

Intervention of Financial Management in Economic expansion of SMEs in RWANDA. A case study of Vision Finance Company s.a (2014-2016)

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ABSTRACT

Today, instead of extensive economy industries, SMEs having played a big role in the economic expansion with formal and informal businesses become advantageous being economic enterprises having the ability of quick adaptation, working with insufficient capital but more intense labor and having small cost of management and therefore having reasonable yield. Though SMEs have some deficiency, they are less affected from economic crises due to its elasticity and abilities which keep up with changed conditions. SMEs are vital actors for enhancing innovation, competitiveness, entrepreneurship and the establishment of an effective innovation system for developing countries. SMEs are essential to approximately all economies in the world, but in particular to developing counties like Rwanda with income distinction among the rich and the poor, and with a restriction of Unemployment. It has a potential to lower Rwanda's trade imbalance and generate off farm employment. Intensification this sector has been dyed as a successful tool in achieving economic goals; that is why the Government has taken the lead in SMEs sector development. The small business is an institution that is highly self-initiated, self-financed and closely self-managed. Other features of small business are generally labor- intensive, the techniques of production are predominantly crude and simple, only few firms may introduce sophisticated machines. Small businesses thrive mainly in local environments. Small capital is usually required, not as a fast rule but owing to difficulties in sourcing fund for expansion. The effect of financial management assistance on the growth of small and medium enterprises in Rwanda speaks volume if brought to bear and spells doom if neglected. The study in its chapters emphasizes the presence of small and medium enterprises in Rwanda and their management to eradicate poverty and promote the economy expansion of the whole country.

Key Words: Economic expansion, Financial Management, Rwanda, SMEs, Vision Finance Company.

I. INTRODUCTION

Agriculture is vital for Rwanda's growth and poverty alleviation, as the spine of the economy; it accounts for 39 percent of gross domestic product (GDP), 80 percent of employment, 63 percent of foreign exchange earnings, and 90 percent of the country's food needs. Agriculture sector in Rwanda is challenged by land constraints owing to population pressure, poor water management, small average land holdings, lack of public and private capacity, and limited commercialization constrained by poor access to output and financial markets, low level of research and development. The country's average annual income of \$550 per capita reflects a rural poverty rate of 49 percent, a figure that soars to 76 percent for families whose main source of income is agriculture [1].

Like other developing countries, Burundi and Somalia, Rwanda is a poor country; its population is more than 10 million and agriculture: 90%, industry and services: 10% of Labour force by occupation.

Agriculture is less productive mainly because the country is densely populated and the fertile soil for cultivation is not enough and the large part of it has already been cultivated. There is under productivity, unemployment, poor harvest from agricultural sector of which the majorities rely on, all these contributes to poverty level in the whole country. The literature review shows the definition of key concept necessary for the well understanding of the current subject being studied and it includes report of other people who researched on the similar subject to this present study. Small and Medium Enterprises are increasingly becoming important actors in the struggle for development throughout Africa. This development has taken place fairly recently in many African countries. Indeed it may be said to be phenomenon of the 1980's and 1990's in the response to the continuing crises and issuing reforms over the same period.

In Rwanda the rapid population growth, coupled with the 1990-1994 civil war; the 1994 Genocide and subsequent massive returning of both old and 1994 refugees and a slow rate of economic growth worsened the situation in the country, resulting in the poor standards of the living , unemployment and general rise in the poverty. All these prompted people to establish Small and Medium businesses as a means of survival. However the same 20 unique SME product clusters were identified countrywide across all the 30 districts in Rwanda such as Horticulture, Fish, Milk, Meat, Honey, Wood, Fashion & Tailoring, Essential oil, Leather, Irish potatoes, Eco-tourism, Macadamia Spices, Ceramics & Pottery, Handcraft, Maize, Mineral, Precious stones, Gem & Jewelry, Cassava, Wheat and ICT & BPO [3]. In Rwanda, Small and Medium Enterprises range from the hawkers, carpentry, and welding works such as those of Gakinjoro area (Kigali City): small bars, kiosks offering refreshment, to the medium scale and shops like those of Matheus area.

Rwandan small and micro businesses comprise 97.8% of the private sector and account for 36% of private sector employment. SMEs in Rwanda include approximately 98% of the total businesses and account for 41% of all private sector employment. SMEs in Rwanda have several macro-level challenges faced by large enterprises, such as high transport, communication, Investment and energy costs, a missing insurance agency, low levels of societal trust, inadequate skills and training as well challenges with contract enforcement.

SMEs play a big role in economic expansion of countries in less developed countries, Rwanda inclusive. Despite the strategy of "creating the Small and Medium Enterprises", The Government of Unity and

Reconciliation of Rwanda has put much effort in the development of small and medium sector whereby it has set up various institutions which have the development of small and medium enterprise as their objectives.

These institutions include: **The Rwanda Development Board (RDB)** is among the institutions set up to stimulate the development of private sector hence, the growth of SMEs. It was established in 2009 to coordinate, promote and stimulant of national economic development. RDB includes agencies responsible for "*business registration, investment promotion, environmental clearances, privatization and specialist agencies which support the priority sectors of ICT and tourism as well as SMEs and human capacity development in the private sector* [2]. *RBD* is a government department that integrates all government agencies responsible for the attraction, retention and facilitation of investments in the national economy. **Private Sector Federation of Rwanda (PSF)** is a specialized organization, devoted to encourage and symbolize the welfare of the Rwandan business community [2]. It is an umbrella organization that groups 9 professional chambers. PSF whose main objective is to subsidize and to provide technical assistance to small and medium sector in project development for smooth running of the business of small and medium enterprises in its nation. This was put in place by the government of Rwanda.

The Micro-Finance institutions (including Popular Banks) and other Cooperatives of Credit and Savings (COPECS), that have been supported by the Rwandan Government in their contribution to the smooth running of Small and Medium Enterprises in the way of financing them.

II. OBJECTIVES OF THE STUDY

The fundamental objective of this study was to evaluate the growth of small and medium Enterprise in Rwanda and their management with the following specific objectives: To determine whether there is growth of Small and Medium Enterprises in Rwanda and their prudent management; To identify the financing mechanisms of the growth for Small and Medium Enterprises in promoting Rwanda economy; and finally to analyze the sustainability of the growth of Small and Medium Enterprises in order to assess their efficiency and their contribution to Rwanda economy and development.

III. PREVIOUS AND CURRENT LITERATURE OF SMALL AND MEDIUM ENTERPRISES FINANCING AND THEIR ECONOMIC EXPANSION

Small and Medium Enterprises are increasingly becoming important actors in the struggle for development throughout Africa. This development has taken place fairly recently in many African countries. Indeed it may be said to be phenomenon of the 1980's and 1990's in the response to the continuing crises and issuing reforms over the same period.

SME is any enterprise with less than 100 employees, an annual turnover below 50 million Rwf and a net investment capital below 75 million Rwf [3]. In Rwanda, Small and Medium Enterprises range from the hawkers, carpentry, and welding works such as those of Gakinjira area (Kigali City): small bars, kiosks offering refreshment, to the medium scale and shops like those of Matheus area. According to market study on cottage industry carried out by the Ministry of Commerce, Industry and Trade in 1998-2001, Small and Medium

Enterprises contribute over 5% to the National Gross Domestic Product through providing employment and taxes. The Establishment Census revealed that 92.6% of all establishments can be classified as being micro in size. Establishments with only one worker account for 72.2% of the total. The larger the firm size the fewer the number of establishments, with 8,548 small- sized establishments (6.9%), 513 medium-sized (0.4%) and 106 large-sized (0.1%) existing.

Table 1: Number of Establishments by Size and Province [3]

Size of Establishment (Number of Employees)				
Province	Micro (1-3)	Small (4-30)	Medium (31-100)	Large (101+)
Kigali City	25,769	3,147	204	51
Northern	20,748	1,242	71	12
Eastern	21,412	1,133	41	5
Southern	22,253	1,508	123	16
Western	24,147	1,518	74	22
Total	114,329	8,548	513	106
	-92.60%	-6.90%	-0.40%	-0.10%

Source: Minicom (2012), SMEs Product Clusters in Rwanda

3.1. Promotional and development mechanisms for SMEs in place

At present, there is no established institutional structure to receive the SME entrepreneurs, promoters or to guide and assist them at national or at provincial level. Hence the development of this sector is left to be desired as the minimum facilities are not in place. Nevertheless, the following institutions identified at different levels. National and District levels could be the point departure to examine the question of appropriate institutional structure to promote and develop SMEs in Rwanda.

3.2. Objectives and Motives of Business Enterprises

Objectives and motives are not synonymous and differ in their meaning and contents. Objectives imply the goals of the human activities; they are the end of action and something external to the mind. On the other hand, motives represent the desire, which stimulates human beings to act. Objectives are concerned with the purpose of outward activities that human beings undertake for the fulfillment of their motives. Motives explain why people enter into the business and stay in the business. The obvious motive of business activities is profit making, but this should not lead us to think that profit is the primary objective of the business. The primary objective of the business is to supply quality goods and services to the customer through the creation of utilities. As reward of creation of utilities, business runners are entitled to make reasonable profits as their remuneration.

As for (Urwick et al , “profit can no more be the objective of the business than eating is the objective of living. Profit can be maximized by many nefarious practices like, exploiting workers, deceiving surplus, evading taxes, adulterating goods or passing the products of inferior quality to customers” [4].

3.3. The socio-economic role of Small and Medium Enterprises

Turner et al revealed that micro, small and medium enterprises play a significant role in the economies of most countries; industrialized as well as developing. For the valid socio-economic reasons, many government and

specialized small and medium scale enterprise's development agencies and institutions have long been engaged in providing assistance for the establishment of small and medium enterprises in order to enhance their growth and development [5]. The range of assistance has included training and entrepreneurial development activities, pre-investment feasibility surveys, finance arrangement, facilities for low-materials and other inputs, infrastructure facilities, product and design advices, domestic marketing assistance. Few small and medium enterprises development programmers have incorporated in an export dimension into the assistance package until recently. Turner et al concluded that even, when there is no policy bias in favor of large units, the operation system and the well – known difficulties of these enterprises in having access to support institutions for their inputs. Finance and raw – material approvals render the policy framework biased as it favor of large-scale units [5].

3.4. Problems encountered by Micro, Small and Medium Enterprises

[5] small and medium scale enterprises are more, especially in developing countries that have been handicapped by the high costs of factors of production and imported equipment, the shortage of infrastructure and human resources that are unqualified and inexperienced, lack of information on existing opportunities and potentialities, inadequacy of national framework and institutional mechanism for exports and low internal financing capacity and lack of an appropriate entrepreneurship.

3.5. Constraints faced by the Small and Medium Enterprises in Rwanda

The types of constraints often cited not only by SMEs interviewed, but also other stakeholders interviewed are of general nature. These can be the common constraints to SMEs development in any developing country, the constraints mentioned such as inadequate access to technical training, lack of market and finance, etc. is mostly expressions of generalized opinions of individual entrepreneurs or other stakeholders without going to many specific of realities on the ground. For example, some entrepreneurs mentioned the lack of market for their products as a constraint. However, they do not understand in some cases that their products are not marketable, not competitive and not cost effective. Some of them mentioned the lack of finance for expansion. Rarely have they had tried to package bankable deals or even made moves to contact financial institutions. The constraints at micro level cannot be generalized as constraints that hinder the overall growth of the sector or sub-sector. This is often the position of not only the entrepreneurs, but also of the supporting personnel attached to technical assistance interventions, provincial administration, etc.

These are generally targeted actions of short-term nature on a case-by-case basis. This approach does not necessarily mean that it should be retained to ensure a sustainable sector growth. In many developing countries, despite the multitude of micro level technical support programs, the SME in the informal sector, particularly in the rural sector, remain informal and continue to survive at a substance level. The poverty level associated with the population depending on the SMEs remained the same or became worse in any cases over the period. In some countries in Africa (like Nigeria, Niger, West African countries, etc), expansion of the informal sector takes place at a heavy cost to economic activities, which is sometimes streamlined by the destruction of the

formal sector. This is partly because the problem of growth for SMEs are not adequately analyzed and addressed through a comprehensive package of solutions that will correct the situation and needs at various levels of the sector, which may eventually lead to a process formalizing the informal sector. This approach can direct the sector to engage in long-term sustainable process of growth, enhancing its performance, competitiveness, and sustainability.

3.6. Characteristics of small and medium enterprises

The research is based on characteristics in Rwanda and seems to be generally applied to other countries as SMEs definitions are concerned. The SMEs in Rwanda are characterized by multitude of characteristics. These characteristics are identified in three (3) critical areas as follows: Characteristics related to unfavorable environment for the development of the business sector, include: The absence of organized support services and a weak private sector, Lack of awareness of the economic liberalization process and their impact on the sector, Have limited access to services facilities, Absence of trained manpower, Vulnerability of the bisector to past conflict situation, Absence of specific incentives etc.

Characteristics related to non-adaptation of the changing role of the sector:

These include the following: Absence of export orientation support, Lack of testing facilities, Absence of supporting services for the product development and enterprises development, Lack of linkages of sector with large industries, International quality standards and lack of specific programs for development of micro units and women entrepreneur and so on. Characteristics related to the production and meeting of the product and services of bisector which include: Difficult access to credit facilities, Underutilized of production capacities units, Inadequate entrepreneur skills, Lack of research and development testing and quality control facilities, Inadequate diversity of the products and services offered by the sector, Lack of competitiveness on imports orientation and Lack of marketing support.

3.7. Rational for promoting SMEs in Rwanda

Despite the problems faced by the SMEs in Rwanda, much attention is drawn to the sector as a major thrust in the strategy for economic recovery of the country. Thus, rationales for the promotion of this sector in the country could be highlighted as follows: Need to remedy the postwar consequences- urgent need to promote income generating activities for many social and economic groups, (women, youth, children and refugees) and speedy recovery of the economy in general and industrial sector in particular could be enhanced through development and promotion of enterprises.

Development of an entrepreneurial class and seed bed for entrepreneurial development, Need for supporting enterprises services to support the sustainability of the private sector to play its role as a motor of development in a liberalized economy. Enhanced international competitiveness products manufactured and product and export diversification, enabling better income distribution, and, slow down an excessive expansion of the unorganized informal sector, rural development.

3.8. Towards an appropriate policy framework for SMEs development in Rwanda

The investigations carried out within a limited period in the field clearly revealed, the existing SMEs and the potential investors in the sector are faced with a large number of problems of different nature. At the same time, this sector is expected to play a vital role in the present context of socio-political and development requirements of the country. Hence, the main thrust of an appropriate SMEs development policy for Rwanda should be based on the following: Rapid constraints confronted by the sector at present involve preparation of the sector to meet the new challenges of the new economic order pushed by the globalization process. It is with this division that the main recommendations are made to prepare a new framework for promotion and development of SMEs in Rwanda.

3.9. Government's measures for SMEs better management and promoting upgrading and transformation

The Government is helping SMEs to make effective use of government resource, and using successful examples of industrial upgrading and new product development to encourage SMEs to develop new market opportunities. The Administration is strengthening the provision of diagnostic guidance with respect to SME management. It helps SMEs to plan and established their own enterprise organization management systems, to improve management quality and enhance competitiveness.

The Administration also helps SMEs to build up their research and development and design capabilities, and promotes the establishment of ICT in SMEs, so as to speed up the upgrading and transformation of SMEs. The Administration has been encouraging SMEs to participate in international trade and to engage in strategic alliances and other forms of collaboration with foreign companies, so as to established a global marketing network and strengthen their international management capabilities. The Government organizes the National Award of SMES and encourages SMEs participation in international competitions, with the aim of creating a first class image through these awards, encouraging SMEs to strive for farther growth and spreading successful experience far and wide for other SMEs to learn from[Patrick Naguwera Definition for a Policy Framework for Promotion MINICOM/WORD BANK PRIVATE SECTOR DEVELOPMENT PROJECT.

3.10. Helping SMEs to secure business opportunities from government procurement

The Administration seeks to play the role of a service center helping SMEs to participate in government procurement. It is providing information on government purchasing legislation and helping SMEs to overcome the problems, which they experience when trying to participate in government procurement. The Administration encourages SMES participation in government procurement, has established procurement Web sites for performing SMEs, and collects data on the percentage of government procurement accounted for by SMEs [6]. In this way, the Administration helps to create an environment in which SMEs are proactive. In this way, the Administration helps SMEs to move to another level within the shortest time as they participate in government procurement on fair opportunities.

3.11. Development of industries with local characteristics

The Administration improves the provision of guidance to local industries and community SMEs, helping SMEs to use existing resources while also exploiting the development of the tourism and leisure sector. Contribute to the transformation of industry and raising added value. The Administration is seeking to enlarge the promotion of exchange and collaboration between SMEs, so that SMEs can distribute operational resources and work together. To develop new products and new technologies, this will help SMEs to develop new market opportunities.

IV. RESEARCH METHODOLOGY

The undertaken study is descriptive in nature by the fact that it involves the analysis of data that are readily quantifiable. The researcher is dealing with effect of financial and management assistance on the growth of small and medium enterprises in Rwanda. Primary data was collected through the interview and questionnaires from Vision finance company (VFC) and SMEs and Medium enterprises financed by VFC s.a Kigali-city. Under this, a number of interrelated activities are followed; which to any research helps to overlap, and not to rigidly follow a particular sequence. The population of this study was represented by 118 SMEs financed by VISION finance company S.A. in Kigali – City; A sample was selected on the basis of what the researcher thought that particular sample unit could contribute to answer the particular research questions. A total number of 15 respondents (5 staff from VFC's operations department and 10 customers who are owners of SMEs) constituted sample size of 15 who were interviewed as well as issued questionnaires. The five staff was chosen because they were involved in operations of granting credits to SMEs while the ten customers were chosen based on the fact that they were the oldest clients of VFC. The data were analyzed using descriptive analysis tool of SPSS and Excel.

V. DATA PRESENTATION, ANALYSIS, INTERPRETATION AND RECOMMENDATION

The findings, analysis and interpretations on how SMEs contribute significantly to the provision of productive employment opportunities and to output by participating in the mainstream economy and to the creation of some “decent” jobs especially to the few that runs the SMEs are presented here below;

5.1. Economic objectives of SME sector

The government of Rwanda refers to SME's, including the informal sector as an important sector that will continue to create employment, particularly in the rural sector. The sector's is recognized as a linkage to agriculture and other sectors both in rural and urban areas are recognized at various levels. As it is the SMEs together with informal activities are the largest sector in terms of non-farm and off-farm employment as well as urban private-sector employment. The model maintains that increased demand for non-agricultural goods and services will be stimulated by agricultural growth. Under the vision 2020, the SME's sector's role in the development of a service-oriented, private sector modernization of agriculture and animal husbandry. The other public sector institutions, particularly the Ministry of Youth, Culture and Sport, and the Ministry of Local

Administration, Decentralization, and Rural Development are implementing programs on vocational training centers.

5.2. Financing of SME's

The survey revealed that the majority of the SME's are mostly individually funded because many have reluctance to access loans due to the lack of collateral as requested by the existing banking institutions. Many are also not aware of the possibilities of available financing facilities and the procedures that follow or their ventures are not considered credit worthy. However, many SME's have accessed micro credits (65%) in which the majority considers this as the main source of financing through "Micro Finance" MFI's and 55% has accessed micro credits from popular Banks. Only 27% have attempted to access the commercial and 19% the BRD (Table below). The other commercial banks are considered inaccessible sources due to the request for collateral that most of them do not have.

Agri-business, light engineering, and artisans are the main sectors that apply to credit facilities for working capital and for purchasing equipment. About 55% of the SME's know about available micro credit facilities: However 45% is either not aware of the micro credit possibilities or they are not interested in seeking loan facilities.

Table 2: Access to finance by SME's by Cluster Product

Cluster Product	Popular bank	Micro finance	Commercial bank	BRD	Total	Percentage of 118
Handicrafts	17	16	5	3	41	35%
Agro food processing	10	13	2	2	27	23%
Wood and carpentry	4	10	3	2	19	16%
Retail trade	4	10	3	2	19	16%
Consultancy	4	4	4	4	16	14%
Hides and Skins	7	7	4	2	20	17%
Light engineering	7	8	4	2	21	18%
Mines and quarrying	1	1	0	0	2	2%
Fisheries	1	1	1	0	3	3%
Services	5	4	0	0	9	8%
Tailoring clothing. Textile	5	8	6	5	24	20%
Total	65	82	32	22		
Percentage out of 118	55%	69%	27%	19%		

Source: Field Research 2016

A study on micro finance in 2016 conveys that 14% of the micro credits granted were used by artisans whereas commerce and basically the retail trade sector takes a share of 45% with the animal husbandry sector at 14% of the total micro credit loans granted in 2016.

5.3. Types of loans granted by V.F.C

Vision finance offers seven products and services to the active poor: Credits using community banking and solidarity group methodology; Savings product (pilot phase in Kigali); Loan insurance; Economic assistance for startups special product for ADP's; Micro-finance with HIV/AIDS and family planning education; Agricultural and animal husbandry loans And Individual loans.

Community banking methodology: Small loans :17 US\$ to 259 US\$, Loan cycle: 3 to 7 months, Poor entrepreneurs , 70% women, 10 to 30 members, Interest rate : 2.5% per month, Service charge :2%, Insurance :0.5% , Compulsory savings:20%

Solidarity group methodology: Bigger loans: \$ 173 to \$ 1,400, Loan Cycle: 6 to 12 months, Average group size: 5 members, Mature /Successful community bank clients, Interest rate: 2.5% per month and, Service charge: 2.0%. Individual loan: This type of loan is given to individual customers of VFC to finance their start up or existing businesses.

Agricultural and animal husbandry loans: This is the main type of loans granted by VFC s.a Head office in particular and all their branches dispersed in provinces in general. This is because more than 90% of Rwandese lives by agriculture and animal husbandry and VFC like other microfinance institutions was designed to improve the economic situation of low income earners who are mainly in rural area. For this purpose VFC s.a 's Head Office gives them priority in order to help them to improve their social welfare.

5.4. Condition required for getting a loan

Community banking methodology has grouped the size of 20:25 and 30 members per each Community Association. The 30 group member is the standard while 20 and 25 are exceptions.

The following are loan conditions: Self –in-built cohesion should ensure social guarantee .Each signing guarantee document form can do this. Each group member must have business with minimum of 6 months experience. There will be an added advantage for the association to have legal status. However, it is necessary for the group to have already by law. Group member should have individual bank accounts at least for the third loan level. The group must have an active bank account. Disbursement will be made by check, where possible. Payment of 20% of the loan approved as compulsory savings to VFC bank account. Repayment of full amount of loan should be done exactly on the scheduled date to VFC bank and take the bank slip to VFC accountant. Partial payment is not allowed. Close relatives that are of the same family members should not get loans within the same association at the same time.

5.5. Findings and analysis of the study related to Education level, kind of Business undertaken, capital injected and other sources of funds used by SMEs

Table 3: Distribution related to VFC' Customers, Types of business undertaken, capital injected and other sources of funds used by SMEs

Education level	Sex	Female	Male	Total Number of respondent	Percentages
	Primary		5	2	7
Secondary		2	1	3	30%
University				0	0%
Total		7	3	10	100%
Business undertaken	Agriculture	3	1	4	40%
	Breeding	1	0	1	10%
	Arts and Crafts	2	1	3	30%
	Others	1	1	2	20%
	Total	7	3	10	100%
Capital fund injected	Under 200,000	4	1	5	50%
	200,000 to 400,000	1	1	2	20%
	400,000 to 600,000	1	0	1	10%
	600,000 to 800,000	1	0	1	10%
	800,000 to 1,000,000	0	1	1	10%
	Above 1,000,000	0	0	0	0%
	Total	7	3	10	100%
Other sources of funds of SMEs	From Banks	3	1	4	40%
	From Cooperatives	2	1	3	30%
	From government	1		1	10%
	From NGOs	1		1	10%
	Others		1	1	10%
	Total	7	3	10	100%

Source: Field Research 2016

The table above shows that 70% of the respondents were female and 30% were male. This is due to the fact VFC's mission to deliver financial and non-financial services to the productive Rwandese especially poor and women through development of sustainable micro and small scale enterprises. The information explains the education level of the owners of small and medium enterprises visited where many SMEs managed by primary level education: Hence sometimes small and medium enterprises earn low profit because of mismanagement of enterprises resources. The majority 70% of the respondents have completed only primary studies. 30% completed the secondary school and none of them has completed any university level. This implies that they lack skills and competences in managing their business. These skills and competences can include the following: book keeping, marketing of products, and preparation of the project proposal.

The same table above shows that 40% of the respondents undertake agriculture, 30% are in arts and crafts, 20% in other activities like retail like trade: while the remaining 10% undertake breeding activities. The

majority of respondents undertake agriculture because it is the main income generating activity for more than 75% of the Rwandese population. SMEs in Rwanda are weak in terms of own capital funds. They need support from outsiders or any other incentive that can help them to survive. The majority of the respondents (50%) injected less than Frw 200,000 and no one injected more than Frw 1,000,000. After all the majority of SMEs get funds from banks and cooperatives due to lack of enough own funds. Some of them get it from government, NGO's and other like from friends and relatives.

Table 4: Importance of VFC to SMEs, Criteria for Acquiring Funds from VFC, importance of SMEs in Rwanda development, Problems faced by SMEs in Rwanda and Suggestions of SMEs to solve their problems

Sex	Female	Male	Total Number of respondent	Percentages
	Employment opportunities	3	1	4
Acquisition of more funds	3	0	3	30%
Trainings from experts	0	1	1	10%
Creation of income generating activities	1	1	2	20%
Total	7	3	10	100%
Collateral security	5	1	6	60%
Income generating activity	1	1	2	20%
Association	1	1	2	20%
Total	7	3	10	100%
Employment opportunities	3	1	4	40%
Poverty reduction in urban areas as well as rural areas	1	1	2	20%
Acquisition of more skills	2	1	3	30%
SMEs support low income earners	0	1	1	10%
Total	6	4	10	100%
No sufficient funds	1	1	2	20%
Funds not arrive at right time	3	1	4	40%
No funds at all	1	0	1	10%
High interest rate	2	1	3	30%
Total	7	3	10	100%
Proving funds at the right time	2	0	2	20%
Provision sufficient funds	2	1	3	30%
Charge interests at reasonable rates	2	1	3	30%
Reduction in tax rates by RRA	1	1	2	20%
Total	7	3	10	100%

Source: Primary data

This table shows that 40% of SMEs owners consider VFC s.a as important because it helps in the creation of employment. 30% said that it helps in the acquisition of more funds. 20% think it helps in the creation of income generating activities whereas the remaining 10% consider it as important because it provides training opportunities for SMEs owners with a view to improve their performance. The majority of the SMEs 60% have

to have collateral. 20% said that it requires them to have an income generating activity and the remaining 20% said it requires them to be an association of persons. The same table above show that 40% of the respondents think that SMEs are important because they create more employment opportunities .30% think they are important because they help in the acquisition of more skills funds management.20% think help the poor increasing their standards of living and the remaining 10% said they help in poverty reduction efforts.

The information from this table above shows that the majority of SMEs respondents 40% were of the view that the interest rate charged by VFC s.a is very high.30% of interviewed people said that the funds are not sourced at the right time.20% said that the funds they get from VFC are not sufficient and the remaining 10% their own funds are very limited and that they do not get any funds from VFC s.a. So, VFC should see how to reduce its interest rate, increase the fund given to SMEs and try funding at the right time if it is to help in the development of the SMEs in the country. The 30% of respondents suggested that amounts of loans should be increased.30% suggested that interests be computed based on reasonable rates.20% suggested that funds should be provided at the right time whereas the remaining 20% suggested that there should be a revision of the rates on which taxes are collected.

5.6. Vision Finance Company (VFC) staff’ views about services offered

It’s like other microfinance institution; according to Otero, p.8 is “the provision of financial services to low-income poor and very poor self-employed people” [7]. These financial services according to Ledgerwood generally include credit and savings but can also include other different financial services like insurance and payment services [8]. Schreiner and Colombet (p.339) explain microfinance as “the attempt to improve access to small deposits and small loans for poor households marginalized by banks.” Therefore, microfinance comprises the provision of financial services essentially savings, loans and insurance to indigents living in both urban and rural settings who are incapable of getting such services from the formal financial sector [9].

Table 5: Impression of borrowers over interest rate, Collateral before receiving a loan, detecting whether the loan is used for its purpose and how credit is paid back

Impression of borrowers over interest rate	Interest rate	Number of respondent	Percentages
	Favorable	0	0
	Unfavorable	5	5
	Total	5	100
Requirement of collateral before receiving a loan	Collateral	Number of respondents	Percentages
	Required	5	100
	Non required	0	0
	Total	5	5
Detecting whether the loan is used for its purpose	Loan amount	Number of respondent	Percentages
	Used to its purposes	4	80
	Used in other purposes	1	20
	Total	5	100
Detecting how credit is paid	Payments	Number of respondent	Percentages

back	With problems	3	60
	Non problems	2	40
	Total	5	100

Source: Field Research 2016

All the SMEs were of the view that the interest rate is unfavorable and the VFC S.A should how it could reduce it if it is to help in the development of small and medium enterprises in the country. All the SMEs that require loans from VFC s.a have to be having collateral. This has limited amount of loans that SMEs access from the VFC s.a. and at the same time some people with good business idea but no collateral have been left out.

VFC s.a. should look at things like savings with the bank or the Government should initiate subsidy for SMEs with guarantee if they are to access the loans from the MFIs. This table above shows that 80% of the 10 beneficiaries SMEs used the money for its purpose though 20% directed the money to personal use. This always creates a problem of paying back the loans and sometimes defaulting completely as raised by Vision Finance Company s.a.(V.F.C.).

The highest number of the people (60%) finds it hard in paying back the loan due to the high interest rate (2.5% per month), high taxes, and poor business environment. And depending on the business for the survival of their families and themselves, 40% encounter no problems when paying back their loans. It remains that it charges an annual interest rate of 30%.

VI.SUMMARY OF FINDINGS, CONCLUSION AND RECOMMANDATIONS

Meeting the mission of VFC s.a : The analysis of data shows that 70% of people funded by VFC s.a. are women and this is line with its mission which is to deliver financial and non-financial services to the productive Rwandese especially the poor and women through development of sustainable small and medium enterprises. The analysis of data shows that 100% of respondents possess a monitoring system, which follows day to day, how debts and loans are repaid. As long as VFC s.a. provides seven different types of loans to enable each category of people to be able to apply for one of them. Even low level income earners and HIV/AIDS positive persons are given the opportunity to be granted loans.

Requirement for collateral to access loans: The analysis of data shows that the majority of SMEs find it hard to get collateral as a guarantee for the repayment of the loan acquired.

High interest rate .The analysis of findings shows that most of the SMEs find it hard to repay the loan because of the 30% interest rate charged by VFC s.a. per annum.

Diversion of the loans granted from their main purpose to personal issues. Some of the SMEs (20%) direct the money to their personal use which always create problem of paying back the loans?

General Conclusion and Recommendations

As we have seen that the small medium enterprises have a critical role in economic and development of the country by their participation in the creation of employment hence decrease of level of poverty, SMEs need enough financial resources to finance their endeavors, which are sometimes not adequate if at all to meet their requirements. The businesses financed do not efficiently repay the loans from VFC s.a. due to: The SMEs

owners sometimes use the loans to meet other domestic needs in their various capacities. Again, most of SMEs managers have low level of education (primary school) hence, occasioning a likelihood of mismanagement of their enterprise.

The interest rate is high 30% per annum (2.5per month). Apart from this, VFC s a may increase training for its client to help them properly use the credit amounts as it is necessary and it has to think about the collateral and revise interest rate in order to motivate people applying for credits.

Recommendations

Some recommendations have to be made to remove the constraints met by the small and medium enterprises for their development. Actors at different level concerned with the financing and management of SMEs have to adopt some mechanisms

To the Government: Create an institutional framework to support the development of the informal sector; training of entrepreneurs, government facilitation of accessing finance by SMEs. Development /putting in place of guarantee fund to help SMEs accessing loans.

To the private sector: Organize the small and medium enterprises associations to better represent the interest of the sector. Participate in the implementation of the recommendations adopted by the government and follow such recommendations. Participate in the creation of the similar mechanisms to the established “industrial Development advisory Council” at the province level. Active preparation in elaborating of the action plans for manpower for industry, identification of infrastructure requirements, Rehabilitation of the enterprises and in preparing of a medium term plan for the SME sector.

To the NGOs:

SMEs funding in Rwanda involves the NGO’s that support them but these NGO’s seem not to have the appropriate competence and sufficient resources to implement the sustainable supporting programs. NGO’s should coordinate the limited human and material resources more rationally for the promotion of the sustainable micro, Small and Medium Enterprises.

Some strategies may be applied for handling some issues: Assist the State, Provinces and the private sector to establish resources centers for the benefit of the entrepreneurs in the provinces, to be in large collaboration with the State Institutions and private sector organizations which are involved in Small and Medium Enterprises promotion and development and to elaborate the program of supporting the SMEs in the Provinces.

To vision finance company administration

Think about an alternative of risk sharing so that the beneficiaries do not have to cover the loans 100% by their collateral securities. Customers’ needs change over time so VFC needs to be flexible and change their products and services when necessary so that their clients’ needs are provided.

To SMEs Managers

The Managers of Small and Medium Enterprises should think about how to improve their qualifications in terms of educational level so that they can acquire relevant knowledge for the efficient and effective management of their businesses. They should also apply prudent and skilled personnel to increase performance and therefore attain better results.

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