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Keywords: microfinance programmes; sustainability; financial services; non-financial services; microfinance institutions



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Article

# Sustainability of Microfinance Programmes: The Case of O R Tambo Coastal District, Eastern Cape, South Africa

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## Abstract

This paper explores the factors influencing the sustainability of microfinance programmes in OR Tambo Coastal District (ORTCD) in the Eastern Cape, South Africa. The paper questions whether the services offered to microfinance clients can facilitate the sustainability of microfinance programmes. Following that financial and non-financial service can as well facilitate the sustainability of microfinance programmes. In the study, the recipients of microfinance loans in the O R Tambo coastal district of the Eastern Cape were interviewed about the financial and non-financial services offered by microfinance institutions. The study adopted a qualitative research approach. The data was collected through semi-structured interview and was analysed using thematic approach. The obtained results revealed that the sustainability of microfinance programmes were influence by the interdependent role of financial services (loan type and loan size), and non-financial services (technical assistance, client-institutional relationships).

**Keywords:** microfinance programmes; sustainability; financial services; non-financial services; microfinance institutions

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## 1. Introduction

Different definitions of microfinance have emerged from people and institutions. Scholar such as [1] has defined microfinance as the delivery of financial services to low-income earners, poor communities, and small businesses who are unable to access formal banking services and whose living conditions fall below the poverty line with the aim of breaking the circle of poverty. Microfinance is also defined as a programme that provides small loans to poor individuals or groups, usually without collateral [2]. Microfinance is defined from the angle of its services as the delivery of deposits, loans, payments and insurance to poor households and their businesses [3]. Therefore, microfinance is an arrangement designed to channel financial and non-financial resources to the poor to support their business ventures and pull them out of poverty.

The purpose of microfinance is to provide critical services for the underserved populations with the aim to empower the financially excluded individuals, especially those in low-income and economically disadvantaged areas such as O R Tambo Coastal District, Eastern Cape, South Africa. This captures the vision of Professor Muhammad Yunus, who started the Grameen Bank in 1976 in Bangladesh. Professor Yunus redefined a microcredit method used for breaking the cycle of poverty and developed a specific method that boosted the efficiency of microcredit with the desire to alleviate poverty in Bangladesh [2]. The amount of money given to the poor usually falls within the range of R1000 to R15000, and it is given as a loan for a short period of 6 to 12 months for them to start-up businesses [4].

Microfinance institutions have been praised globally for their enormous contributions to poverty reduction [3]. For example, a research work carried out in South Asia and Bangladesh on the impact

of microfinance on the wellbeing of the poor and household income shows significant increase in education, income, employment, consumption and purchasing power [5]. Lawanson's study in Nigeria shows that, the provision of small loans to small scale enterprise was positive [6]. The provision of microfinance in Santa village in Cameroon, motivated young men to embarked on tomatoes farming and improved their household finance [7]. Significant changes were noted in the research by [8] on a microfinance initiative in the Ba-Phalaborwa municipality in South Africa. The beneficiaries constructed houses and purchased sewing machines, roof and tile equipment, brick and bread manufacturing machines, and other equipment. Scholar such as [6] highlighted an important aspect of microfinance, in that their programmes go beyond the provision of small loans to the poor and provide a wider spectrum of services to small-income households and their businesses. The broad range of services can be divided into two categories: financial services and non-financial services. The former includes loan size and type which are offered to microfinance client to facilitate the operation of their businesses or other projects [9]. To maintain long-term sustainability, the institution also used non-financial services like project and time management, planning and finance training, business and skills development strategy, leadership, motivation, and communication [10]. Several studies on microfinance have placed their emphasis on financial impact and outreach in South Africa. Nonetheless, little is known about how both non-financial and financial services affect the long-term viability of microfinance initiatives. This statement is true in the context of O. R. Tambo Coastal District (ORTCD), Eastern Cape because access to capacity building services is limited in this part of the country and it is an area with limited research on microfinance initiatives.

To explore whether the financial and non-financial services offered to microfinance clients can facilitate the sustainability of microfinance programmes, with a focus on the Eastern Cape province of South Africa. This study used the following research questions used: RQ1: How do financial services influence loan repayment and the sustainability of microfinance programmes in the O R Tambo coastal district? RQ2: How do non-financial services contribute to improved loan repayment and the sustainability of microfinance programmes in the O R Tambo coastal district? The following Section 2 discusses overview of microfinance operations and its service structure. Section 3 describes the methodology, and Section 4 presents the findings and discussion of the study. Finally, Section 5 provides the conclusion.

## 2. Overview of Microfinance Operations and Its Service Structure

### 2.1. A Contextual Understanding of Microfinance Operations in South Africa

The critical role played by microfinance institutions in poverty alleviation, financial inclusion, entrepreneurship and economic development has been recognised in many developing countries, including South Africa [11]. By reaching out to the underserved populations, microfinance programmes aim to empower financially excluded individuals, especially those in low-income and economically disadvantaged areas such as O R Tambo Coastal District, Eastern Cape, South Africa. O R Tambo Coastal District consists of Nyandeni, Port St John and Ngquza Hill local municipalities, which form part of the O R Tambo District (ORTD) in the Eastern Cape Province. It lies along the coastline of the Indian Ocean. This district is mainly rural and covers an area of 96 340 square kilometres, about 80% of what used to be marginalised homeland in the Transkei [12]. The O. R. Tambo Coastal District has a combined population of 785 000. The major economic activity in this area is subsistence farming, and many of the people are still battling with poverty. This area has limited formal employment opportunities, with a 66% unemployment rate [12]. Disadvantaged individuals in these areas have a strong demand for microfinance services and see them as an essential tool to combat poverty and prejudice. These services include savings, small loans, business and management training, and insurance [13].

The evolution of microfinance in South Africa began in 1992 when the African National Congress (ANC) government introduced new policies extending credit liberalisation to all [14]. Financial institutions such as Financial Service Cooperatives (FSCs) were used to channel small loans to the

rural areas in South Africa, but the focus of these banks was on agriculture and farming activities [15]. As such, there were limitations in this approach because not all the rural poor were involved in agriculture and farming. Other key actors, such as the Small Enterprise Foundation (SEF) and Marang Financial Service, have both played instrumental roles in poverty alleviation and microfinance sustainability in the Eastern Cape and other parts of South Africa. In deep rural areas of Butterworth and Mthatha, SEF carries out microfinance projects providing business training, mentorship and social support to women through a group lending model [16]. Marang Financial Services employs a Grameen-style solidarity group lending model, offering loans through its branches in rural areas of Lusikisiki in the Eastern Cape.

It is important to note that several studies on microfinance projects in South Africa have placed their emphasis on the financial and economic empowerment of the poor while giving less attention to aspects of non-financial services and sustainability. For example, scholar [17] impact assessment of microfinance interventions in a case study in South Africa highlighted financial services as critical interventions which achieved significant improvements in clients' businesses incomes and improved access to life-enhancing facilities but gives less attention to non-financial services and sustainability factors. Additionally, [18] study captured the social and economic impacts of microfinance in South Africa, placing emphasis on the impacts of financial services in reducing the vulnerability of poor women from deepest poverty. This study pays more attention on financial inclusion but lacks emphasis on non-financial support instruments. In the same line, [8] study captured the perceptions and experiences of microfinance clients on the effectiveness of income-generating projects in South Africa but lacks emphasis on non-financial support instruments. Furthermore, [11] study title "Group Meeting Frequency and Borrowers' Repayment Performance in Microfinance: Evidence from a Quasi-natural Experiment in South Africa" focuses more on the impact of microfinance programs on customer repayment performance and saving behaviour than on non-financial services and sustainability.

In the Eastern Cape Province, Mamutse's [16] conducted a study on microfinance and poverty reduction in the Amathole Rural District focusing more on the impact of microfinance institutions on household income levels, education, and business skills, but it paid less attention to the critical role of non-financial factors and their influence on microfinance program sustainability. With less attention on sustainability and non-financial services, Mbedzi & Simatele's [19] study likewise concentrated on the advantages and disadvantages of lending. A study on microfinance and wellbeing in Eastern Cape homes was also carried out by [20]. It showed how important financial services are to enhancing household welfare for recipients, but it neglected to emphasise the vital role that non-financial services and project sustainability play. For microfinance projects to be sustainable over the long run, both financial and non-financial services must be offered [21].

## 2.2. *The Sustainability of Microfinance Programmes*

Microfinance is regarded as one of the best instruments to fight poverty. A critical challenge is how well its financial operation can be sustainable [22]. Sustainability in this regard will refer to the ability of microfinance institutions to balance financial viability with social impact [21]. In terms of financial viability, a Grameen Bank was established in Bangladesh with the goal of promoting financial self-sufficiency through high repayment rates, cost-effective outreach, and reduced donor dependency [23]. Researcher like [24] raised concern about mission drift. In a study of microfinance and development mechanisms that they conducted in China, cases of mission drift, in which MFIs shift their focus from serving the poorest to targeting less risky, more profitable clients, were recorded. Mission drift has led to cases of microfinance failures in countries such as Pakistan, participants experienced over-indebtedness [25].

Similar issues, including high operational costs and low capability for non-financial service delivery, have been identified in Africa [6]. For instance, Abouchatir, Essardi [26] study in Morocco captures unsuccessful experience of microfinance and linked them to international agencies mission drift. The shift in the aim of microfinance organisations from poverty alleviation to profit-making has

left most of their consumers in debt [27]. In 2012, over 11 million microfinance clients in South Africa fell into debt traps and failed to repay loans [27]. However, agencies such as SEF and Marang have adopted more inclusive models, targeting ultra-poor clients with a blend of financial and non-financial interventions in South Africa, more especially in the Eastern Cape Province.

### 2.3. Financial Service and Programmes Sustainability

Microfinance financial packages consist of a loan type and a loan size. Loan type package refers to the structure of the loan offered to the clients. The loan structure includes individual, group, short-term, and long-term loans [9]. The structures influence loan repayment and programme sustainability differently.

In group lending a lending institution can offer loans without collateral if the borrowers organise into groups of at least five people [4]. Although these are personal loans, the entire group are liable for paying back the money. Social pressure within the group encourages loan repayment, while monitoring of members reduces default; thus, the group carries the risk of individual defaulters [28]. Mabasa's [29] study on microfinance services in Bangladesh revealed that loans were provided on a group and individual basis to the rural poor and that group lending facilitated loan repayment through improved social connections. In the same vein, researcher such as [30] focused their work on social capital and group lending and found that joint liability among group members facilitates loan repayment and prevents defaults. Additionally, group lending lowers administrative costs as members share the costs, and the greater risk is shared among the members while creating a positive impact on sustainability [4]. Clients who take out individual loans for established businesses are usually considered to be at higher risk of default without collateral; thus, monitoring and client screening are essential to ensure programme sustainability [28]. A proactive approach to maintaining operation is that new clients, especially those who take loans on an individual basis, are allowed to arrange repayment on a weekly basis following the loan disbursement [28].

Loan disbursements are either short-term or long-term, with the short-term lasting for six months and the long term about one year [4]. These time frames are given based on how long the institution must have known or worked with the clients to prevent loan default and build confidence. Furthermore, short-term loans shorten the time an individual or group must use the money; they facilitate cash flow but may not support the long-term growth of clients [9]. To ensure programme sustainability, the institution frequently implements mandatory and voluntary savings choices for clients to follow [9]. Mandatory savings are savings that the clients must have to qualify for a next loan [10]. Since loans are obtained either through group loaning or individual loaning, mandatory savings also follow the same format [10]. Mandatory savings are used to repay the loans obtained, and a successful loan repayment qualifies the group or individual for future and increased loans. This strengthens the group or individual's reputation and promotes the sustainability of financial flow, institutional stability, and the ability to reach others [9]. For instance, Mohapatra & Sahoo's [31] study in India found that successful loan repayment motivated microfinance institutions to increase the amount of loans given to their clients. Increased loans helped many of the beneficiaries diversify and increase their businesses, increasing their income as a result, which motivated them to apply for more loans [31]. Voluntary savings are optional savings that the clients keep in the microfinance institution [10]. This saving can be used to invest in businesses, buy assets, or repay loans should the client experience any challenges that may hinder the loan repayment process [10].

Microfinance financial packages also consist of loan sizes, which refer to the amount of money (small or larger loans) that the institution disbursed to its clients [29]. Small loans within the range of R1 000 to R15 000 are given to poor individuals or groups, usually without collateral, for a short period of 6 to 12 months to start up or expand their businesses [4]. Small loans are easier for clients to repay. In Malaysia, [32] studied and found that the provision of small loans assisted the beneficiaries to participate in the economic market, extend their small businesses, generate income, and improve their savings. This may work well for the institution because it is less risky; however, in

some cases it might limit business growth, impair the repayment process and negatively affect the sustainability of the projects [21].

To an extent, the provision of larger loans may boost business income and increase profits if the clients used the money in a productive manner. Nevertheless, larger loans might increase the risk of defaulting and increase institutional exposure to loss [1]. Therefore, the institutions need to establish mechanisms to foster credit discipline and encourage responsible borrowing. Consequently, it will assist in strengthening clients' retention and institutional sustainability. The sustainability of microfinance projects and the future growth of clients' businesses depend on repayment performance and appropriately designed loan types and sizes that fit client needs and risk profiles [1]. A well-structured loan types and sizes are positively related to improved business performance, which in effect promotes loan repayment, business expansion, and the sustainability of both clients' businesses and MFIs's operations [33]. An Indonesian study on microfinance, for instance, found that appropriate loan disbursements were positively correlated with clients' motivation to follow loan payback schedules, leading to successful microfinance programmes [33].

#### *2.4. Non-Financial Service and Programmes Sustainability*

Scholar [34] defined non-financial services as all the services provided by microfinance institutions to their clients, excluding the provision of loans. These services are offered to assist clients to understand loan terms and repayment obligations, track business income and expenses, and make informed financial decisions [34]. It also assists clients to improve their business and financial skills. Prior to, and after the disbursement of loans, MFIs offer client empowerment and confidence programmes through capacity-building sessions, mentoring, and technical assistance [10]. With a well-structured empowerment programme, clients are equipped to better engage in business activities, thus improving their performance in business development and income generation, and see long-term value in their microfinance relationship [34].

Microfinance institutions build stronger client-institution relationships through constant engagement, training workshops and other support services that build trust between MFIs and their clients [33]. Furthermore, training microfinance clients builds and strengthens relationships over time, thus increasing their willingness to engage in microfinance activities [33]. Constant engagement motivates loan repayment and influences the smooth operation of MFIs, as their operations are strengthened by the smooth flow of finance [33]. For example, the Uusiku [1] study on microfinance programmes in Namibia revealed that technical assistance such as business skills development, customer care, pricing, marketing, and learning how to sell on credit were provided to microfinance clients before loans were given to them. This assisted the beneficiaries in increasing their business income and savings and promoting the continuity of microfinance support for their clients and their businesses [1]. Similarly, the Thaher, Radieah & Norhaniz [35] study in Jordan revealed that business training, counselling, marketing support and monitoring offered to women entrepreneurs contributed to their economic improvement, diversification and expansion of businesses, increased income, and improved loan repayment ability. In Lebanon, the Rizk & Khalil [36] study shows significant improvement in financial sustainability through the provision of non-financial services in the form of business advice, saving, and investment training to microfinance clients. The provision of nonfinancial services motivated many people to participate in microfinance programs in Lebanon; hence, microfinance institutions were able to increase their total financial revenues [36].

Nevertheless, the study by [37] in Madagascar revealed that insufficient microfinance client training resulted in a reduction of business incomes and savings, thereby affecting the smooth operation of microfinance projects. In addition, a study conducted in Amathole Rural District, in the Eastern Cape, South Africa, on microfinance projects shows that due to the insufficient provision of non-financial services to the clients, only 10% of the clients managed to improve their social life conditions, while there was a significantly low impact on business growth and development among the rural poor, leading to loan repayment burdens [16].

### 3. Research Methodology

#### 3.1 Research Design

The study adopted a qualitative research design and explored how financial and non-financial services affect loan repayment and the sustainability of microfinance programmes in the O. R. Tambo Coastal District of Eastern Cape, South Africa. This method was considered best fit as it allows the researcher to have an in-depth understanding of the beneficiaries' lived experiences and perceptions, which are critical to understanding the dynamics of microfinance sustainability. To obtain first-hand information, a purposive sampling was employed in the study to find possible clients of microfinance services. This non-probability sampling technique was employed to ensure that participants could effectively address the financial and non-financial services they received, as well as their implications for loan repayment and institutional sustainability. The final sample consisted of 19 individuals, all of whom had obtained microloans from specific microfinance institutions in the OR Tambo District of the Eastern Cape.

Before commencing with the interviews, an ethical certificate was obtained from the Research Ethics Committee of the University of South Africa. Participants were informed in advance that this study was voluntary and that they could leave the interview at any time. Informed consent was collected from all the participants before the interviews began. Anonymity was maintained by replacing participants' names with codes during transcription and analysis.

#### 3.2. Data Collection and Analysis

A semi-structured interview schedule was used in a face-to-face interview to collect data over a period of five weeks, which allowed for both consistency in core questions and flexibility to probe deeper into participants' individual experiences. The interviews took place in the participant setting with the use of an audio recorder (with consent) and lasted between 30 and 60 minutes. The recorded interviews were later transcribed verbatim for analysis. The use of semi-structured interviews resulted in rich, descriptive data while remaining focused on the research aims. The study adopted Braun and Clarke's six-phase framework to identify, organise, describe and report themes found within the dataset [38]. The Braun and Clarke's six-phase framework was used alongside ATLAS.ti 9 to code the participants' responses. This allows close interaction with the data and ensures nuanced interpretation of emerging themes related to financial services, non-financial services, loan repayment, and sustainability.

### 4. Results

#### 4.1. Demographic Presentation

A total of 19 microfinance beneficiaries participated in the study. See Table 1 for demographics descriptive analysis

**Table 1.** Demographics descriptive analysis.

Gender	Male: 7 Female: 12	Male: 7 Female: 12
Age		26-35 years: 5 36-45 years: 12 46-55 years: 2 data data
Education		Primary: 4 Secondary: 10 Tertiary: 5 data

According to the results from the field survey, most of the participants were female; 12 out of 19 were female, and 7 were male, for a total of 63.2% females and 36.8% males. This information indicates that most microfinance beneficiaries in ORTCD are women. 5 out of 19 participants (26%) are between the ages of 26 and 35. The data also revealed that 12 respondents (63%) were between the ages of 36 and 45 years old. 2 of the participants were between the ages of 46 and 55, and there were no participants aged 18 to 25. This demonstrates that most microfinance loan recipients were over the age of 25 years.

4 (21%) of 19 participants had primary education. 10 (53%) of 19 had secondary education, 5 (26%) participants had university education. This suggests that all the participants had some level of schooling. The participants were all involved in small-scale business operations such as apparel, vegetable gardening, poultry farming, and retail.

#### 4.2. Analysis of the Meaning Theme

In this section, the Braun and Clarke's six-phase framework was used alongside ATLAS.ti 9 to code the participants' responses.

**Table 2.** An overview of the themes.

Research Question	Sub-theme	Final theme
Research question 1	Loan disbursement	Loan type
	Loan structure	
Research question 1	-	Loan size
Research question 2	Management	Technical assistance
	Training	
Research question 2	-	Client-institutional relationship

By using a Braun and Clarke's six-phase framework alongside Atlas.ti 9, the codes of meaning from the analysis of interviews with 19 microfinance clients were sorted. Similar codes were merged and placed into clusters (sub-themes). The grouping of the sub-themes gave rise to the research themes. The emerging themes include Loan type and Loan size for financial services, and technical assistance, and Client-institutional relationship for non-financial services.

##### 4.2.1. Financial Services

**Table 3.** Financial service themes and codes.

Theme	Sub-theme	Code
Loan type	Loan disbursement	Short-term is ok (11)
		Long-term is good (5)
Loan type	Loan structure	Good with any repayment time (3)
		Group loan (5)
Loan size	Loan structure	Individual loan (14)
		Loan amounts up to R13000 (10)
Loan size	Loan structure	Loan amount R14000 (5)
		Loan amount more than R47000 (4)

(Number in bracket is frequency).

##### 4.2.1.1. Loan Type

Loan type, with two sub-themes: loan disbursement period and loan structure, appeared as one of the data's major themes. These themes were found to have a substantial impact on clients' ability and willingness to repay loans, hence affecting institutional sustainability. The findings revealed that participants had different preferences for loan disbursement and repayment. Many interviewees reported having gotten short-term loans. A participant indicated as such: Participant 8: "I do not have a problem with the time. I like the short-term repayment time. When you repay your loan quickly, your head gets rest." One important part of the short term was that it helped maintain repayment discipline, improve repayment reliability, and reduce default risk. Some of the participants reported having gotten long-term loans. An important part of the long term was that it offered flexibility, allowing clients with slower business operations to avoid default. Flexible and well-tailored loan terms give clients the opportunity to select what works best for their business cash flow, support consistent loan repayment, and reduce defaults.

The study of the data revealed two sorts of lending structures: group loans and individual loans. The data revealed that a small number of participants acquired loans in groups, while the majority obtained loans on an individual basis. The participants indicated as such: Participant 3: "Group loan." Participant 1: "Individual loan." Those who took out group loans demonstrated a strong social connection, increased fund collection, and facilitated loan repayment. Individual loan recipients showed personal control and responsibility. Nonetheless, specific loan types did not lead to loan default, as participants stated that they recorded business profits and increased business performance, hence improving their loan repayment capabilities. Participant 13 said, "I repay the loan from the profit I made from the business." As a result, providing loans on a group and individual basis increases client happiness, engagement, and retention. These are critical enabling characteristics for the sustainability of microfinance initiatives.

#### 4.2.1.2. Loan Size

Loan size was also one of the data's key themes. This theme was discovered to have both the capacity to invest in businesses and the ability to repay loans, both of which are critical to microfinance sustainability. The findings revealed that participants took out loans ranging from R13000 to more than R47000. The participant stated as follows: "Received up to R13000" (participant 2), "more than R47000" (participant 4), and participant 6. The varying loan amount may influence the sustainability and repayment differently because small loans carry low risk, although they may offer limited returns to clients. For instance, participant 18 explained, "The loan is small. This is because it is my first time. I must manage it well and pay the loan back so that when I apply again, they will have confidence in me and give me a bigger loan." Medium to large loans allow clients to expand their businesses and increase incomes and repayment ability; however, large loans can increase risk if poorly assessed.

#### 4.2.2. Non-Financial Services

Regarding no-financial services in promoting loan repayment and contributing to the sustainability of microfinance programmes, three key themes emerged from the data namely: Technical assistance, Client-institutional relationship and Shock mitigating mechanisms.

**Table 4.** Non-financial service themes and codes.

Theme	Sub-theme	Codes
Technical assistance	Management	Business management (6) Financial advice (13) Learn how to attract clients (4) Learn better ways to invest (3)
	Training	Learn better ways to save (6) Learn how to upgrade and add varieties in business (6)
Client-institutional relationship	-	No follow-up on clients' problems (8)
	-	Much concern on their money (10) They don't give you what you want (1)

(Number in bracket is frequency).

#### 4.2.2.1. Technical Assistance

Technical assistance in the form of management and training appeared as one of the data's major themes. This theme was found to have a substantial impact on clients' ability and willingness to repay loans, therefore affecting the sustainability of microfinance programmes. The findings revealed that majority of the participants obtained business and financial advice before loans were disbursed. This was to ensure that the participants were equipped with the basic business, budgeting, and loan repayment knowledge. Participant 13 said, "They ask you about your plans for the loan you want and when you tell them, then they advise you how to invest wisely and also practice saving money". In addition, Participant 5 said, "Before they gave me the loan, they asked me what I want to do with the money and advised me well in the direction I want to use the money for and then they give the money".

The findings also revealed that during the programmes, the participants were given some sort of training to support their business operations. The participants indicated as follows: Participant 1 "I learned on how to save money and how to add varieties of items in my business to attract more clients. I learned how to treat my clients nice and how to upgrade my business". Participant 8: They advise on how to handle your clients. That is, being nice to all your clients, save money and buy different type of goods. Equipping clients through training workshops is critical to sustainability as it builds client capacity in handling funds effectively thereby reducing the risk of defaulting.

#### 4.2.2.2. Client-Institutional Relationship

The client-institutional relationship emerged as a major theme in the data related to non-financial services. This theme is critical in follow-up and motivation as well as helping the loan officers to track clients' repayment schedules. The findings revealed discrepancies in participants' responses, as some indicated that they have not received fair treatment from microfinance institutions because no follow-ups were made on their problems. The participants elucidated: Participant 2: The way I see things with these people, they don't play with their money, and it is like they are more interested in making profit. Participant 16: These people do not care to understand the challenges one faced. All they want is their money. They call you so many times if you happen to delay bringing their money. This indicates a lack of intensive communication between microfinance institutions and their clients. Communication breakdown is a negative factor in the loan management process; it damages trust and accountability and hampers loan repayment.

### 5. Discussion

This study adopted a qualitative research design to explore how financial and non-financial services affect loan repayment and the sustainability of microfinance programmes in the O. R. Tambo Coastal District of Eastern Cape, South Africa. The study adopted Braun and Clarke's six-phase framework alongside ATLAS.ti 9 to code 19 purposefully selected participants' responses, identify, organise, describe and report themes found within the dataset [38]. The thematic analysis reveals that both the structure and design of financial services (loan type and loan size) and the quality of non-financial services (technical assistance and client-institutional relationship) play a crucial role in promoting loan repayment and programmes sustainability. This supports findings from literature on financial services and programmes sustainability ([1,29]). The findings are also consistent with [4,9,39], who believe that a well-lending structure increases client choice between group and individual loans and improves satisfaction, happiness, engagement, and retention. A well-organised loan that meets the needs of the client has been found to increase income and loan repayment while also increasing trust in microfinance institutions. This aligns with [1,33] findings. Each of these solutions addresses the first research question.

In addressing the second research question, two themes; technical assistance and client-institutional relationship emerged as critical factors of non-financial services that influenced the sustainability of microfinance programmes. The findings show that, equipping clients through training workshops is critical to sustainability as it builds client capacity in handling funds effectively thereby reducing the risk of defaulting. It also revealed communication breakdown is a negative factor that damages trust and accountability and hampers loan repayment. These findings are consistent with previous research emphasising the value of pre-loan workshops that enhances client repayment ability and reduces the misuse of funds ([33,35]). The findings are also consistent with [33,36], who believe that regular check-ins and encouragement promotes accountability, and strengthens client-institution relationships.

### 6. Conclusions

This paper has explored the factors that influenced the sustainability of microfinance programs using the case of the O. R. Tambo Coastal District, Eastern Cape, South Africa. In doing so, the key factors influencing the sustainability of microfinance programs were found. Therefore, the paper established that the sustainability of microfinance programs was influenced by the interdependent role of financial services (loan type and loan size) and non-financial services (technical assistance and client-institutional relationships). The study contributes to the limited body of literature on microfinance projects in South Africa and offers understanding into the sustainability of microfinance programs in underserved rural areas of the Eastern Cape Province. While other studies have focused their attention on the financial services of microfinance, this study has shown the interdependent role of financial and non-financial services of microfinance in fostering the sustainability of microfinance

programs. Based on the results, the study recommends the need for institutions of microfinance to prioritise the training of their staff to effectively design and implement both non-financial and financial services in a well-developed and strategic interventional fashion that will help clients in their business operations and loan repayments. This study was limited in that it covered only the O. R. Tambo Coastal District; therefore, the findings cannot be generalised to the entirety of South Africa or globally. A qualitative approach was used in the study; therefore, further study should use a quantitative or mixed method on the subject.

**Author Contributions:** C.A.W and L.B. conceived the study design. C.A.W. led the data collection and coding. C.A.W. managed the data within ATLAS.ti9. C.A.W. carryout the coding, analyses, and writing. L.B. took part in theme development and manuscript review. C.A.W. took the lead on writing and finalizing the manuscript; L.B. reviewed and gave suggestions on earlier drafts. All authors have read and agreed to the published version of the manuscript.

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**Informed Consent Statement:** Informed consent was obtained from all participants involved in the study. Written and signed informed consents were obtained from all the participants.

**Data Availability Statement:** The authors confirm that part of the data supporting the findings of this study are available within the article.

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