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Convergent Microfinance Strategy: Combining Fintech and Conventional Methods to Enhance Rural Financial

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ABSTRACT: Financial inclusion in rural areas continues to face challenges due to poor infrastructure, low digital literacy, and resistance to financial technology. While both traditional microfinance and fintech have tried to address these issues, implementing them separately often leads to inefficiencies and low adoption. This study explores hybrid microfinance models that combine both approaches, using a system dynamics method with Causal Loop Diagrams (CLDs) to analyze interactions between technological, social, and operational factors. Data were gathered through stakeholder interviews and thematic analysis to map key feedback loops and intervention points. The findings highlight three core drivers of success: (1) Infrastructure Development, emphasizing connectivity and platform access; (2) Social Dynamics, focusing on financial literacy and trust to reduce resistance; and (3) Operational Innovation, which includes staff training, strategic resource use, and partnerships. Results suggest that a holistic strategy combining infrastructure investment, community engagement, and operational improvements is essential for advancing sustainable financial inclusion. Inclusive digital service design, targeted education, and supportive regulation are emphasized in the study as interventions to establish trust and improve accessibility in the rural contexts.

Keywords: causal loop diagrams, financial inclusion, hybrid microfinance, rural finance.

I. INTRODUCTION

One of the global problems, especially in terms of financial inclusion, is one related to rural populations as around 1.7 billion adults are unbanked yet most of them live in rural areas [1]. Even though many interventions and policy actions have been realized in the last decades, the access gap between urban and rural areas of a developing country in terms of financial services stands at 29% [2]. The reason behind this long-existing gap can be partially explained by the fact that the majority of the currently available approaches, although recognizing the idea of multiple factors, tend to resort to direct obstacles as the main issue, such as physical infrastructure, geographical distances, and costs of the services, without fully reflecting on the large scope of interactions among the causes and mechanisms underlying financial exclusion in rural communities [3].

Both traditional microfinance approaches and newer fintech solutions have tried to overcome these problems, but to only modest success when deployed on their own. Research and development have revealed that both conventional models and pure-play fintech models have severe operational limitations with average costs of transaction ranging between 15-20 percent of loan value [4], and low levels of computer and general ICT, technology infrastructure and cultural opposition are hindrances hindering the rapid adoption rates of the pure-play models [5]. The success rates of existing interventions are relatively low, especially due to the fact that the majority of the programs incorporate only classic or online targeting,

without managing to capture the interrelated features of the issues related to financial inclusion among the rural population [6]. The fact that hybrid models emerge as a combination of traditional microfinance with fintech solutions can be seen as a good direction. Premature applications have however been mixed with some programs registering elevated degrees of gains in operational effectiveness whilst others failing miserably as far as the processes of integration are concerned. Ashta and Hudon [7] found that there are challenges in managing hybrid microfinance institutions particularly with regard to social mission and technological innovation and operational efficiency. It is against such experiences that, with appropriate experience, the hybrid models should be implemented with more understanding of how complex interactions between technological, social and institutional factors occur.

The numerous, diverse and shifting variables provided in the complexity of seeking hybrid forms of microfinance necessitate the application of systems thinking that would aid in the capture of the dimensions. According to Mingers and White [8], systems thinking can be of great value when one needs to comprehend complex operational and management issues, especially where there are numerous stakeholders and where there are competing agendas. System dynamics methodology, more specifically the development of Causal Loop Diagrams (CLDs), has become a rather promising basis of the comprehension of these rather complicated interactions [9]. The CLDs have especially shown themselves useful to investigate combinatorial and interacting multiple feedback loops in social systems, and are also suitable to exploratory studies since they will visualize complex relationships only with a relatively small amount of data [10]. The past experiences of systems thinking in related contexts prove that it could help to understand challenges of financial inclusion. As an illustration, Musango et al. [11] have been able to use the system dynamics to study complex transitions in developing economies, and according to them, the methodology was place to reflect technical aspects of the change, as well as social aspects. Feedback method and system dynamics can be used adequately to model complex financial systems and their implications on behavior as further demonstrated by Wheat [12]. Nonetheless, there is no clear idea as to how these methodological solutions would be directly applicable to a hybrid model of microfinance in a rural setting.

The suggested study is consequently directed at using system dynamics techniques in the attempt to formulate an integrated view of the dynamics of implementation of the hybrid model of microfinance in the rural setting. In the process of qualitative analysis and development of the CLDs, we will also attempt to reproduce the major feedback mechanisms, leverages points and intervention options that can enhance the likely intervention strategy and efficiency of the hybrid approach to financial inclusion. The suggested approach will rely on the methodological framework, proposed in the study by Luna-Reyes and Andersen [9] to examine how various stakeholders perceive and react to the introduction of fintech solutions into older-style microfinance interventions and chart out the intricate interdependence between the efficiency of the operations and the access to services and the social impact. The end product will be to not only provide a theory but also practical suggestions that would lead to successful application of the hybrid microfinance models in the rural societies.

II. LITERATURE REVIEW

1. EVOLUTION OF MICROFINANCE MODELS

Micro finance has also grown tremendously particularly in the adoption of the digital technology in the industry. The integration of technology in the process of the digital financial inclusions highlighted the opportunities and concerns that were highlighted by critical analysis done by Mader [13]. They were oriented on the work and showed the need to be very attentive to the local contexts and the existing financial practices in the changing of the microfinance institutions through the assistance of digital activity. David-West et al. [6] talked about how traditional financial institutions could find the means of integrating digital technologies within their system to enhance their efficiency without diminishing social impact. Their findings show that close focus to local ground and an institutional capacity is required to attain integration. However, their study failed to assume a systems thinking path in order to understand the relationships between the traditional and digital on a dynamic level.

The emergence of the hybrid models of microfinance has attracted the academic interest. Nevertheless, the digital innovation of financial services was discussed by Ozili [5], in which the author highlighted that fintech solutions would augment the traditional microfinance practices. Their attempts were emphasized on the importance of being aware of the interdependencies that exist between the technological capabilities and the prevailing institutional processes. The exemplar of digital microfinance is a change that introduces new dimensions that are to be systematically discussed. Iman [14] contrasted the uptake of digital financial services in the developing countries by chastising the connection between the technological systems, user approval, and the institutional capability. This work has also been supplemented by Shaikh et al. [15], who conducted an analysis of the patterns of adoption of the mobile banking in rural areas.

2. SYSTEM DYNAMICS IN FINANCIAL INCLUSION

System determinants applied in use of system dynamics in terms of financial inclusion and microfinance has proved to be a rich method of comprehending complex socio-economy systems. The works of Wheat [12] evidenced that system dynamics has potential to be successfully modelled to represent financial systems, especially when it comes to representing the complexities of the relationships and feedback features among various variables and the financial systems of macroeconomics as a whole. This seminal piece of work provided the prospects of system dynamics as a way to comprehend the complex relationship in the field of finance, but in the case of microfinance applications it was not specifically mentioned.

The CLDs-based financial systems research has also been highly effective in describing the shapes of interaction among the complex stakeholders. Of particular interest to the methodological framework, which was developed by Luna-Reyes and Andersen [9], is the accumulation and analysis of the qualitative data as to the dynamics of the system, which has become a staple of research conducted in any field of interest. Their input provided an emphasis on matters concerning the acquisition of a multitude of perspectives and feedback systems in the contexts of the system modelling. Citing on this, Ghaffarzadegan et al. [16] explained how small system dynamics model can promote insight into any public policy challenges such as financial inclusions programs.

New applications of system dynamics to financial environments have reached a higher level. In this article by Laurenti et al. [18], Pieth [17] wrote that the system dynamics was applied in an article on consumption patterns concerning sustainability and a multiplicity of financial implications, which indicates how the methodology can be applied to address social issues along with the economic issues. Meanwhile, Musango et al. [11] showed that the system dynamics approach to study could be applied to the analysis of the process of complex transitions in developing economies that might be highly useful in the explanation of systematic changes in financial systems. Mingers and white [8] critically reviewed applications of systems thinking to operational research and established its particular usefulness in addressing complex management problems where a multi stakeholder exists. They paid attention to the importance of the system thinking, discipline like system dynamics which may serve as a transition between theory and practice of the complex interventions.

3. RURAL FINANCIAL INCLUSION CHALLENGES

The peculiarities of financial inclusion in the rural areas have been discovered to possess some difficult peculiarities, which require special attention. Thrikawala et al. [3] analyzed the governance structures in microfinance institutions, and the researchers deserve credit because they noted that institutional structures deserved consideration in service delivery. They give attention to such spheres of organizational structure as its impact on organizational efficiency and social impacts, particularly in terms of rural settings as this is where the power of institutions is most likely to be poor.

Rural financial inclusion is viewed as being significantly hampered by the presence of infrastructure constraints in its provision of services and its efficiency in operation. Bastida-Ruiz et al. [19] concentrated on the sustainability problems of the rural microfinance in another study and is concerned with the fact that the physical infrastructure deficiency affects the services delivery. Some of the observations that they made indicated the absence of proper internet connectivity, unreliable power supply and poor transport system, which increases the cost of doing business and frustrates both the conventional financial services and the

digital solutions. Financial institutions cannot provide consistent service delivery without the right infrastructure that restricts the access by the rural population to the necessary financial tools.

Other than the infrastructure, social and cultural situations also play important roles in the inclusion of financial inclusion in rural areas. Its study of local social organization and the influences it has over cultural norms revealed the extent to which local social structures and cultural norms determine the adoption of financial services [20]. Their study highlighted that informal financial networks are present, and they may supplement formal institutions, or compete with them. They established that trust and social capital play the main role in establishing acceptance of rural communities of the formal banking systems. Likewise, Ashta and Hudon [7] examined the operational issues in rural microfinance and thereby pointed out the multi layering effects of incorporating the social missions and tech innovation. They observed that risk evaluation, monitoring of loans and management of relationships with clients may be done differently in rural areas in comparison with urban areas.

Financial service delivery to the rural areas is additionally vitiated by the issue of cost since the cost of operation in the rural areas is well above that of urban locations. According to Mader [13], some of the identified drivers of cost are the lower population density, higher geographic distances, and reduced volumes of transactions, which complicate financial sustainability. At the same time, David-West et al. [6] also examined the importance of digital technologies to develop rural financial services yet stated that it is paramount to match the relevant technological ways with local capabilities in order to be totally effective. They claimed that as much as digital solutions may enhance efficiency, it is important to retain the human touchpoints to enable establishment of trust and successful adoption of services. In conclusion, to have sustainable financial inclusion in the rural areas, a balanced or mixed approach that puts emphasis on development of infrastructure, cultural sensitivity, and cost-effective strategies in operation should be incorporated.

4. RESEARCH GAP IDENTIFICATION

Table I highlights some of the major areas of gaps in the current knowledge of hybrid microfinance models and how this can be applied in the rural settings based on the reading of the existing literature. On the one hand, the system dynamics were successfully used in a number of applications [9, 11, 12], but the study of the hybrid microfinances in their rural locations has not been noticed. Second, the majority of the previous studies relate either to the urban environment [6, 21] or do not touch upon the peculiarities of a rural setting. Other studies investigating rural settings [19, 20-23], tend to be non-systematic in how they attempt to come to grips with the dynamic nature of traditional and digital financial services.

Third, most recent research studies have explored the use of traditional microfinance [3] or digital financial services [14] individually but little has been researched in the integration of these two interventions especially through a systems point of view. The study by Ashta and Hudon [7] identifies some aspects of the hybrid models but fails to give a complete framework through which their dynamics in implementation can be achieved. Fourth, studies give a single stakeholder outlook [24] or analyze some operations of implementation [25] without perceiving the entire rural financial inclusion. Lastly, the current body of knowledge has room to improve with its relative focus on gaining knowledge about certain factors of financial inclusion, but remains insufficient in providing holistic framework of how exactly hybrid forms of financial inclusion are successfully implemented in rural areas. Research such as the one conducted by Ozili [5] gives theoretical insights but lack a practical application.

The gaps that the work will address are due to the fact that the system dynamics approach will be employed to develop an overall knowledge of the implementation of the system in the rural areas in the form of a hybrid microfinance model. We aim to formulate CLDs and qualitative analysis to find out the most critical feedback mechanisms and leverage points that would enhance the effectiveness of the hybrid solutions to financial inclusion in rural areas.

Table 1. Systematic analysis of literature and research gaps.

Study	Context	Method	Key Findings	Gaps Identified
[21]	Rural microfinance	Case study analysis	Lessons from urban to rural microfinance transition	Limited consideration of digital integration and based on a dated context
[12]	Macroeconomic education	System dynamics modeling	System dynamics effective for teaching financial concepts	Limited application to microfinance context and focuses only on educational aspects
[22]	Rural poverty targeting	Empirical analysis	Targeting effectiveness in rural areas	Single stakeholder perspective and no technological focus
[7]	Hybrid microfinance institutions	Case study	Mission conflicts in hybrid institutions	Focused only on organizational aspects
[11]	Energy sector transition	System dynamics modeling	Demonstrated utility of system dynamics for complex transitions	Not related to financial services
[3]	Microfinance governance	Empirical analysis	Board structure impacts on microfinance institutions performance	Limited consideration of technological integration and no systems approach
[20]	Microfinance regulation	Comparative case study	Social sustainability factors in microfinance	No consideration of hybrid models and lacks a systems approach
[25]	Education intervention scaling	Randomized controlled trial and qualitative analysis	Challenges in scaling development interventions	Not specific to microfinance
[6]	Digital financial services	Qualitative case study	Resource-based framework for digital financial services	Limited to urban context
[5]	Digital finance impact	Literature review & conceptual analysis	Digital finance impacts on financial inclusion and stability	Theoretical only without empirical application
[19]	Rural development	Mixed methods	Sustainability indicators for development	Limited focus on financial services
[14]	Mobile payments	Case analysis	Technology adoption factors in financial services	Not focusing on rural areas
[23]	Rural microfinance governance	Mixed methods	Local wisdom's role in sustainability	Limited focus on technological integration
[24]	Rural household welfare	Quantitative analysis	Microfinance impact on rural welfare	Limited consideration of hybrid models

III. METHODOLOGY

1. DATA COLLECTION

Purposive sampling was used in the collection of the data where individuals were to be sampled based on knowledge and experience in the domain of providing microfinance services in the rural areas. As shown in Table II, the study collected data using several in-depth semi-structured interviews with different stakeholders. The interviews were carried out to comprehend the experiences, views and the challenges

faced by the participants on the aspects of rural microfinance services especially to discuss the social and cultural considerations in consolidating traditional and digital financial solutions.

The interview data was complemented by secondary data collection; company documents, industry reports and regulatory reports were used to validate the primary data findings and give further background to the obtained results. This multi-faceted data gathering plan will ensure profound understanding on the operations and the strategic provisions of hybrid microfinance ways of operation in a rural setting.

Table 2. Data sources and key information matrix.

Data Type	Source	Participants	Key Information
Primary Data through In-depth Interviews	Microfinance Institutions Management	5 individuals	Strategic insights, resource allocation, challenges in implementation, risk management
	Field Officers	5 individuals	Operational difficulties, customer interactions, technology adoption, barriers in service delivery
	Rural Customers	5 individuals	Access to services, digital literacy, preferences for financial services, usage challenges
	Local Leaders	3 individuals	Community views, cultural factors, local infrastructure, social impact assessment
Secondary Data	Company Documents	-	Operational manuals, performance reports, strategic plans, customer data
	Industry Reports	-	Market trends, best practices, competitor insights, industry standards
	Regulatory Documents	-	Compliance requirements, policy guidelines, legal constraints

2. RESEARCH DESIGN

In general, the qualitative research is used in the research to form the clear understanding of the way models of hybrid microloans are created in the rural areas. Specifically, the research design is the combination of the thematic analysis of the interview data and the CLD analysis, to reflect the complexity of the process of the adoption of traditional and digital financial provisioning in the rural contexts. This process may not only provide fine-grained information concerning the opinion of the stakeholders, but also represent the system dynamics in a holistic manner.

2.1 Thematic Analysis

The qualitative data provided on the grounds of the in-depth interviews with the help of the thematic analysis were interpreted, and the recommended framework suggested by Braun and Clarke [26] was followed. The descriptions of this process started with good acquaintance with the data of the interviews by reading the transcripts repeatedly. Data were then coded systematically to find out patterns and common themes by the researchers. Coding's were then categorized into wider themes, which underwent several iterations in order to make sure that they are related to the research questions. The identified thematic analysis allowed viewing complex determinants of hybrid microfinance models through a structured lens and formulated future research course of the CLDs development.

2.2 CLD Analysis

Based on the thematic analysis, the development of CLD involved six steps [10, 27] that enhanced mapping system dynamics of hybrid microfinance models and analyzed them accordingly.

- Step 1: Building the CLD working groups

The initial move was to form four thematic working groups that considered certain areas of hybrid microfinance such as the digital integration, the traditional methods of service delivery, efficient operations, and the aspect of the rural contexts. Every group was composed of at least three professionals that were knowledgeable in their respective assigned themes.

- Step 2: Isolation of the determinants in literature

Individual working groups performed selective interpreting of the thematic findings in order to see the main determinants in the area of focus. These determinants were placed in categories i.e. regulatory, economic, sociocultural, technological, operational, and market related factors. This action highlighted pragmatic applicability to the rural microfinance scenario, where groups were keen to focus on the appropriateness of each determinant to the immediate set up.

- Step 3: Variables to connections

The third step was to map variables to connections through cause and effect where the working groups together came up with and recorded cause and effects of dealing with variables. It involved identifying polarity of relationships where positive polarity signified directional correlation of the same and the negative polarity reflected opposite correlation among variables.

- Step 4: The connection circle

The identified connections have been embedded in the complete framework of CLD. This was done by using a specialized software that displays the relationships and feedback loops that have been identified in a graphical form. In order to demonstrate the dynamic behaviors in the system, reinforcing feedback loop (R) and balancing feedback loop (B) were mapped.

- Step 5: Creation of the CLDs

The fifth one was the stage of the revision and updating of the CLDs with the involvement of academic professionals and the parties in the industry. This ping and pong review procedure was used to identify the gaps in variables and confirmed relationship and amendments in the diagrams to make it credible and relevant to the rural micro finance environment.

- Step 6: CLDs Interpretation

The final process consisted of explaining the retrieved CLDs with the aim of identifying key feedback loops and leverage points in the system. The analysis revealed that there were certain critical issues that had to be intervened and strategized in connection with the implementation of the hybrid microfinance models in rural setting. This interpretation was aimed at developing a meaning to the relationship among the various aspects of the system as well as related to one another to give the guiding information on the further policy and practice recommendations.

3. VALIDITY AND RELIABILITY

Various sequential activities were witnessed within the study in order to endorse the quality and validity of the study. Peer debriefing sessions- Two Qualified experienced qualitative researchers with experience in rural finance and financial technology received two sessions of bi-weekly peer-debriefing but no direct role in the study. These meetings included the systematic review of the research process, data collection method and potential meanings. The aspects of peer debriefers integration that were used later in the paper to oppose the concept of bias, seeking alternative interpretations, and providing more layers to the interpretation of the interviews were the analysis of the interviews transcripts, the initial results, and the thematic analysis.

Triangulation, such as, the use of different data sources and methodology in the research was also provided. The obtained results, as a product of the interviews, were cross-correlated with the secondary sphere of the company documents, industry publications, and regulations to justify the findings and have a profound idea concerning the subject under discussion. The participants of the interviews were checked on membership to ensure that the participants themselves could understand whether the interpretations and findings were correct. The latter consisted of initial inquiries of small participants and documenting the latter opinion in interpretations. The fusion of the two factors of the thematic analysis and CLD construction and the synthesis of such quality measures of validity and reliability and the disciplined synthesis of the two factors give a rational methodological design that is obligatory to achieve the complexity of the hybrid microfinance models in rural settings.

IV. RESULTS AND DISCUSSION

1. RESULTS

1.1 Thematic Analysis

According to the interviews of the stakeholders, it was possible to draw a blow-by-blow narrative of what drives the implementation of the hybrid microfinance models in the rural context and it consisted of the following three main issues: Infrastructure Development, Social Dynamics and Operational Innovation. These components have several different challenges and opportunities involved in determining the success of microfinance service.

a) Component of Infrastructure Development

Infrastructure Development component turned out to be a critical part of hybrid microfinance application and it poses a lot of challenges as well as opportunities. On the challenges side, network connectivity issues were continuously mentioned (15 times), thus showing the instability of the internet connection that prevents the quality of the work provided by using it. The issues of accessibility to the digital platform (12 mentions) and the availability of devices to work with (10 mentions) add to these challenges especially in rural settings where recruits have low access to technology support and access to technology. Nonetheless, the opportunities in this component have a great performance potential. The greatest number of mentions (22) was associated with mobile device penetration, and it reflects an increased technological platform to support digital financial services. The possibility of increasing the network infrastructure (18 mentions) and creation of innovative digital platforms (15 mentions) presents future avenues of eliminating existing shortcomings to improve service provision.

Table 3. Infrastructure development themes.

Category	Theme	Frequency	Representative Quotation
Challenge	Network connectivity	15	"The lack of stable network connectivity makes it difficult to provide reliable financial services in rural areas"
	Digital platform accessibility	12	"Our digital platforms often do not function optimally in rural settings, which affects the user experience"
	Device availability	10	"Many people in rural communities lack access to the necessary devices for digital financial transactions"
Opportunity	Network infrastructure	18	"Expanding network infrastructure in rural regions will increase accessibility and reliability of microfinance services"
	Mobile device penetration	22	"The growing use of mobile devices in rural areas presents an opportunity for mobile-based microfinance applications"
	Digital platform innovations	15	"Enhanced digital platforms allow for services tailored to the unique needs of rural customers"

b) Infrastructure Development Component

The combination of the old and new approaches as manifested in digital innovation are presented in the Social Dynamics aspect. The challenges are mainly credited to the conservative banking tendencies (8 references) with a trust management responsibility (11 references), which is a problem of cultural impossibility of becoming digital. There exist some social barriers to the introduction of new financial technologies, as well as the factors of community resistance to them (9 mentions form). However, the opportunities presented in this element are not so bad in terms of being positive. The most cited funding literacy programs suggested that educational programs are probably to be the solution translating the social barriers. Some possible ways of reducing the gap between the customer preferences that have existed and the digital innovation are proposed in inclusion and diversity projects (17 instances) and community-based concepts of trust (13 instances).

Table 4. Social dynamics themes.

Category	Theme	Frequency	Representative Quotation
Challenge	Banking preferences	8	"People here are more comfortable with traditional banking methods rather than digital solutions"
	Trust building requirements	11	"Establishing trust in digital financial services is challenging in communities with deep-rooted banking preferences"
	Community resistance	9	"Some community members are resistant to change, making the adoption of digital microfinance tools slower"
Opportunity	Financial literacy	20	"Financial literacy initiatives empower rural communities, fostering confidence in using digital financial tools"
	Community-based trust models	13	"Developing trust models that align with local values and customs helps to build acceptance of microfinance services"
	Inclusivity initiatives	17	"Inclusivity programs can broaden financial access for underserved populations in rural areas"

c) Operational Innovation Component

The component of Operational Innovation brings out the actual side of application of hybrid microfinance models. Problems in this region revolve around the issues of service delivery (14 mentions) and issues of resource deficiency (13 mentions), whereas staff capacity limits (7 mentions) is also an area of major concern but less talked of. The opportunities of this component portend some solution to these operational issues. The most frequent mention (19 times) was given to resource allocation strategies that implies the necessity to consider a strategy of resource management. Partnerships with local organisations (16 mentions) and employee training programs (14 mentions) turn out as the major areas of potential improvement of working efficiency and easier service provision.

Table 5. Operational innovation themes.

Category	Theme	Frequency	Representative Quotation
Challenge	Service delivery	14	"Limited access to certain rural areas complicates our service delivery"
	Staff capacity	7	"Our staff often lack the training needed to manage and operate digital systems efficiently in these rural areas"
	Resource limitations	13	"There is a shortage of resources, which limits our ability to expand services and infrastructure"
Opportunity	Local partnerships	16	"Partnering with local organizations enhances service delivery and strengthens community trust in microfinance"
	Staff training and development	14	"Investing in specialized staff training for rural areas improves the quality and adaptability of services"
	Resource allocation strategies	19	"Effective allocation of resources in rural regions maximizes impact and supports sustainable microfinance operations"

It is through this thematic analysis that it may be revealed that each of the three components have also had to undergo some quite grave challenges but also provides some corresponding opportunities that would counter such challenges. The higher frequency of opportunities relative to the number of opportunities in the majority areas indicates a promising future of the models of hybrid micro finance in the rural areas particularly when strategic efforts are applied so as to oversee all the three factors simultaneously.

1.2 CLD Analysis

a) Infrastructure Development Subsystem

The Infrastructure Development subsystem (Figure 1) reveals complex interactions between technological components and investment patterns through several interconnected reinforcing loops. The Core Infrastructure Loop demonstrates how improved network connectivity catalyzes a chain of positive developments in the system. With an enhanced network connectivity, access to platforms is high and this promotes bigger adoption of devices among the rural communities. The result of this increased adoption is an increase in the rate of mobile usage and thus justifies and draws in more investment on the infrastructure. The result of this investment, in turn, contributes to the enhancement of network connectivity and a positive reinforcement mechanism is established. It is however possible to also make this loop run backwards, in which case bad connectivity discourages use of the platform, inhibiting device adoption and the investment in infrastructure is justified.

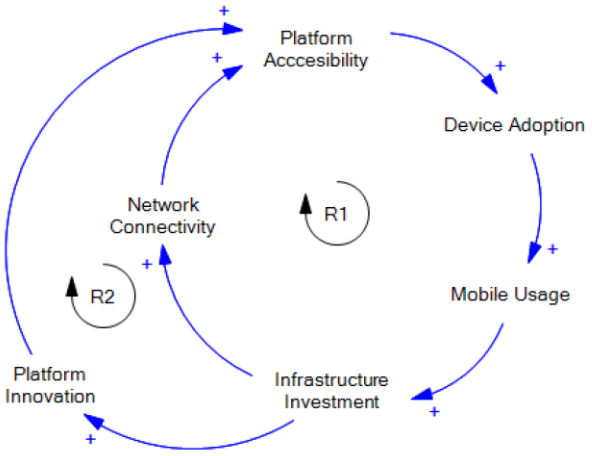

FIGURE 1. CLD of infrastructure development subsystem.

Alongside this central cycle is the Platform Innovation Loop which offers the mechanism by which platform investments contribute to authorize and motivate platform innovations. These developed platforms make access easier and this generates higher adoption levels and usage trends. With increased use, additional investment is attracted to it and another positive feedback loop is created. Such a loop can be either constrained by restrictive resources that are present at the outset or by low aggregate demand in areas where very primitive infrastructure is lacking. Technology Adoption Loop also contributes to the aspect of these factors by showing how the accessibility to the market of superior type results in the emergence of technologies in the rural societies. The higher adoption level gets the higher investment in the infrastructure and innovation thereby making the platform more accessible. The cycle forms a loop of feedback growth of technology and acceptance by the community. These loops interact in complex ways which may either boost development acceleration or slow down. Digital financial services generate a strong source of growth when all loops work positively. Nevertheless, all loops may be limited by resource availability and overall usage of devices may hinder the efficiency of the infrastructure upgrades. It is noteworthy that platform

innovations are capable of addressing the potential size of first-wave infrastructure constraints by improving service provision inside the available constraints.

b) Social Dynamics Subsystem

Trust Building Loop (Figure 2) is one of the important drivers of adoption of digital financial services under the Social Dynamics subsystem (Figure 2). This reinforcing loop illustrates how preliminary trust allows the adoption of the digital which in the event of success leads to the emergence of community trust and subsequently leads to increases in the overall levels of trust. Positive user experience and stories of success shared by the community can be used to reinforce the effectiveness of this loop, proving the practical power of digital financial service offerings in the community.

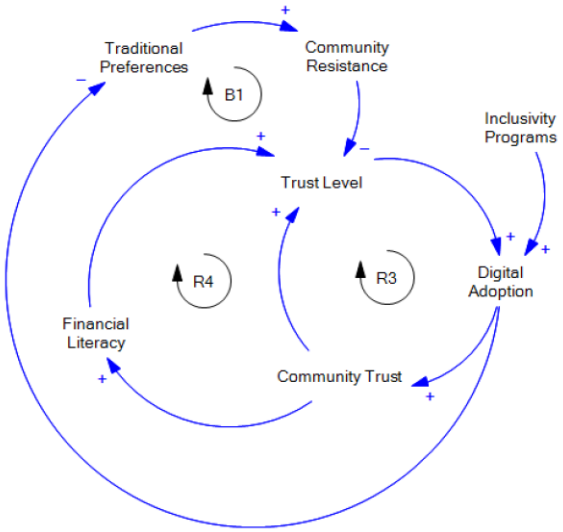

FIGURE 2. CLD of social dynamics subsystem.

The next mechanism, which can be contacted to demonstrate how conservative banking tastes may build resistance to digital solutions, is the Resistance Balancing Loop. This resistance is likely to reduce the levels of trust of the digital services, which further obstructs the digital adoption. The fact that the practice of traditional banking is still visible in the rural communities and that cultures and social barriers to adoption must be taken into account can be explained in this loop. The Education Impact Loop demonstrates in which way financial literacy can be employed as a tool of inflicting a break with resistance and trust building. The higher the financial literacy, the greater the level of trust and the rates of adoption. Positive feedback is then provided by effective adoption followed by further enlivening which generates financial education. This loop becomes the most effective with the help of definite educational programs, and those which are focused on the needs and concerns of the definite community. These loops are interconnected in some dynamic ways that are valuable. Financial literacy programs can be the catalyst to break the first resistance and good experiences and may strengthen the others in the first four loop. Traditional preferences study will help in enabling more effective interventions and the adoption of inclusivity programs can also help in the negative cycle break that would otherwise persist through the digital financial service experience resistance process.

c) Operational Innovation Subsystem

Figure 3 displays the interrelations of the resources management, staff development and service delivery that involves the generation of sustainable service improvements in the subsystem of Operational Innovation. Resource Management Loop shows how the miscellaneous resource allocation could help with the overall staff development which will lead to the enhanced rate of services and the creation of possible local partnerships. The result of this improved services delivery is added resources that can in turn be funneled to the system leading to a self-propagating process of enriching the operations.

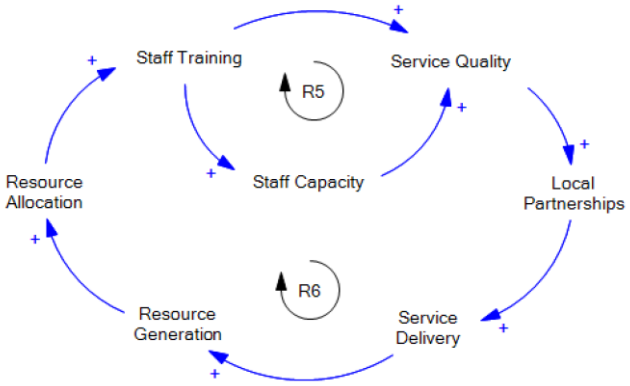

FIGURE 3. CLD of operational innovation subsystem.

Combined with the management of resources, the Capacity Building Loop proves that the investment in staff training will have long-term impact on the increase of an organizational capacity. The implication of this is the augmentation of capacity means augmentation of quality and delivery of services, which generates the resources to carry out additional training and development. Such sustaining reinforcement attracts attention to the idea that the staff development would be a determinant in the preservation and advancement of the services quality. Partnership Enhancement Loop is the final element of the operational image because it proves that the quality of services improved opens an opportunity to work and promote local partnerships. Such cooperation can help to improve the service provision and the creation of resources that may be used to invest further into the service quality. The cycle causes us to pay attention to the necessity of the local cooperation in the formation of sustainable operational improvements. These working loops are interconnected to provide a number of dynamics. The presence of the adequate resource allocation strategy in place creates several positive feedback loops that may lead to the continuous enhancement of the quality of the service delivery. Training of workers causes long term alteration in the processes that will help in the improvement of quality of services besides efficiency in resource exploitation. These local alliances are priceless in the sense of maximizing their limited resources and have a chance to provide more services. Such dynamics combined make a viable foundation of sustainable operational excellence in the implementation of rural microfinance.

2. DISCUSSION

The existence of multidimensional interaction between infrastructure structure, socialization and operational aspect structure as given in Table VI is the modeling of the hybrid microfinance implementation using the causal loop diagrams. All these dynamics are of critical importance to the success of hybridized microfinance models in particular situations whereby access to technology, trust and the sustainability of the operations in totality are highly regarded as challenges to the rural environments. Such interactions help the stakeholders to identify better means of advancing digital financial inclusion as a result of the knowledge they have on the interactions.

2.1 Infrastructure Development Dynamics

The infrastructure subsystem demonstrates the modo the way technological development and patterns of investment establish self-reinforcing processes of development. The Core Infrastructure Loop (R1) confirms it on the basis of which the network connectivity is the key role of the digital service adoption. Chen and Roldan [28] and Das [29] argue that the connectivity upgrades bring about a snowball effect which facilitates the accessibility of the platform and encourages the use of digital financial instruments. This fact is supported by our thematic analysis where the lack of good network infrastructure has been identified as one of the basic barriers which when overcome are likely to trigger positive developmental cycles.

Besides, the 2nd Platform Innovation and Technology Adoption Loop (R2) indicate the role of infrastructure investments as a driver to the technological meetings. As it was shown in the works by Karim et al. [30] and Ratan et al. [31] long-term infrastructure investment enhances the innovative aspect of financial platforms turning services into approachable and friendly. This finding is in line with our thematic findings where we state that strategic growth of infrastructures is required to overcome the initial obstacle to adoption and digital financial participation in the long-term.

2.2 Social Dynamics and Community Engagement

The subsystem of social dynamics proves the role of trust in the community and the application of digital tools to the efficient realization of a hybrid model of microfinance. The Trust Building Loop (R3) shows that initial trust in the digital financial services can stimulate a positive feedback loop as the adoption level increases and it would boost community trust and lead to an increasing number of people in the community becoming active participants in the digital financial service. Our results are consistent with the study conducted by Mehrotra et al. [32] and Aker et al. [33] alongside our thematic analysis, which reports trust-building as one of the drivers when it comes to breaking the rural preference to traditional banking approaches.

Rather, the Resistance Balancing Loop (B1) throws another light upon the view of the potentiality of the traditional financial practice to survive even in the shadow of the digital alternatives. Sanjay and Thakur [34] and Nurhadi et al. [35] argue that one of the major impediments would be cultural and behavioral resistance, in the digital adoption context. However, in line with the Education Impact Loop (R4), there is a postulation that, should the implementation of money literacy training courses take place, financial literacy training programs are the transformational barrier. The latter has been confirmed by research by Hasan et al. [36] and Rodriguez and Fletcher [37], the integration of which into the educational process can enable digital financial literacy. These findings are consistent with our theme analysis in that the results indicate that local community-based trust systems and training programs would be necessary in creating opportunities in digital financial inclusion.

2.3 Operational Innovation and Sustainability

The operational subsystem forms the identification of the role of strategic resource management and capacity building in the process of achieving sustainable improvements in service. Resource Management Loop (R5) demonstrates that resource distribution becomes effective as it leads to the quality of services offered and perfects the working process. It aligns with the research of Gupta and Mukherjee [38] and Wright and Carter [39], as well as our thematic analysis, resource constraints being a major challenge to the microfinance operations.

Additionally, the Capacity Building and Partnership Enhancement Loop (R6) is devoted to the significance of training of the employees and local collaboration. The effectiveness of investment in the staff training and establishment of local partnerships resulting in more operations in the long-term is proven by the research conducted by Alimi and Popoola [40] and Ashraf et al. [41]. Such observations would be helpful to our thematic lessons because the findings provide evidence of the necessity to continue the staff preparation, and to ensure the development of local relationship to enhance quality, flexibility and future sustainability of the services.

Table 6. Dynamics within the CLDs: Subsystems, feedback loops and mechanisms.

Subsystems	Loops	Feedback Loops	Mechanisms
Infrastructure Development	Core Infrastructure Loop	R1: Network Connectivity → Platform Accessibility → Device Adoption → Mobile Usage → Infrastructure Investment → Network Connectivity	The increased connectivity allows increased access to the platform resulting in a higher rate of devices and mobile. This heavy utilization is one of the reasons to invest more in the infrastructure and enhance the network expansion [28], [29].

Subsystems	Loops	Feedback Loops	Mechanisms
Social Dynamics	Platform Innovation and Technology Adoption Loop	R2: Infrastructure Investment → Platform Innovation → Platform Accessibility → Device Adoption → Mobile Usage → Infrastructure Investment	Infrastructure investments enable platform innovations and improve accessibility. Enhanced platform accessibility fosters technology adoption, leading to increased investment in infrastructure and innovation [42, 43]. This feedback loop supports sustainable growth through technological advancements [30, 31].
	Trust Building Loop	R3: Trust Level → Digital Adoption → Community Trust → Trust Level	Confidence in first using digital services encourages it. When target audience is effectively used, the level of trust between and among communities is established hence increasing the overall level of trust. In the case the experiences are positive this reinforcing loop is reinforced [32, 33].
	Resistance Balancing Loop	B1: Traditional Preferences → Community Resistance → Trust Level → Digital Adoption → Traditional Preferences	Traditional banking preferences can create resistance to digital services, reducing trust levels and inhibiting adoption. While traditional preferences can initially resist change, successful digital adoption experiences can slowly shift these preferences over time [34, 35].
	Education Impact Loop	R4: Financial Literacy → Trust Level → Digital Adoption → Community Trust → Financial Literacy	The improvement of digital services with financial literacy increases the adoption of the service due to the enhancement of trust. The involvement contributes to the greater trust in communities, which underlines the financial literacy initiatives at an even faster pace [36, 37].
Operational Innovation	Resource Management Loop	R5: Resource Allocation → Staff Training → Service Quality → Local Partnerships → Service Delivery → Resource Generation → Resource Allocation	Strategic resource allocation supports staff training, improving service quality and local partnerships. Better service delivery generates additional resources, sustaining operational improvements [38, 39].
	Capacity Building and Partnership Enhancement Loop	R6: Staff Training → Staff Capacity → Service Quality → Local Partnerships → Service Delivery → Resource Generation → Resource Allocation → Staff Training	The capacity also increases due to staff training, resulting to better service and increased partnerships with the locals. Improved service delivery encourages more investment of resources that also enable intense enhancement of services [44, 45]. This feedback loop reinforcing a sustainable cycle [40, 41].

Implementation analysis places a point of focus on implementation of hybrid microfinance that highlights the multifaceted nature of the interaction between the infrastructure development and social dynamics and environmental sustainability of operations (Figure 4). Using the analogy of the advancement of infrastructure, progressive movement of network connectivity can be used as a source of energy that results in a positive feedback loop to sustain the progress and roll out of digital financial inclusion. These are not enough yet, the social dynamics contributes a major role in the mediating role especially in the trust and financial literacy. Building trust in societies and ensuring cultural resistance to digital financial services by specific programmes of training will be useful to increase the rate of adoption and the following engagement in a long-term envision.

Maintenance innovation in sustaining service improvements should also be in operation. The engagement of the staff training and the investments in local partnerships (not the same as the process of fine-tuning services) contribute to not only the enhancement of the service delivery performance but also to the fact that the microfinance activities are still relevant to the needs of the particular people. The results imply that a moderated implementation approach i.e. the one that incorporates the concept of intelligent infrastructure investments and the focus on the local social process and capacity building of operations are required.

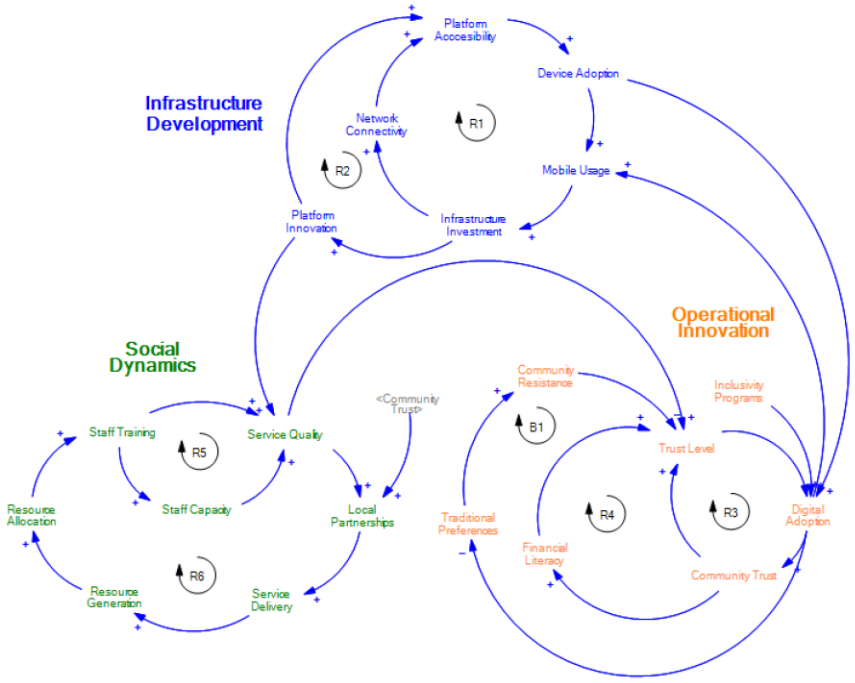

FIGURE 4. CLD of hybrid microfinance implementation in rural areas.

V. CONCLUSION

The paper presents the interlinkages on which the process of successful realization of the hybrid microfinance models in the rural environment is built and recommends the association of infrastructure development, the societal involvement and viability of operation in the rural locality. The results indicate the extent to which, network connectivity and the access to a platform are two facilitating factors of a digital financial inclusion that are reflective of self-reinforcing loops of use of technology. Nevertheless, the issue of social credibility and financial literacy also demands attention to the bias against the specified traditional banks and, we should also add, that the concept of operational innovations, specifically, staff training and the development of local relations may be useful in terms of service sustainability. All these facts prove the

significance of the holistic approach of infrastructure, community collaboration, and the effective functioning that can make the digital financial status more affordable.

These results have far reached policy implications to policy makers, financial service providers and development agencies. The arguments that need to be justified in the provision of the strong base of the digital financial services are strategic infrastructural investment that needs to be reinforced with the trust building efforts and financial education in an attempt to experience the digital financial services being adopted. The priorities should be assigned to financial literacy programs and communal-based models of trust since the policymakers will be able to implement it as the means of the middle ground that would lie between the digital services and the acceptance of the latter. Besides, micro finance organizations should consider employee training and local alliances in order to make the most of the quality and sustainability of the level of service. The benefits of using hybrid forms of microfinance can be realized to the maximum through adopting a multi-stakeholder model in which a multi-stakeholder strategy involving the use of technology, social and operational concerns is adopted.

In spite of its good insights, some limitations are in this study. It uses the general causal loop modeling approach in its analysis, which though convenient in the localization of system dynamics is not indicative of any regional divergences or quantitative real time indicators. Moreover, the researchers also focus primarily on rural contexts, and findings cannot be assumed to be absolute in urban or peri-urban settings where no one can share the exact behavior regarding money and access to digital infrastructure. The study also does not put into consideration the external economic shocks, change of policies and technological changes that gives rise to microfinance taking patterns.

Future studies may seek to challenge the manner in which it might differ with respect to other geographical and socio-economic settings, subject to empirical evidence, and to refine the formulated causal associations. The longitudinal research would also be helpful to identify how the time development of the infrastructural investment, financial literacy intervention and trust-building practices and their impact on the digital financial adoption process should be. The other opportunity could be introduced by exploring the potential of hybrid microfinance services evolving through the support of additional emerging technologies, i.e., blockchain and artificial intelligence, which can become the new input to sustainable financial inclusion. Finally, research on policy interventions and regulations that may help to promote the implementation of hybrid microfinance and consumer protection would help simplify the creation of inclusive financial systems even further.

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Author Contributions

All authors made an equal contribution to the development and planning of the study.

Conflicts of Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data Availability Statement

The datasets generated and analyzed during the current study are available from the corresponding author upon reasonable request.

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