), is an extension of the Theory of Reasoned Action, focusing on the influence of attitude, subjective norms, and perceived behavioural control on behaviour. It is useful for measuring intention to conduct certain behaviours, such as financial and credit card usage, and provides insights into customer behaviour. Intention is the mediation variable, while behaviour is the dependent variable. The Extended version of the Theory of Planned Behavior (TPB) is an appropriate model for measuring the intention to access microcredit services. It has been used by numerous authors and is open to improvement by adding additional constructs or factors. The extended version of the model identifies factors affecting the intention to access microcredit services, such as positive affect, perceived benefit, perceived deterrent, subjective norms, perceived behavioural

control, knowledge of microcredit, and entrepreneurial desire. This study used the extended version of the TPB model, excluding the entrepreneurial desire variable. The extended version of the Theory of Planned Behavior (TPB) is a useful model for measuring microcredit service intention, but its applicability in developing countries is limited due to demographic and environmental factors. This study used the extended version, excluding entrepreneurial desire.

Chapter 3 also examined the Theory of Planned Behaviour to understand the factors influencing small business owners' intention to use microcredit services in South Africa. The theory predicts purchase intentions in other developing countries, and the study aims to fill a literature gap by addressing behavioural issues that influence the intention to use microcredit services. Factors considered included attitude, subjective norms, perceived behavioural control, perceived deterrent, perceived benefit, positive affect, and knowledge of microcredit. Attitudes, including positive affect, perceived benefit, and perceived deterrent, play a crucial role in microcredit literature. Perceived deterrents refer to customers' concerns about microcredit. Subjective norms refer to an individual's belief in social pressure to perform a behaviour, often influenced by reference groups. The study examined perceived behavioural control, which influences individuals' ability to perform specific behaviours, particularly in microcredit applications. It emphasised the importance of lenders demonstrating their ability to overcome risks and challenges. This study evaluated small business owners' knowledge of microcredit services, highlighting its significant influence on purchase intentions and behaviour, as subject knowledge significantly influences attitudes, perceived behavioural control, and subjective norms.

6.4 Summary of the Research Methodology

Chapter 4 of the study dealt with the design and methodology of the study. Chapter four achieved the secondary objective of adopting statistical techniques to determine the influence of factors on access to microcredit services. The chapter provided a discussion on the research paradigm, which was a positivist paradigm. The research approach was deductive, and the research design was quantitative. The chapter then discussed the research methodology. The study utilised the self-administered survey method. The chapter also discussed the sample, data collection instrument and data analysis. The study population comprised SMEs in Makana Municipality. The sample was SME owners and managers obtained from Makana Municipality, which has between one and 50 employees, (2) have an annual turnover of less

than R2 million up to R25 million and have operated in Makana Municipality for at least three years; (3) and be a small business in various industries such as manufacturing, construction, trading (wholesale and retail) or service. The sample size was 126 small businesses and the minimum was 88 small businesses.

The study used secondary data to develop the literature review, drawing from peer-reviewed and publicly accessible academic journals. Primary data was collected through a self-administered structured questionnaire, which was divided into three key sections. Section A collected categorical demographic information of the respondents, including gender, age, education level, and experience in business operations. Section B focused on the business characteristics such as type of business, years in operation, number of employees, and annual turnover. Section C utilised a five-point Likert scale to measure the key factors of the study, namely: positive affect, perceived benefits, perceived deterrents, subjective norms, perceived behavioural control, knowledge of microcredit service and intention to access microcredit services.

The data collected from the questionnaires was initially captured and coded using Microsoft Excel, where missing data was addressed by applying the single and multiple imputation of data as the response rate was low; therefore, no data collected was disregarded, and there was a low percentage of missing data. This means that for missing information in section C of the questionnaire, averages were used to complete the data. Subsequently, the cleaned dataset was exported to STATISTICA software, which was used for the primary statistical analysis. Descriptive statistics including frequencies, percentages, and measures of central tendency (means and standard deviations) were applied to summarise respondents' demographic and business characteristics. The study then assessed the validity of the instrument through expert review and content validation, while reliability was evaluated using Cronbach's alpha coefficient, where all constructs demonstrated acceptable internal consistency with alpha values above the 0.70 threshold.

To assess relationships among the variables, Pearson's Product-Moment Correlation Coefficient was employed to determine the direction and strength of association between the independent variables (attitude, subjective norms, perceived behavioural control including knowledge) and the dependent variable (intention to access microcredit services). In addition,

multicollinearity diagnostics were conducted through Variance Inflation Factors (VIF), where all values were found to be below the critical value of 10, indicating that multicollinearity was not a concern in this study. Finally, multiple regression analysis was conducted to test the hypothesised influence of the independent variables on the intention to access microcredit services. The next section will present a summary of the results generated from these analyses.

6.5 Summary of the Results

Chapter 5 provided the results of the study. It presented a discussion of the findings while addressing the fourth objective: determining the relationship between the factors of the study. Chapter 5 provided the results of the descriptive statistics of the demographic information and small business characteristics

6.5.1 Demographic Information and Small Business Characteristics

The chapter presented the demographic profile of the respondents as well as the business characteristics of the participating small enterprises. It was reported that the majority of respondents were men (58%), while women constituted 42% of the sample. In terms of age distribution, most respondents fell within the 55–60 age group (27%), followed by those aged 41–50 (25%), 31–40 (24%), 18–30 (18%), and those aged 60 years and above (6%). Regarding racial composition, 44% of the respondents identified as Black, 32% as White, 13% as Asian, and 11% as Coloured.

In terms of educational attainment, 46% of respondents held a college certificate or diploma, 26% had a matric certificate, and 6% had qualifications below matric level. Additionally, 16% of the respondents possessed a bachelor's degree, while 4% had attained a master's degree. Concerning business ownership structure, 39% of respondents reported being both the owners and managers of their businesses, 31% were owners only, and 30% served solely as managers.

The legal structure of the businesses indicated that 37% operated as sole traders, 25% were family-owned businesses, 21% functioned as partnerships, 10% were registered as close corporations, and the remaining 7% fell into other categories. With regard to the business sector, the majority operated in trading (wholesale and retail) at 38%, followed by services (33%), manufacturing (14%), construction (11%), and others (4%).

In terms of employment size, most businesses had between 1–5 employees (52%), followed by those with 6–10 employees (24%), 11–20 employees (19%), 21–50 employees (2%), and more than 50 employees (3%). Regarding the years of operation, the largest proportion had been in business for 4–9 years (44%), followed by 10–15 years (20%), less than 3 years (17%), 16–20 years (10%), and more than 20 years (9%). In terms of annual turnover, 44% of businesses earned between R51,000 and R100,000, 20% reported earnings between R100,000 and R1 million, 17% earned less than R50,000, 10% reported turnover between R2 million and R25 million, while 9% earned more than R25 million annually.

Furthermore, regarding sources of credit, 16% of the respondents indicated that they would obtain a loan from a bank, 28% preferred microfinance institutions, and 46% relied on non-governmental organisations (NGOs) that support small businesses. Additionally, 10% indicated that they would borrow from close friends or family members, and only 1% stated they would consider informal loan providers such as loan sharks.

6.5.2 Validity, reliability and descriptive statistics

The validity and reliability of the identified factors were carefully considered in the analysis. The results of the Exploratory Factor Analysis (EFA) showed three distinct factors. The first factor identified was Perceived Behavioural Control including Knowledge, which exhibited the highest loading of 0.855 (CQ20) and the lowest loading of 0.515 (CQ23), with a Cronbach's alpha coefficient of 0.848, indicating high internal consistency. The other factors that emerged were attitude and subjective norms. Each of these constructs achieved reliability scores above the accepted threshold of 0.70, confirming their internal consistency and suitability for further analysis. The operational definitions were adopted: Attitude was defined as the small business owner's overall evaluation of accessing microcredit services, Subjective norms referred to the perceived social pressure to engage or not engage in accessing microcredit. Perceived behavioural control, including knowledge, was conceptualised as small business owners' ability to easily get approved and repay the microcredit loan. It also includes a knowledge of the microcredit requirements, terms of credit loans and managing a microcredit loan.

Following the identification of the factors. The descriptive statistics for each factor was presented. The results showed that the respondents support the Theory of Planned Behaviour

rather than the extended version of the Theory of Planned Behaviour as it includes attitude, subjective norms and perceived behavioural control.

6.5.3 The influence of the Independent on the dependent variable

The Pearson correlation coefficient and multiple regression were used to test the hypotheses of the study. The results of the Pearson correlation coefficient indicated that attitude and intention to access microcredit services had the highest significant positive correlation ($r = 0.712$), suggesting that as attitude towards microcredit services increases, the likelihood of intention of accessing microcredit services increases. Additionally, a positive significant correlation was found between the subjective norms' variable ($r = 0.623$) and intention to access microcredit services. This indicates when social influences, such as family and friends' support or approval improves then the likelihood of the intention to access microcredit services increases.

Furthermore, perceived behavioural control, including knowledge of microcredit services ($r = 0.297$) and intention to access microcredit services, showed a positive, albeit weak, correlation. This suggests that an increase in perceived control and knowledge will likely result in an increase in intention to access microcredit services. Finally, there was no evidence of multicollinearity between the independent variables of the study.

The multiple regression analyses were employed to measure the strength of the relationships between the independent and dependent variables. The results indicated a significant and positive ($\beta = 0.501$; $p < 0.000$) influence of attitude on the intention to access the microcredit service. This implies that when small business owners have a positive attitude towards microcredit and believe that their family financial situation and business income will increase, they will have the intention to access microcredit services. The results also showed a significant positive ($\beta = 0.304$; $p < 0.05$) influence of subjective norms and intention to access microcredit services. This means that if small business owners get support and encouragement from social groups such as close family members, close friends and people whose opinions they value to access microcredit services, they will have an increased intention to access microcredit services. However, there is no significant positive ($\beta = 0.090$; $p < 0.05$) influence of perceived behavioural control including knowledge on intention to access microcredit services. This means that a change in the perceived behavioural control and knowledge will

have no influence on the intention to access microcredit services of small business owners. The three independent variables' strengths, the independent variables taken together accounted for 19.95% of the variations in the dependent variable. Therefore, attitude, subjective norm, and perceived behavioural control including knowledge will account for 19.95% of any changes in the intention to obtain microcredit services.

6.6 Discussions of the Results

This section discusses the results of the study. It also provides recommendations based on the results. Chapter 5 tested the hypothesis of the study (see Table 24). the null hypothesis was rejected and alternative accepted. The following section will discuss the results in further detail.

6.6.1 Descriptive Statistics of small business owners

The study's findings showed that, while women make up 42% of small business owners, the majority of respondents are male small business owners (58%). Previous research by Chimucheka and Ncube (2019), who carried out a study in Makana Municipality and had a higher proportion of male respondents than female respondents, supports this. Studies by Shiva (2018) also support this, arguing that men make up the majority of small business owners because they are more willing to take chances than women.

The results indicated that most respondents were in the age bracket between 51-60 years, followed by those between 41-50 and between 41- 40 years, respectively. This indicates that most small businesses are above the age of 40 years. This is supported by the Annual Review of Small Businesses (Small Business Institute, 2019), which indicates that a relatively high number of small business owners are among the older generation, with the sum between the ages of 36- and 65-years accounting for 82% of all business owners in the country.

The demographics of the study looked at small business characteristics. In terms of ownership, the majority of the small businesses were both owned and managed by small business owners, making up 39% of the respondents, while 31% were owners only and 30 % were managers only. These results are in accordance with the findings by Chakabva and Tengeh (2023), who reported that most SME owners are also managers in their businesses. The legal status results of the study indicated that most small businesses are sole traders (37%), followed by family businesses (25%), partnerships (21%), close corporations (10%) and others (7%), including

PTY limited, cooperatives, and community projects. Thus, the majority of small businesses in Makana Municipality are sole traders.

Most of the small businesses are in the trading (wholesale and retail) sector (38%), followed by the service sector (33%), manufacturing (14%), construction (11%) and 4% indicating other (which includes financial, hospitality, manufacturing and sales and caring for special needs children). Regarding the number of workers in the small business, most respondents (52%) said that their business had one to five employees, 24% said that they had six to ten employees, and 19% said that they had eleven to twenty employees. Just 3% of the respondents said they had more than fifty workers. Finally, just 2% of the respondents indicated they had between 21 and 50 individuals working for their small business. This is also supported by the definition of SMEs by the South African National Small Enterprise Act Amendment (2019), which defines one of the small businesses (SMME) characteristics as having fewer than 50 employees.

Most respondents (44%) indicated that their small business had been operational for four to nine years. A smaller portion of respondents reported that their businesses had been running for less than three years (17%) or between ten to fifteen years (20%). Only 10% and 9% of businesses had been in operation for 16 – 20 years and more than 20 years, respectively. Regarding loan providers, most respondents expressed a preference for obtaining loans from non-governmental organizations supporting small enterprises (46%), followed by microfinance institutions (27%), banks (16%), friends and family (10%), and informal lenders such as loan sharks (1%).

6.6.2 Factors Influencing the Intention to Access Microcredit Services

The multiple regression showed three independent variables (attitude, subjective norms, and perceived behavioural control, including knowledge of microcredit) on the dependent variable (intention to access microcredit services). The results will be discussed below.

(a) Attitude

Attitude refers to the psychological tendency expressed by evaluating a particular behaviour with some degree of favour or disfavour (Ajzen, 1991). In this study, attitude was measured through positive affect and perceived benefit. Based on the Exploratory Factor Analysis (EFA) results, attitude was treated as a single factor. The multiple regression analysis showed a

significant positive influence of attitude on the intention to access microcredit services. This finding is consistent with the study by Jebarajakirthy et al. (2014), who found that positive attitudes had a significant impact on the intention to seek microcredit. Emotions such as excitement and happiness associated with microcredit appear to predict microcredit access and usage. Additionally, studies in Zimbabwe, such as Mishi and Kapingura (2012), suggest that clients perceive benefits from microcredit, such as an increase in family income and well-being, enhance their intention to access microcredit services. This supports the notion that perceived benefits have a positive and significant impact on the intention to access microcredit services.

(b) Subjective Norms

Subjective norms refer to the social pressures individuals perceive about whether or not they should perform a particular behaviour (Ajzen, 1991). In this study, subjective norms were measured based on the influence of close family, friends, and other valued social groups on an individual's decision to access microcredit services. The results indicated a significant positive influence (beta = 0.304; $p < 0.05$) between subjective norms and the intention to access microcredit services. This implies that if the idea of accessing microcredit services is supported by influential social groups, small business owners are more likely to have the intention to access microcredit services. These results are similar to those found by Kajenthiran, Karunanithy, and Achchuthan (2016) and Jebarajakirthy et al. (2014), who also reported that subjective norms significantly and positively impact the intention to seek microcredit.

(c) Perceived Behavioural Control including Knowledge

Perceived behavioural control refers to the extent to which individuals believe they are capable of performing a behaviour, while knowledge refers to the awareness and understanding of microcredit services. In this study, the results showed no significant influence between perceived behavioural control, knowledge, and the intention to access microcredit services. This means that perceived behavioural control and knowledge do not significantly affect the intention of small business owners to access microcredit services. This finding contradicts the results of Jebarajakirthy et al. (2014), who found that perceived behavioural control had a significant effect on the intention to access microcredit. A possible explanation for the lack of influence in this study is that small business owners in the sample may not feel confident about incurring the costs associated with microcredit services, which they perceive to be high. Small businesses are more vulnerable than larger businesses due to their lower financial stability,

limited reserves, and worse credit records (Bwembya, 2022). Therefore, despite possessing knowledge of microcredit, small businesses may be hesitant to engage with these services due to financial constraints.

The analysis revealed that the three independent factors attitude, subjective norms, and perceived behavioural control including knowledge are significant determinants of the intention to access microcredit services. The study's variance (R^2) was 19.95%, indicating that 19.95% of the variance in the intention to access microcredit services can be explained by changes in these independent variables. Other factors, such as accessibility and location, may also influence the intention to access microcredit services. The findings are supported by Kajenthiran, Karunanithy, and Achchuthan (2016) and Jebarajakirthy et al. (2014), who conducted similar studies on microcredit services and found that attitude and subjective norms played significant roles in the access and usage of microcredit services. However, it is worth noting that the studies conducted by Kajenthiran et al. (2016) and Jebarajakirthy et al. (2014) were not set in South Africa, but in Sri Lanka, a developing country with similar socio-economic conditions.

6.7 Recommendations

This study recommends that small business owners should be educated about microcredit and its potential benefits. To effectively increase their intention to access microcredit services, targeted educational strategies need to be implemented. Educators should focus on the practical benefits of microcredit, such as how a microcredit loan can improve cash flow and increase business income, especially during times of financial crisis. Small business owners, who often lack access to alternative sources of funding, should be encouraged to consider microcredit as a viable option during times of need. These educational strategies are likely to improve the attitude of business owners about microcredit services.

Microcredit providers, in turn, must focus on creating and promoting loan products specifically tailored to the needs of small businesses. This could include designing flexible repayment terms or offering loans with lower interest rates to make the loans more accessible. Furthermore, providers should market their services effectively by emphasising the tangible benefits of using microcredit, such as business growth and financial stability. Clear communication on the cost

and benefits of microcredit, alongside customer success stories, can help improve the perception and attitude of small business owners about microcredit services.

Microcredit service providers must invest more in advertising and marketing their products. This includes reaching out to small business owners through various channels such as social media, local radio, and community outreach programmes. Public campaigns should focus on showcasing success stories from other small business owners who have benefited from microcredit, and the positive impact it has had on their businesses. By creating awareness and educating the public, microcredit providers can help shift the negative attitudes that some members of society may have toward microcredit. This may help with important social groups close to the business owners to shape the intention of business owners to access microcredit insurance.

Moreover, a key strategy is to encourage positive word-of-mouth referrals from family members, friends, and acquaintances who have used microcredit services. This can be particularly effective if microcredit providers design products that incorporate social collateral, allowing family members and close friends to support the loan application process. This social collateral model could create a sense of security and trust among small business owners and their networks, as they would feel more comfortable sharing the responsibility of repayment with those close to them. To further promote the adoption of microcredit, educators and microcredit providers can organize workshops where microcredit lenders can directly interact with business owners. These workshops should provide clear, concise information on how microcredit works, its benefits, and its costs, helping small business owners make informed decisions.

South African society as a whole should be educated on the value of microcredit services. This can help family members and friends, whose opinions are highly regarded by small business owners, to support the idea of accessing microcredit. Understanding the benefits and costs of microcredit will allow these social networks to encourage small business owners to use the services confidently. Lastly, legal institutions and policymakers should ensure the establishment of tight regulations that protect consumers and borrowers from excessive charges. These policies should focus on fair lending practices, transparent terms, and affordable

interest rates to create a sustainable environment for microcredit services that benefits both lenders and borrowers alike.

6.8 Contributions of the Study and Future Research

There has been no study in South Africa to test the knowledge of researchers that specifically investigated and determined the factors influencing small business owners' intention to access microcredit services. Existing studies on this topic have primarily focused on consumers' use or intention to adopt microcredit services in other geographical areas, therefore little attention has been paid to the topic of microcredit services in the specific context of small businesses. This study contributes to the body of literature by applying the Theory of Planned Behaviour to explain the factors influencing small business owners' intentions to access microcredit services. Furthermore, by identifying valid and reliable factors of attitude, subjective norms, and perceived behavioural control in a microcredit context. This study lays a foundation for future research on microcredit to use the valid and reliable scales. Future studies can adapt the theoretical model and questionnaire developed in this study to explore microcredit intentions of small business owners in different geographic areas.

Practically, the study offers valuable insights for both small businesses and microcredit providers in South Africa. For small businesses, the results highlight key factors that influence their access to microcredit services, which can be used to increase their chances of securing financial support for small businesses. Small businesses can leverage these insights to better understand the loan application process, improve their financial literacy, and align their goals with the criteria set by microcredit providers. As a result, they may increase their access to finance by enhancing their intention to apply for loans.

Microcredit institutions can also use the study results to better understand the factors that influence the intention of small business owners to access microcredit services. By tailoring their loan products to address these factors, such as offering more flexible repayment terms or designing loan packages that emphasis the perceived benefits of microcredit, these institutions can make their products more attractive to small business owners. This means that microcredit providers could adapt their services to better align with the needs and perceptions of their target market, ultimately increasing their customer base and loan uptake. Additionally, the results of this study will contribute to the success of microcredit services in South Africa by providing a

deeper understanding of the factors that drive small business owners to apply for loans. By aligning microcredit offerings with the identified drivers, providers can foster a more supportive environment for small businesses and help stimulate economic growth at the grassroots level.

The beneficiaries of this study include stakeholders such as small business owners, government institutions, financial institutions, and policymakers. Small business owners will benefit from the insights provided, which can guide them in accessing microcredit and improving their financial standing. Additionally, financial institutions can use the findings to create more customized financial products that cater to the needs of small business owners, increasing their ability to secure the financing they need to grow and succeed. Government institutions and policymakers can use the study's findings to strengthen the microfinance policy framework by incorporating factors that influence small business access to credit. This could lead to more supportive regulatory frameworks, which could improve the accessibility and affordability of microcredit services.

6.9 Limitations of the Study

This study was based on small businesses in Makana Municipality in the Eastern Cape of South Africa, an area that may be considered rural. However, due to the small sample size in this particular region, future studies could benefit from expanding to urban areas within the Eastern Cape, where the sample size is likely to be larger and may provide more diverse perspectives. A similar study conducted in other provinces, particularly in more urbanized regions, could also yield valuable comparative insights.

Additionally, the use of a closed-ended questionnaire in this study may have limited respondents in expressing their views fully, particularly on factors influencing the intention of small business owners to access microcredit services. To address this limitation, future studies should consider using a combination of open and closed-ended questionnaire instruments. This approach would allow respondents to provide more detailed, qualitative feedback alongside structured quantitative data, offering a more comprehensive understanding of the issue.

The factors included in this study were limited. The model's variance explained (19%) suggests that additional factors could be explored in future research. For instance, factors such as

accessibility to financial institutions, financial literacy, trust in microcredit providers, and perceived risk could also be influential. These factors, among others, should be considered in future studies to better understand the complex determinants of small business owners' intentions to access microcredit services.

6.10 Concluding Remarks

Microcredit is a financial product designed to foster financial inclusion for small business owners who lack access to conventional banking systems due to the collateral requirements of formal financial institutions. By effectively marketing and educating small businesses about the benefits of microcredit, providers can greatly benefit not only small business owners but also their families and households in South Africa. By accessing microcredit, small businesses can grow, create employment, and contribute to local economic development. Furthermore, as more individuals gain access to capital to start and expand their businesses, South Africa could experience a reduction in unemployment rates.

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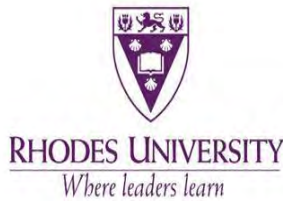
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Annexure A: Questionnaire Cover Letter



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Ethics Approval Number: 2024-7637-9154

Dec 2024 – Jan 2025

COVER LETTER

Dear Participant

I am a master's student registered for the degree in financial management. As part of the qualification requirements, I need to complete a research study. The research study aims to investigate **factors influencing the Intention of small business 'owners' access to microcredit services in Makana Municipality area**. This research study seeks to enhance small businesses' use of microcredit loans by identifying factors influencing their access to microcredit loans. Ideally, the participants in the study should be owners or managers of small businesses registered in Makana Municipality that have been in operation in Makana for at least three years. Please assist by completing the attached questionnaire. Your participation is valuable towards the completion of the study. Participation in this research project is voluntary, and you can withdraw from it at any time. All responses will be confidential, and your identity will remain anonymous. The results of this research will be kept confidential and used only for academic purposes. The questionnaire should take approximately 15 minutes to complete. The questionnaire consists of three sections.

Answer to the best of your ability, as there are no right or wrong answers.

If you need any more information about the research paper, please do not hesitate to contact the researcher or the supervisor.

Kind regards, Researcher

Supervisor

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Annexure B: Questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

This section relates to your demographic information. Please indicate your response by selecting the appropriate option that represents the most suitable answer.

1 Please indicate your gender (for statistical purposes).

Man		1
Woman		2
Other (Specify):		3

2 Please indicate to which age category you belong (for statistical purposes).

18-30 years		1
31-40 years		2
41-50 years		3
51-60 years		4
60 years and above		5

3 Please indicate the ethnic group you belong to (for statistical purposes).

Black		1
Coloured		2
White		3
Asian		4
Other (Specify):		5

4 Please indicate the highest level of education attained (for statistical purposes).

Below matric certificate		1
Matric certificate		2
College certificate /Diploma		3
Bachelor's Degree		4
Master's Degree		5
Other (Specify):		6

SECTION B: BUSINESS CHARACTERISTICS

This section relates to information on the business characteristics. Please indicate your response by selecting the appropriate option that represents the most suitable answer.

1 Please indicate the position held in the business (for statistical purposes).

business owner		1
Manager		2
both		3

2 Please indicate the legal status of your business (for statistical purposes).

Sole trader		1
Partnership		2
Family business		3
Close corporation		4
Other (Specify):		5

3 Please indicate the sector of the small business operation (for statistical purposes).

Manufacturing		1
Construction		2
Trading (wholesale and retail)		3
Service		4
Other (Specify):		5

4 Please indicate how many employees work in the business (for statistical purposes).

1-5 employees		1
6 -10 employees		2
11- 20 employees		3
21- 50 employees		4
More than 50 employees		5

5 Please indicate the number of years the small business has been in operation (for statistical purposes).

Less than 3 years		1
4-9 years		2
10-15 years		3
16 -20 years		4
Above 20 years		5

6 Indicate the annual turnover of the business (for statistical purposes).

Less than R50 000		1
R51 000 – R100 000		2
R100 000 – R1 million		3
R2million – R25 million		4
More than R25 million		5

7 Where would you obtain a loan if the small business needs one? (for statistical purposes).

Bank		1
Microfinance Institution		2
Non-Governmental Organisation funding small businesses		3
Close friends /family members		4
Informal loan institutions such as loan sharks		5
Other means (Specify):		6

SECTION C: FACTORS THAT INFLUENCE THE INTENTION OF SMALL BUSINESS OWNERS TO ACCESS MICROCREDIT SERVICE

Below are several statements that relate to the factors that influence the intention of small business 'owners' access to microcredit services. Please indicate the extent to which you agree or disagree with the following statements relating to the factors. The columns are graded from 1 to 5. The number 1 denotes strong disagreement with a statement; at the other end of the scale, 5 denotes strong agreement.

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Positive Affect						
C1	I would be happy if I could use a microcredit loan to fund my small business.	1	2	3	4	5
C2	I prefer using a microcredit loan to fund my small business.	1	2	3	4	5
C3	The very thought of using microcredit loans for my small business excites me.	1	2	3	4	5
C4	I will be proud of myself if my small business uses a microcredit loan.	1	2	3	4	5
Perceived Benefits						
C5	My household income will increase if I take microcredit.	1	2	3	4	5
C6	My family's financial situation will improve if I take microcredit loans.	1	2	3	4	5
C7	Providers of microcredit loans are helping the community by providing loans to small businesses.	1	2	3	4	5
C8	My business income will increase if I take a microcredit loan.	1	2	3	4	5
C9	My business prospects will improve if I take microcredit loans.	1	2	3	4	5

Perceived Deterrents						
C10	The collateral requirements are high for a microcredit loan.	1	2	3	4	5
C11	I will incur high costs (service costs) when using a microcredit loan.	1	2	3	4	5
C12	There is a lot of paperwork when applying for a microcredit loan.	1	2	3	4	5
C13	Institutions providing microcredit loans for small businesses take a long time to approve them.	1	2	3	4	5
Subjective Norms						
C14	Receiving a microcredit loan would impress my family members.	1	2	3	4	5
C15	My close friends support me if my business receives a microcredit loan.	1	2	3	4	5
C16	People whose opinions are valued encourage me to apply for a microcredit loan.	1	2	3	4	5
C17	Receiving a microcredit loan for my business would impress my close friends.	1	2	3	4	5
Perceived Behavioural Control						
C18	My small business can be approved for a microcredit loan.	1	2	3	4	5
C19	My small business would easily apply for a microcredit loan in the next 12 months.	1	2	3	4	5
C20	My small business has the funds to repay a microcredit loan.	1	2	3	4	5
C21	It would be easy for my small business to repay the microcredit loan.	1	2	3	4	5

Knowledge of Microcredit Service						
C22	I know where to go to apply for a microcredit loan for my small business.	1	2	3	4	5
C23	I know the requirements needed to obtain a microcredit loan for my small business.	1	2	3	4	5
C24	I know the terms of a microcredit loan (e.g. interest rates and repayment periods).	1	2	3	4	5
C25	I know how to manage a microcredit loan.	1	2	3	4	5
Intention to Access Microcredit Service						
C26	I intend to apply for a microcredit loan for my small business.	1	2	3	4	5
C27	I intend to apply for a microcredit loan my small business in the future.	1	2	3	4	5
C28	I intend to apply for a microcredit loan to fund my small business.	1	2	3	4	5
C29	I intend to apply for a microcredit loan for my small business within the next 12 months.	1	2	3	4	5

CONCLUSION

Thank you for participating in this study.

Annexure C: Ethics Approval letter



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22 November 2024

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Review Reference: 2024-7637-9154

Dear Ms Marwa,

Re: Factors influencing the intention of small business owners to access microcredit services in Makana Municipality area.

Researcher: Ms Emma Tariro Marwa

Supervisor: Dr Xolile Antoni

This letter confirms that the above research proposal has been reviewed and **APPROVED** by the Rhodes University Human Research Ethics Committee (RU-HREC). Your Approval number is: 2024-7637-9154

Approval has been granted for 1 year. An annual progress report will be required in order to renew approval for an additional period. You will receive an email notifying you when the annual report is due.

Please apply for a protocol amendment should any substantive change(s) be made, for whatever reason, during the research process. This includes changes in investigators. Email your request to ethics-committee@ru.ac.za.

Please submit a brief report to the ethics committee on the completion of the research. The purpose of this report is to indicate whether the research was conducted successfully, if any aspects could not be completed, or if any problems arose that the ethical standards committee should be aware of.

If a thesis or dissertation arising from this research is submitted to the library's electronic theses and dissertations (ETD) repository, please notify the committee of the date of submission and/or any reference or cataloguing number allocated.

Sincerely,

Dr Janet Hayward

Chair: Rhodes University Human Research Ethics Committee (RU-HREC)

Annexure D: Gatekeepers Letter



OFFICE OF THE EXECUTIVE MAYOR

Enq: PM Kate
Tel: 046 603 6131

File Ref No: 4/2/1

Date: 20 November 2024

Ms Emma Marwa
Department of Management
Rhodes University
P O Box 94
Makhanda 6140

Dear Ms Marwa

RE: PERMISSION TO GET A GATEKEEPER'S LETTER AND OBTAINING A LIST OF REGISTERED SMALL BUSINESSES IN MAKANA MUNICIPALITY FOR A RESEARCH STUDY(student number G21m7892).

Your e-mailed correspondence for the Makana Municipality's attention and consideration in which a special request is made to grant you permission to collect data on small businesses operating in and registered with Makana Municipality.

This letter serves as a letter of authorisation to grant you permission to conduct research within the Makana Local Municipality's area of jurisdiction. It also serves as an official written proof to the Human Research Ethics Committee of Rhodes University that the municipality has granted you such a permission to conduct interviews for your master's degree thesis.

This letter also serves as an official document that you will show to individuals and organisations that the municipality does not have direct control over as a proof that indeed the municipality has given permission to conduct your interviews and research in her area of jurisdiction.

It is also required that you make all the targeted individuals, groups and organisations to sign the necessary and consent documents/forms before the interviews are commenced with.

Regards,

MR P. MKATE
MUNICIPAL MANAGER
MAKANA LOCAL MUNICIPALITY

