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SCHOOL OF ECONOMICS AND BUSINESS STUDIES

DEPARTMENT OF ACCOUNTING

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Dissertation submitted to the School of Economics and Business studies in partial

Fulfillment of Requirements for the Award of Bachelor's Degree with honors in Accounting.

BY

Names: UWINEZA Albertine

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SUPERVISOR: KAGOBORA   Jackson

Kigali, September, 2024

DECLARATION

I, UWINEZA Albertine hereby declare that the presented work on the "ACCESS TO

FINANCE IN PROMOTING OF SMEs IN RWANDA Case Study: Selected SMEs Financed

By Equity Bank in Nyarugenge Sector Period: (2020-2022)"; is an original work, to the best

of our knowledge, no work of the same kind has ever been presented before, in any

University or institute of higher education.

UWINEZA Albertine

Signature……………………………

Date………………/……………/2024

APPROVAL

I hereby certify that this work entitled "ACCESS TO FINANCE IN PROMOTING OF SMEs

IN RWANDA Case Study: Selected SMEs Financed By Equity Bank in Nyarugenge

Sector Period: (2019-2021)", has been conducted and submitted by UWINEZA

Albertine with my approval for examination as a university supervisor.

Signature………………………………….

Date   …………/………/2024

Name of supervisor: KAGOBORA Jackson

DEDICATION

UWINEZA Albertine

ACKNOWLEDGEMENTS

First and foremost,I would like to acknowledge the Almighty God who unceasingly provides us strength to go and makes everything happen. Had it not been the special grace from the merciful God, I would not have been able to become whom I am today. So, praises and Glory to Him from the deepest bottom of our heart forever and ever.

We would like first of all to extend my gratitude to the mind behind the establishment of a great institution of high learning ULK, especially Professor Dr. RWIGAMBA Balinda the founder of ULK.

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My heartfelt gratitude goes to lecturers of Kigali Independent University ULK who made me reach this level, especially in the Department of Accounting

I will never be able to thank enough my families without your supports in every step of my studies this work of our degree would never have been completed.

Fellow students for moral, academic support and encouragement, to our respondents of this study, please thank you for the cooperation during my interactions with you, sincere appreciation to all relatives and friends.

May God bless you all!

UWINEZA Albertine

LIST OF ABBREVIATION

% : Percentage

AMIR : Association of Microfinances Institutions in Rwanda

CEO : Chief Executive Officer

EDPRS : Economic Development and Poverty Reduction Strategy

FFIs : Formal Financial Institutions

GDP : Gross Domestic Product

IPOs : initial public offerings

MFIs : Microfinance Institutions

NBR : National Bank of Rwanda

NC : Simple Size

PLC : Public Limited Company

POS : Points of Sale

ROA : Return on Assets

ROE : Return on Equity

SMEs : Small Medium Enterprises

ULK : Universite Libre de Kigali

www : World Wide Web

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CHAPTER ONE: GENERAL INTRODUCTION

Introduction

This part of the general introduction presents the background of the study, problem statement, research question , objectives of the study, hypothesis of the study, the scope of the study, and significant of the study, finally the structure of the study.

1.1. Background to the study

There is an immense body of literature on access to finance in entrepreneurship. However, with the current rapid upsurge in many market-driven economies, most small and medium-sized enterprises (SMEs) face inadequate access to finance, which constrains their capacity to attain competitive growth. According to the entrepreneurship literature, SMEs foster economic development in developed and developing countries, for example, by driving creativity and innovation, and making a significant contribution to countries' GDPs when they have access to finance (Ghosh, 2019). Unfortunately, most SMEs in developing countries continue to face difficulties related to access to finance from banks, which constrains their growth.

According to (Edmiston,2017). access to finance, mainly from banks, is one of the biggest problems SMEs face in most developing countries. Going by the general norm that the availability of finance is a critical source factor of SMEs' competitive operation, commercial banks, as the main source of finance, tend to be less responsive to them. Singh and Kaur (2014) maintained that this can be attributed to many commercial banks, in their efforts to make profits, considering SMEs as too much of a risk, and consequently, showing little interest in establishing critical credit schemes to allow SMEs access to loans. In the same context, some studies highlighted that most SMEs suffer from limited access to financial resources that constrains their capacity to grow, respond to competitors in the market, and diversify their business operations (Ghosh, 2020).

Financial constraints are higher in developing countries in general, but SMEs are particularly constrained by gaps in the financial system such as high administrative costs, high collateral requirements, lack of experience within financial intermediaries, lack of lender information and regulatory support to engage in SMEs lending and absence of well-functioning SMEs lending markets (International Finance Corporation, 2010).

In Rwanda, it is estimated that about a third of the gross domestic product (GDP) is originated from SMEs sector (Olomi, 2016). By having climate that promote growth and development the society at large can reap the benefits of this, at present 60-70%of net job

creation in Rwanda is derived from this

category of SMEs. Consequently in a competitive market there should be an incentive from financial supplier to overcome the highlighted barriers and gaps in order to finance SMEs (Olomi, 2006).

Small and Medium Enterprises (SMEs) are crucial contributors to the overall development of any economy. As stated by Saunders et al (2016) SMEs are universally acknowledged as the driving force of economies in both developed and developing nations. SMEs play a crucial role in developing the economy and in creating employment. They do not only provide employment and income opportunities to a large number of people, but also are at the forefront of technological innovations and export diversification as stated by Dereje (2019).

According to the PSF study again (as cited in MINICOM, 2010), Rwandan small and micro businesses comprise 97.8% of the private sector and account for 36% of private sector employment. They often lack proper accounting and financial systems. Rwandan medium sized enterprises, by contrast, are well- established businesses that are individually or jointly owned. They have set administrative processes, qualified personnel and trained staff, employ between 50-100 people and account for 0.22% of businesses in Rwanda, contributing 5% of total private sector employment.

Access to finance for SMEs has been identified in many business surveys and empirical studies Herrington, (2018) as one of the most important factors influencing the development, survival and growth of the SME sector in both developed and developing economies. As a result, the financing of SMEs has received extensive attention in recent years and has become an important topic for economists and policy makers interested in financial and economic development (Torre et al., 2008).Finance leads to increased growth through various channels. Firstly, finance supports growth by raising and pooling funds which allows firms to take more risky investment. Secondly, finance helps allocate resources to their most productive use. Thirdly, finance helps monitor the use of funds and provides an instrument for risk mitigation (Claessens, 2018).

According to Mensah (2018) there are many who believe that the single most important factor constraining the growth of SMEs sector is the lack of finance. There are many factors that can be accounted for this lack of finance. Some of these factors are a relatively undeveloped financial sector with low levels of intermediation, lack of institutional and legal structures that facilitate the management of SME lending risk, and high borrowing cost and rigidities in interest rates.

Therefore, access to finance is generally held to be a critical factor for SMEs development. However, there appears to be limited evidence that confirms the access to finance development of SME. To this end, this study significantly placed as its main focus, the examination of how access to finance development of SME, particularly in Karongi District.

1.2. Statement of the Problem

According to Musara and Olawale (2020), the ability of SMEs to grow depends highly on their potential to invest in restructuring and innovation. All these investments require capital and therefore access to finance. Against this background, the consistently repeated conception of SMEs about their problems regarding access to finance is a priority area of concern, which if not properly addressed, can endanger the survival and growth of the SMEs sector.

Most SMEs in the country lack the capacity in terms of qualified personnel to manage their activities. As a result, they are unable to publish the same quality of financial information as those big firms and as such are not able to provide audited financial statement, which is one of the essential requirements in accessing credit from the financial institution. This is buttressed by the statement that privately held firms do not publish the same quantity or quality of financial information that publicly held firms are required to produce. As a result, information on their financial condition, earnings, and earnings prospect may be incomplete or inaccurate. Faced with this type of uncertainty, a lender may deny credit, sometimes to the firms that are credit worthy but unable to report their results (Coleman, 2000).

Another issue has to do with the inadequate capital base of most SMEs in the country to meet the collateral requirement by the banks before credit is given out. In the situation

where some SMEs are able to provide collateral, they often end up being inadequate for the amount they needed to embark on their projects as SMEs assets- backed collateral are usually rated at 'carcass value' to ensure that the loan is realistically covered in the case of default due to the uncertainty surrounding the survival and growth of SMEs (Binks et al., 2021).

Lack of access to finance is reported to be a severe problem for SMEs Development in Rwanda. Unavailability of finance to SME sector has been viewed as a critical element for the development of SMEs. It was found that credit constrained firms are significantly more likely to go out of business (Traci& John, 2019).

However, some SMEs do not grow as expected even though they have access to credit. This is probably due to inadequate availability of debt financing, lack of management skills and high interest rate. Access to finance is therefore a priority issue for developing and supporting the SME sector as an engine for employment creation, poverty alleviation and socio-economic transformation at large, especially in developing countries including Rwanda.

The issue of SMEs development ranks high among the priorities of socio- economic development, given the growing need for employment creation and poverty alleviation (Nugent, 2018). Nugent (2021) further noted that there is also an urgent need to create a strong competitive SMEs sector that can play a leading role in the development process. In dealing with the development of SMEs, financial services are essential in this development agenda.

Many research studies have asserted that there exists a"financing gap" for SMEs. There is no commonly agreed definition of this gap, but the term is basically used to mean that a sizeable share of economically significant SMEs cannot obtain financing. This issue is important because it is felt that if those SMEs could have access to finance, those funds would make them more productive. But due to structural problems, the formal system does not provide finance to those entities.

There appears to be no attempt to investigate the effect of access to finance towards the

development of SME, particularly in Nyarugenge Sector.

1.3. Research questions

The following are the research questions which was guided the researchers to carry out the study:

1. What are the services provided by Equity Bank to SMEs in located in Nyarugenge Sector?

2. What is the contribution of Equity Bank in promotion of SMEs located in nyarugenge sector?

1.4. Research hypothesis

According to Burgess (2021), hypothesis states the expected answer to the research question. It presents the researcher's expectation about the relationship between variable within the problem. Hence it is put forth as suggested solution to the problem, with the understanding that the ensuing investigation may lead either to its tentative retention or its tentative reduction this study concerned with the hypothesis which are formulated as follow:

H1. Equity Bank provide financial services to the SMEs in Nyarugenge Sector.

H2. Services provided by Equity bank contribute to development of SMEs in Nyarugenge District

1.5. Objectives of the Study

The study has the general objectives and specific objectives as indicated below:

1.5.1 General objectives

The general objective of the study is to assess the access to the finance and development of SME in Rwanda with specific reference to Selected SMEs Financed by Equity Bank in Nyarugenge Sector.

1.5.2 The Specific Objectives

In order to achieve the principal objective, the researcher postulates the following specific

research objectives

i. To identify services provided by Equity Bank to SMEs in located in Nyarugenge Sector

ii. To analyze the contribution of Equity Bank Rwanda in promotion of SMEs

iii. To find out the relationship between services provided by Equity Bank and SMEs development.

1.6. Scope of the study

According to Burgess (2019), hypothesis states the expected answer to the research question. It presents the researcher's expectation about the relationship between variable within the problem. Hence it is put forth as suggested solution to the problem, with the understanding that the ensuing investigation may lead either to its tentative retention or its tentative reduction this study concerned with the hypothesis which are formulated as follow:

1.6.1 Scope in Time

This study covered the period of four years from 2020 up to 2022.

1.6.2. Scope in domain

This study is related to the business studies. The study also focused to money and banking as well as entrepreneurship courses.

1.5.3. Geographical scope

The study carried out in Equity bank, which is located in Kigali city specifically in Nyarugenge district. Researcher choose to Kigali location as the nearest space to both University and home. Therefore, this will facilitate data collection activities and reduce the costs.

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1.6. Significance and interests of the study

The researcher choose this topic in order to assess the role of commercial bank activities to promote SMEs. The outcome of the study is great importance to the number of prospective interests, including personal interest, academic interest, scientific interest and social interest.

1.6.1. Personal interest

The study helped the researcher to gain more knowledge in conducting scientific research in general, secondary it helped the researcher to link theories acquired in class with the realities on the ground.

1.6.2. Academic and Scientific interests

Academically, this research is a way for the researchers to fulfill academic requirements for the award of bachelors' degree in accounting. Scientifically, this work will be an added value to scientific world that it provides an exhaustive documentation to the future researcher and in accounting students in their research by just using it as reference.

1.6.3. Social interest

The research recommendations and suggestion help Equity Bank PLC to improve its services in order to promote more the growth of the business of its clients especially Small and Medium Enterprises. On the other side the results and suggestions that researcher provided at the end of this study will help policies make to create a favorable financing source to the SMEs.

1.7. Structure of the study

This study is organized into four chapters, for this case, the first chapter covers the introductory part of the study The second chapter gives the overview of the literature review and definitions of key concepts as well as an understanding of some key concepts and other theories related to the topic.

The third chapter presents research methodology. Methods and Techniques to be used specified in this chapter

The fourth chapter concentrates on analysis, interpretation and presentation of findings. Finally, this study is ended with the general conclusion and suggestions.

CHAPTER TWO: LITERATURE REVIEW

This chapter reviews the literature pertaining to the research objectives, which has been put forward by other authors. It emphasizes on key terms and generalities that help to understand the nature and significance of the research. It also identifies the gap in the

existing literature consulted in commercial bank and the development of SMEs.

2.1. Definitions of key concepts

It is necessary for the researcher to define and explain all concepts which are used in the scientific work to have a source understanding in the objective to avoid all confusion.

2.1.1. Access to finance

According to Mazanai and Fatoki (2019), access to finance, mainly from banks, is one of the biggest problems SMEs face in most developing countries. Going by the general norm that the availability of finance is a critical source factor of SMEs' competitive operation, commercial banks, as the main source of finance, tend to be less responsive to them. Singh and Kaur (2020) maintained that this can be attributed to many commercial banks, in their efforts to make profits, considering SMEs as too much of a risk, and consequently, showing little interest in establishing critical credit schemes to allow SMEs access to loans. In the same context, some studies highlighted that most SMEs suffer from limited access to financial resources that constrains their capacity to grow, respond to competitors in the market, and diversify their business operations (Ghosh, 2016; Subairu, 2019).

Access to Finance Rwanda is part of the broader Financial Sector Deepening (FSD) in Africa that seeks to create a transformative impact on the ending of poverty by supporting efforts to improve financial inclusion and financial sector development by helping financial institutions and markets drive a more inclusive and sustainable economic growth. Siron (2018)

AFR supports the removal of systemic barriers that hinder access to financial services by low-income people, particularly the rural poor, women, youth and MSMEs. AFR supports the development and provision of financial services including savings, credit, insurance, investment, payments, and remittances.

2.1.2. Development

The term development is a very broad concept, which involves man aspect of human life .it is used to denote the social condition of people in a given country or region. It can be defined as: event causing change: an incident that causes a situation to change or

progress process of change: the process of changing and becoming larger, stronger, or more impressive, successful, or advanced, or of causing somebody or something to change in this way incomplete state: a state in which the developing of something is not yet completed (Haber, 2018).

According to Todaro (2019) development is as multidimensional process involving major changes, infrastructures ,institutions ,attitudes ,acceleration of economic grow and reduction of inequality and also the eradication of poverty and hunger.

2.1.3. Small and Medium Enterprises (SMEs)

SMEs, or small and medium enterprises, are defined differently around the world. The sizing or categorization of a company as an SME, depending on the country, can be based on a number of characteristics. The traits include annual sales, number of employees, the amount of assets owned by the company, or any combination of the features.

Number of employees and the income of a company are factors determining SMEs. To be considered as small and medium enterprise, these two determinants must fall under a certain standard held by the respective country. Different countries have varying standards to be qualified for this identification, (Baterman, Milford 2017).

The Government of Rwanda has a vision to become a middle-income country not later than 2020. In order to achieve this goal the medium term Economic Development and Poverty Reduction Strategy was started. The small and medium enterprises and micro enterprises in Organization for Economic Cooperation and Development countries account, to create the majority of new jobs, also to indicating the impact small medium enterprises, and employment. In contrast, currently over 80% of Rwandans are engaged in agricultural Production.

The small and medium enterprises sector also has the Potential to lower Rwanda's trade imbalance. Rwanda, being characterized with low socioeconomic development indicators, is proud of having different kind of financial institutions that providing financial services including all types of loans to enable entrepreneurs starting businesses.

2.2. Theoretical Review

The theories, pertinent to Access to finance and SMEs development reviewed in this study are: The credit rationing theory Information Theory. These are discussed below:

2.2.1. The credit rationing theory

Theoretically, finance literature indicates a well-documented explanation that elucidates finance issues as related to the SMEs, and to assess the aforementioned is to review its fits to the enterprise. To the best of the researcher's knowledge, the review of strategic literature indicates that no universally accepted theory in the entrepreneurship literature has been adopted as the sole influence on SMEs' access to finance. Hence, it is essential to review an existing strategic theory, such as 'the credit rationing theory' on an enterprise's access to finance to guide the current study's analysis.

According to the strategic literature, the 'financing gap analysis' is the credit rationing theory by Stiglitz and Weiss (2020), and is one of the major theories that argues the agency problem (a conflict of interest between bank (agent) and the owners of the enterprise, and the information asymmetries, as significant reasons why SMEs are constrained in terms of access to finance. Stiglitz and Weiss (2018) argued that the presence of financial constraints on SME businesses is due to informational problems (that is, principal–agent issues) and transactional costs. Therefore, this paper assumed that due to the lack of collateral/income, most banks classify SMEs as 'non-bankable' enterprises and high-risk borrowers that are likely to be less interested in programs that favor them. Further analysis shows that rationing discourages most SMEs, even in a competitive credit market using interest rates and bank charges as weapons that affect demand and the risk profile of the bank's customers (Kremp & Sevestre, 2019). Despite this, Stiglitz and Weiss' analysis focuses on the 'informational problem and transactional cost' paradigms. Both paradigms are skewed to the borrower's capabilities to repay the loan. This suggests that asymmetrical information exists when the credit officers do not have 'perfect' information of the funding proposal base.

Although Stiglitz and Weiss (2018) provided compelling explanations of why credit rationing behavior still exists with financial institutions, the theory has not addressed the

pecuniary issues of access to finance, such as bank and business support services, the structure of banks and the collateral requirement that may have caused banks to ration potential customers, even in a competitive credit market. Hence, banks insisting on high interest rates and bank charges may have affected demand and the risk profile of the bank's customers. Subsequently, the fact remains that, in many developing economies like Lesotho, most banks may not have perfect information about the creditworthiness of prospective borrowers. Thus, there is a likelihood of the supply of loans to be backward bending at rates above the bank's optimal rate Mazanai, (2020). This implies that financial exclusion may persist even in optimal markets. Whether such an enterprise is excluded based on the price barriers, or financially excluded due to high idiosyncratic risk or poor project quality could be due to a market imperfection such as asymmetric information. This paper considers that these are peculiar to the four factors of access to finance: financial information access, bank and business support services, the structure of banks, and collateral requirement as constraints to SMEs' access to bank loans.

In Lesotho, the constraints suffered from lack of access to finance tend to be common among SMEs (EU, 2013). While there have been some empirical studies, such as that of Makhetha and Sebolelo (2015), and Mokoatleng (2019), on SME access to finance in Lesotho, these previous studies omitted constructs, such as financial information access, structure of bank, and bank and business support services, as critical factors of access to finance that limits bank funding that negatively influences the competitive growth of SMEs. To bridge the gap of access to finance, this paper suggests that although various studies have considered access to finance a huge challenge to SMEs in most developing economies, there is a gap in the entrepreneurship literature that has omitted the four factors related to access to finance mentioned above in Lesotho context. Thus, this study aims to determine the constructs (financial information access, bank and business support services, structure of bank and collateral requirement) as factors of access to finance that influence the competitive growth of SMEs in Lesotho.

2.2.2. Information Theory

Derbanet al. (2018) recommended that borrowers should be screened especially by banking institutions in form of credit assessment. Collection of reliable information from prospective borrowers becomes critical in accomplishing effective screening as indicated by symmetric information theory. Qualitative and quantitative techniques can be used in assessing the borrowers although one major challenge of using qualitative models is their subjective nature. However, according to Derbanet al. (2017), borrowers attributes assessed through qualitative model scan be assigned numbers with the sum of the values compared to a threshold. This technique minimizes processing costs, reduces subjective judgments and possible biases. The rating systems was important if it indicates changes in expected level of credit loan loss.

Credit markets are commonly affected by imperfections due to the presence of asymmetric information. Lenders might lack the necessary information to set the price of loans, which should reflect the borrowers' riskiness, that is to say their probability of default. Hence, lenders would face costs for screening safe applicants from risky applicants and for monitoring borrowers' actions, and consequently they might require additional fees, that is to say they would transfer their transaction costs to borrowers. Alternatively, they might add a premium on the interest rate, and hence high interest rates may reflect the high costs of these activities Hoff (2018). However, increasing the interest rate might have an opposite effect on the banks' profit, as it might induce self-selection of risky borrowers. Safe borrowers might indeed be discouraged from applying as they might not consider that their (low) probability of failure would justify such a high interest rate Stiglitz (2019). For this reason lenders might simply prefer to refuse loans, that is to say to apply non-price rationing.

Moral hazard can be described as the misuse of funds borrowed. As moral hazard refers to the situation where the creditor cannot monitor the actions of the borrower, this situation is also called as the hidden action. The borrower may get engaged in some risky projects that the creditor does not approve, yet has no way whatsoever discretion in. Indeed, loan applicants would tend to prefer high-risk projects during the periods of higher interests.

Because the return to the borrower in case the project achieves would be the portion after the principal and interest. On the other hand, the creditor's return is the pre-defined interest irrespective of the project achievement. Therefore, while the borrower's expected return is an increasing function of the project risk, the creditor's return is a decreasing function of this risk (Stiglitz, 2020). Therefore, while the borrower demonstrates tendency to take risks, the creditor shows the tendency to make sure that the fund lent is employed in safe investments. However, due to the presence of the moral hazard, the creditor would not know where the funds it lends are to be employed, and attempt to remove such risk by seeking additional mortgages and/or compounding the lending conditions.

2.3. Review of related literature

Theories which the researchers use to explain the existence of a research problem and used as bases in analysing relationships between variables can be generated from reference books on theories or from related studies. The researchers therefore, must have already read adequate literature at the start of the research activity.

2.3.1 Ease of access to finance among Small and Medium Enterprises

Bank lending remains the most important source of external financing for SMEs in regions like the European Union (EU) and the second one for large corporations. Furthermore, SMEs have few alternatives to it since they cannot easily access capital markets directly (European Commission, 2015). Over the year 2014 there was an overall improvement in bank financing conditions and loans are increasing. Bank lending rates have been trending downwards and maturities have increased. On average, SMEs perceive a significant improvement in the availability of bank financing. Yet SMEs consider that collateral requirements imposed by banks remain high. The difficulties of accessing bank loans are particularly affecting smaller and younger companies. Also, rejection rates remain high in some euro area countries such as the Netherlands (23.5%), Greece (21.5%) and Ireland (18.7%) (European Commission, 2019).

The situation in that area considerably improved over the last years, as this concern went down from 16% in 2009 and 13% in 2014. However, the results differ across countries and

the highest proportion of SMEs specifying access to finance as the most important issue is in Greece (30%) and Cyprus (25%). The problem with financing is also reported by the smallest companies (12% of micro companies), relatively young companies (13% of established within 2-5 years) and young high-growth companies (14% of gazelles).

A study conducted by Harelimana JB (2017) in Muhoza Sector, Rwanda found that the sources of finance for the SMEs were mainly classified as internal (cash in hand and retained earnings) and external (finance in form of equity and finance in form debt). The results show that almost a half of the firms (38.8%) operate their enterprises using both external and internal sources of finance and only 25.5% operates with external sources while the remaining 35.5% operates within internal sources. The results of that study further indicated that most of SMEs in Muhoza used internal finance. A 100% of the respondents in that study agreed that they use external sources to improve their operation from the understudied period. This indicates that external finance is very important in financing SMEs operations.

One of the most commonly used type of external finance by more than a half of firms was loan from the bank (87.9%). In that study, Many SMs in the study applied for external finance but not all of them were successful. 61.3% of those who applied for external funding failed to get it was lack of collateral, this is followed closely by the fact that the entrepreneurs are new business start-up (58.8%) and have insufficient information (47.5%). Other reasons why some SMEs never sought external finance were that they lack experience (37.5%); they could not meet requirement (16.30%); while some of them was not give their reasons (28.8%).

Although bank lending remains the main source of external financing for firms of all sizes, very few SMEs have access to bank credit to finance their investment. Banks in Central Asia remain reluctant to lend to small firms due to a higher perceived risk and high transaction costs for the bank. This was also reflected in the Business Environment and Enterprise Performance Survey (BEEPS) survey 2008-2009, which shows that only 20% of small firms and 27% of medium firms in Central Asia use bank loans as a source of

financing for their investments, as opposed to 42% of large firms. Moreover, bank lending in general has been affected by the financial crisis, thereby further constraining the availability of bank resources for SMEs in all Central Asia countries, except Mongolia where credit has increased as a result of the mining boom (OECD, 2018).

2.3.2 Services provided by access to financial to Small and Medium Enterprises

Besides, SMEs have more difficulties in diversifying financial, both cross-border and by source, and have to rely mostly on local bank credit. In addition, SMEs limited sources of funds are further constrained by higher credit rationing and more penalizing credit conditions (European Central Bank, 2014). To solve this problem, financial support organizations in many countries around the world have used different financial tools to help SMEs easily access finance.

One of the effective financial instruments applied by several countries in the world is credit guarantee. The major tools used to improve flow of financial resources to small enterprises include direct and special lending programs, government-funded wholesale credit, credit guarantee schemes, interest subsidy and regulative subsidies (Tunahan, 2018).

Credit guarantees are the most popular measure accepted as an effective and more market-friendly tool Back et al,(2018). A credit guarantee is a financial product that small entrepreneurs can take as a partial substitute for collateral; it is a commitment by a guarantor to pay to the lender all or part of the loan if the borrower defaults''Molenaar, (2019). Guarantees are often granted to small entrepreneurs who lack sufficient collateral or credit track records. Guarantee providers define target borrowers, loan features, often charge fees for the service and use one of the risk coverage models (Hansen et al, 2012). Green (2020) identified five major types of guarantee systems based on the operators of the schemes: mutual guarantee associations publicly operated national schemes, corporate schemes, schemes arising from bilateral or multilateral cooperation, and schemes operated by NGOs. Several authors discuss the different classifications of credit guarantee programs operating in different countries. The major types include: mutual

programs versus nonmutual programs; closed/targeted programs versus open programs; partial guarantee program versus program with full guarantee; funded versus unfunded programs; direct guarantee versus indirect guarantee programs; guarantee based on business versus guarantee based on portfolio; and ex-ante programs versus ex-post programs. Guarantee schemes have also been broadly categorized into two: – mutual guarantee program versus public or donor-funded program. Navajas (2019)

The above classifications are related to different aspects, they are not mutually exclusive. Any specific guarantee fund combines features of the various typologies (Deelenand Molenaar, 2018). Public guarantee schemes represent the majority in developing countries, while mutual guarantees are more widely used in high-income countries (Beck et al, 2018). Microfinance provided by some institutions is a product innovation in the sense that it introduces services which are new and enhance provision of financial assistance to small clients considered unbankableby other traditional financiers. Additionally, new methods are developed within microfinance schemes in order to ensure the repayment of the loan where no collaterals are guaranteed.

Credit guarantee is applied in many countries around the world from the developed countries to the developing countries. And it is implemented in various ways such as the credit guarantee schemes, credit guarantee funds, credit guarantee companies, etc. Credit guarantee can provide guarantees for SMEs when its collateral is insufficient and can also help to reduce information asymmetries. In whatever way it has been implemented, the aim of credit guarantee is to help SMEs easily access finance, thereby promoting the development of SMEs as well as the development of the economy (AFI, 2019).

The impact of the new product can be major, especially in the developing world, where many microfinance schemes and services bring new products to markets, occasioning strategic changes in financial services (so having more of the characteristics of radical innovation), and also impacting upon clients by pressing them to undertake new business processes in order to achieve creditworthiness Miles, (2019). As part of enhancing access

to financing for MSMEs, regulators in some countries also provide financial education to raise public awareness of the various services and schemes available to MSMEs and to equip MSMEs with knowledge of financial management, which in turn helps entrepreneurs to be more financially savvy and bankable. Countries in East Asia, South Asia and Southeast Asia have been strong proponents of expanding outreach for financial education and awareness AFI, (2016).

(Mafimisebi et al,2017) report positive contributions and some successes of CGSs in various countries. Well designed, well managed and implemented CGSs have boosted the small enterprise sector in many countries by enhancing their access to formal credit sources (Green, 2013). A review of existing literature shows that studies that attempted to evaluate CGSs used various methodologies and examined different aspects of CGS. Majority attempted to measure additionally or incrementally, one of the most important aspects attained as result of credit guarantee. The term additionally refers to the additional loans made possible due to the guarantee provided to the lender"or the amount of loan that a creditor has in its portfolio that it would have rejected were it not for the guarantee"(Saldana, 2020).

The amount and percentage of capital owners commit to the business or new projects of their business prove their commitment to the firm growth. Most lenders review the credit history of their borrowers for a minimum of four years through institutionalized central credit bureaus and audited financial reports of the borrower. A borrower's careful and well drafted business proposal to the lender indicates the borrower's commit-ment and confidence about the business plan. (Alliance Bank, 2018). Banks are uneager to grant loans to SMEs because of the uncertainty in their management forecasts (Haron et al., 2018). Firms'relationship with banks contributes immensely to the decision process of loan approvals and it reduces the negation assumptions by banks about some firms (Haron, Ismail, Ganesan and Mustafa, 2012). Secondly, lenders also consider the financial capacity and ability of the firm to repay the lender granting the loan to firm at the agreed

payment period. They basically assess the firm's cash flow and other source of revenue generation by the firm over a period (Haron et al. 2020).

This means that if an SME has received business advisory services in that regard them may find it easy to access finance since they will be having all the necessary requirements. Information asymmetries refer to disparities between information available to businesses seeking capital and suppliers of capital who are typically assumed to be at an informational disadvantage with respect to insiders of the business (Quaye, 2014). SMEs do not publish the same quantity or quality of financial information than publicly held firms. As a result, information on their financial condition, earnings and earnings prospects may be incomplete or inaccurate. Faced with this type of uncertainty, a lender may deny credit, sometimes to firms that are credit worthy but unable to document it Quaye, (2020; Coleman, 2019).

2.3.3. Role of Commercial Banks in Financing and Supporting SMEs

Commercial bank [1] is a type of financial institution whose activities are based on accepting deposits and granting credit. The commercial bank is considered an intermediary between those who have surplus funds and those who need them. Commercial banks are characterized by three important features distinguish them from other business enterprises namely liquidity, profitability and security, This importance is due to their significant impact on the formation of policies related to the main activities of the banks, which are the acceptance of deposits and the provision of loans and investment in securities (Ghimire, 2020). Commercial banks have almost one-third of the financial assets of all financial institutions in an economy, have the ability to generate funds from reserves generated by public deposits and have the ability to provide all credit needs for individuals, businesses and even governments. Since loans are the primary source of microfinance worldwide, and their source is mostly from commercial banks, these banks play an important role in the development of such projects (Gulani, 2012).

Commercial banks in developing countries have begun to view microfinance as not only a very important tool in public relations but also a profitable enterprise. The primary objective

of commercial banks is to maximize their profits with minimal risk, which leads them to seek high returns for granted loans and sufficient guarantees; and the fact that the loans granted to small projects are usually small and sufficient guarantees on project' assets, which are usually higher than the value of the loan and thus combine their objectives for profit and risk reduction. But this also makes it more difficult for small businesses to get loans from commercial banks (Lahiri, 2020).

2.4. Theories on Small and medium enterprise development

The original company was formed in 1946 under the title The Scale Model Equipment Company Limited to manufacture scale models and detail parts for the model engineering trade. During the 1950's movement was away from model making to precision engineering, principally parts for aircraft instruments and business machines (Grave, 2020).

In 1959:76 Alastair Robertson-Aikman, the Company's founder, required a pick-up arm for his own use and an experimental model was built. It received such an enthusiastic reception from friends in the sound industry that it was decided to produce it commercially and the first SME precision pick-up arm appeared in September 1959. Production was 25 units per week composed entirely of individually machined components. At this time a new factory situated in Mill Road, Seining was opened and the Company's name was changed to SME Limited, a less committal title to suit its new activities (Hoffer, 2014).

SME now has over 60 years experience in high quality precision engineering and the Company's plant at Seining is now probably the largest and best equipped devoted to the manufacture of precision pick-up arms and turntables (Hans-Heinrich B., 2019).

To maintain the very high standards of quality all manufacture and processing is carried out 'in house'. Facilities commence with design and tool making through all aspects of manufacturing including CNC machining, pressure die-casting, injection molding, metal finishing, electro-plating, and anodizing and many other processes (Nayak P, 2012).

Inspection at every stage of manufacture and assembly is particularly critical and ensures the consistent standards for which the Company's products are noted. In 1992 our quality assurance system was formally accredited under BS EN ISO 9001.The present

manufacturing programmer consists of five precision turntables and twelve standard pick-up arms which together with special models offer a very wide range of application. ME precision pick-up arms are exported to almost every country of the world and are available through agents supported by direct service from the factory to the customer (Grave, 2020).

2.4.1 Roles of SMEs in economic development

SME are considered to have a crucial role in an economy and are key source of economic growth, dynamism and flexibility and can adapt quickly to changing market demand and supply situations. They are also deemed to generate employment, help diversifying economic activity and make significant contribution to exports and trade. SME enhance competition and entrepreneurship and therefore have the external benefits on economy wide efficiency, innovation, and aggregate productivity growth. From this perspective, supporting of SME will help countries to exploit the social benefits from greater competition and entrepreneurship. SMEs support frequently claim that SMEs are more productive than large firms but financial market and other institutional failures impede SME development. Some argue that SME expansion boosts employment more than large firm because SMEs are more labor intensive. SME may represent poverty alleviation tools in developing countries. SME sector's contribution to employment and GDP across countries (World Bank, 2014).

The performance of Small and Medium Enterprises is important for economic and social development of country (Abor and Quartey 2020). The SME contributed to more labor intensive than larger firms and therefore has lower capital costs associated with job creation. They thus according to these writers perform useful roles in ensuring income stability, growth and employment, Small and Medium Enterprises improve the efficiency of domestic markets and make productive use of scarce resources, thus facilitating long-term economic growth ,NSME contributed to a country's national product by either manufacturing goods value, or through the provision of services to both consumers and other enterprises (Abor and Quartey, 2016).

A "pro-SME" approach has been based on three core arguments that SMEs enhance

competition and entrepreneurship resulting in economy-wide efficiency, innovation, and aggregate productivity growth; SMEs are more productive than large firms but market failures (financial and institutional) impede SME development; and SME expansion boosts employment more than large firms as SMEs are more labor intensive, thus SMEs may represent a poverty reduction tool (OECD, 2012:66).

Gebremariam et al. (2019) examined the impact of SMEs in economic growth and poverty alleviation. Generally the study found that there is a strong relationship between SMEs, economic growth and poverty reduction. The study further shows that an increase in the percentage share of SMEs' employment had a positive impact on economic growth, thereby reducing poverty. Furthermore, in agriculture-based economies, SMEs provide livelihood opportunities and nurture entrepreneurship. Other advocates of SMEs, such as Todaro and Smith (2020), are of the opinion that SMEs operating in the informal sector can generate surplus income under hostile economic policies such as the denial of access to credit facilities, foreign exchange and tax reduction. Pertaining to SMEs' potential to reduce poverty, Gebremariam et al. (2020) suggested that small businesses contribute to poverty reduction through job creation and economic growth. Robins et al. (2015), According to United Nations Industrial Development Organization (UNIDO), WSIS Report (2021) SMEs are very important. The only way to reduce poverty in a sustainable way is to promote economic growth, through wealth and employment creation in the developing countries. SMEs are the major source of income, a breeding ground for entrepreneurs and a provider of employment.

2.4.2. Overview of the SMEs in Rwanda

MINICOM (2008) notes that in Rwanda the common variables used to define SMEs are one given by the Rwanda Development Bank, which base on net investment, turnover employment and capacities as shown below;

Table 1: Common variables used to define SMEs in Rwanda

Size of the enterprises

net-capital investments

(million rwf)

Annual turn-over

(million rwf)

Number of employees

Micro-Enterprises

Less than 0.5

Less than 0.3

1 to 3

Small Enterprises

0.5 to 15

0.3 to 12

4 to 30

Medium Enterprises

15 to 75

12 to 50

31 top 100

Large Enterprises

More than 75

More than 50

More than 100

Source: MINICOM, 2018

Rwandan Medium sized enterprises by contrast, are well-established businesses that are individually or jointly owned. They have set of administrative processes, qualified personnel and trained staff, employ about 50-100 people and account for 0.22% of businesses in Rwanda, contributing 5% of total private sector employment. Combining these categories shows that SMEs comprise approximately 98% of the total business in Rwanda and account for 41% of all total sector employment (Schoemaker 2014).

2.4.3. Importance of Small and Medium Enterprises

Given that the situation and the fact that Rwandan is characterized by low rate of capital formation, SMEs are the best option to address this problem. SMEs tend to be more affective in the utilization of local resources using simple and affordable technology. SMEs play a fundamental role utilizing and adding value to local resources.

Large Employment Opportunities: SMEs are generally labour-intensive, SME sector provides employment for 26 persons as against 4 persons in the large scale sector. Thus in a country like India where capital is scarce and labour is abundant, SMEs are especially important.

Economical Use of Capital: SMEs need relatively small amount of capital. Hence it is suitable to a country like India where capital is deficient.

Balanced Regional Development: Generally small enterprises are located in village and small towns. Therefore it is possible to have a balanced regional promotion of industries. India is a land of villages.

Equitable Distribution of Income and Wealth: It removes the drawbacks of capitalism, abnormal profiteering, concentration of wealth and economic power in the hands of few etc.

Higher Standard of Living: SMEs bring higher national income, higher purchasing power of people in rural and semi-urban areas.

Mobilization of Locals Resources: The spreading of industries even in small towns and villages would encourage the habit of thrift and investment among the people of rural areas.

Simple Technology: New but simple techniques of production can be adopted more easily by SMEs without much investment.

Less Dependence on Foreign Capital: SMEs use relatively low proportion of imported equipment and materials. The machinery needed for these industries can be manufactured within the country.

Promotion of Self-Employment: SMEs foster individual skill and initiative and promote self-employment particularly among the educated and professional class.

Promotion of Exports: With the establishment of a large number of modern SMEs in the post-independence period, the contribution of the small scale sector in the export earnings has increased much.

Protection of Environment: SMEs help to protect the environment by reducing the problem of pollution.

Shorter Gestation Period: In these enterprises the time-lag between the execution of the investment project and the start of flow of consumable goods is relatively short.

Facilitate Development of Large Scale Enterprises: SMEs support the development of large enterprises by meeting their requirements of inputs of raw materials, intermediate goods, spare parts etc. and by utilizing their output for further production.

2.4.4. Challenges faced by SMEs in Rwanda

In general SMEs in Rwanda are faced with distinctive problems including;

Lack of managerial experience: They may not be having specialized knowledge in the different fields of management. At the time of initiating the project, they are not in a position to anticipate correctly their financial requirements and the size of market for their products.

Inadequate finance: Generally SMEs are not in a position to arrange full finance from their own sources. They obtain finance from unorganized finance sector at higher rate of interest.

Lack of proper machinery and equipment: Many SMEs use inefficient and outdated machinery and equipment. This affects the quality of production.

Lack of technical know-how: Do not have the knowledge about different alternative technologies and processes available for manufacturing their products to improve the quality of products and reduce costs.

Run on traditional lines: They have not yet adopted modern methods and techniques of production. They have not taken adequate interest in research and development efforts. Hence they cannot be run efficiently.

Irregular supply of raw materials: The majority of SMEs depends on local sources for their raw material requirements. Small entrepreneurs are forced to pay high prices for materials

because they purchase materials in small quantity.

Problem of marketing: The brand name of the products of SMEs is acute due to tough competition from large industries. It cannot afford to costly advertisement and network of distribution system. There are delays in the payment of bills by large purchasers resulting in inadequate working capital.

Personnel problems: It is difficult for them to get qualified persons to run the business. They cannot provide much training facilities to employees.

Lack of clear-cut policy of the government: The Govt. may take decisions relating to SMEs on the basis of political consideration rather than on economic consideration.

Competition as an challenge for the promotion of SMES: competition was also taken into consideration because when an SME does not compete with others, it cannot grow easily.

Low demand as an challenge for the promotion of SMES: it was also necessary for the researcher to know if the low demand can affect the promotion of SMEs.

Bogus units: The government should look into this aspect seriously, break the strong hold of such vested-interested and promote only genuine entrepreneurship in the country.

Other problems: Like inefficient management, non-availability of cheap power, burden of local taxes etc. (MINICOM, 2018).

2.4.5. Initiatives taken to support SMEs in Rwanda

Rwanda has seen a variety of initiatives to support Rwandan SMEs from the government, development Partners (DP), financial and non-government organization (NGO) sectors. Within the government supported sector the most prominent of these initiatives was the former Centre d'Appui aux Petites et Moyennes Enterprises (CAPMER), a public/private institution mandated to provide training, advice and technical support to SMEs. In 2009, CAPMER was integrated into Rwanda Development Board in order to combine its mandate with export and investment promotion and general private sector development services (Patrick Nugawera, 2014).

He further revealed that there are about 170-200 organized, small and medium structured industrial and service enterprises in the country. The Rwandan private sector has three

main sectors in it. These are sub-sectors in agriculture, sub-sector of industry and sub-sector in micro-business, the micro-business sub-sector is the prominent of the Rwandan economy about which least is known.

Rwandan small scale business people or industrialists might be termed as explores and displaying the following characteristics; the vast majority of them are self-made. The start-up capital is owned by the founder, no feasibility, business plan or market studies conducted with regards to the enterprise management and these types of enterprises are very substantially dominated by the key figure of the founder.

These enterprises equipment quite often consists of reconditioned, second hand machinery. Most investment in this group is speculative. These types of enterprises usually take legal form of one-man business of limited partnership form (MINCOM, 2018).

2.5. Relationship between financial institution and SMEs development

Many factors have been considered for the purpose of explaining the scarcity of bank financing by SMEs. Anzoategui and Rocha (2020) have suggested that competition in financial sector is more crucial. The lack of it can actually raise the price of financial Osano and Languitone Journal of Innovation and Entrepreneurship (2016) products and influence directly the growth of small firms and the younger firms in the world. They have also added that the low level of competition in the financial sector can probably affect the stability of the banking industry. In the context of UK, it is believed that access to finance by SMEs is closely affected by the differences in commercial banks or the practices and the policies of the supply side of finance. It is argued that most of the commercial banks in UK differ in terms of the relationship between those lending institutions and the entrepreneur (BBA, 2012; Watanabe, 2015).

According to Muktar (2016), credit has been recognized as an essential tool for promoting small entrepreneurs. The government encourages commercial banks to lend the fund to individuals to extend their projects (businesses) to a level until they are able to reduce the level of poverty and have their basic needs. Fatoki and Smit (2011) in South Africa grouped the major factors that influence the low access to finance by SMEs in two ways;

internal and external. The internal factors include the business information, collateral, networking, and managerial competences. External factors constitute the legal environment, crime and corruption, ethical perceptions, and macro-economy. Olomi and Urassa (2018),

Efficient provision of savings, credit, and insurance facilities in particular can enable the poor people in many countries of third world to smooth their consumption, manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life. This indeed constitutes what is called poverty alleviation.

2.6.Conceptual framework

The conceptual framework is section that aims to determine the main components of variables where this study has human resource management as independent variable and employee's performance as dependent variable; therefore, the researcher develops the conceptual framework as follow:

Figure2. 1 Conceptual framework

Independent variable   Dependent variable

Source: Researcher Compilation 2024

CHAPTER 3: RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter presents the methods that the researchers used when carrying out the research. It presents the research design, population of the study, sample size and the sampling techniques. The chapter also presents the methods that were used to collects data, the validity and reliability of the research, ethical considerations and the methods that were used to present, analyze and interpret the findings of the research.

3.1 Research Design

Kothari (2019) provides that a research design is basically a chosen plan for achieving a particular study or research and it gives details on the type of data to be collected and the technique that will be used in data collection. Also, it constitutes the blue print for the collection, measurement and analysis of data. There are different research designs such as descriptive, experimental and cross-sectional research design (Kothari 2018). This study employed a cross-sectional research design, according to bryman and bell (2017) the cross-sectional research design allows data to be collected at one point at a time. This type of design will employ because it is most common used in survey research to compare the extent to which at least two groups of people differ on the dependent variable.

3.2. 1 The population of the study

According to Taylor and Ghoshal (2015) study population is defined as the totality of persons or objects with which a study is concerned. Also Sommer et al (2012) defines a population as the total number of items in a specified field of inquiry and he added that population is an asset of cases about which one wishes to draw some conclusions. Therefore referring to this definition, the population in this study is 122 SMEs' representatives (owners) from Nyarugenge sector which are working Equity Bank main branch.

3.2.1 Sampling design

A sample is a set of entities drawn from a population with the aim of estimating characteristic of the population (Schindler, 2020). Cooper and Schindler (2013) explain that the basic idea of sampling is selecting some of the elements in a population, so that the same conclusions can be drawn about the entire population. This results in reduced cost and greater accuracy of results.

During the present research, researchers need to have a small number of respondents who should provide data in need for the success of the work. ¶¶For choosing the sample size, the researchers will follow the formula of Yamane formula presented as follow:

N

n

Where n= sample size

N= [1] size of the population

e= margin error or confidence level ordinary equals to 0.05 or 5% but can vary from 0.01 to 0.1

So sample size in this study will be;

n　　　　　　　　　=　　　　　　　　=　53 SMEs' representatives/owners

3.2. 2. Sampling technique

Simple random sampling was used. [2] Simple random sampling is a sampling technique where every item in the population has an even chance and likelihood of being selected in the sample. Here the selection of items completely depends on chance or by probability and therefore this sampling technique is also sometimes known as a method of chances (Bailey, 2020). This will give all SMEs in working with Equity Bank and located in Muhima sector equal chance to participate without considering any other criteria.

3.3. Data collection techniques

In order to facilitate the study to be well accomplished each objective of the study investigated by using specific questions. The study applied the following tools of data collection; documentary study but mainly questionnaires.

3.3.1. Questionnaire

Questionnaire is an instrument that consists of a set of questions where by a large number of people is asked to answer in order to provide data/information to the research. The questionnaire was written in very simple language to avoid ambiguous answers from the respondents. Questionnaires were a useful tool for gathering information (Kombo and Tromp, 2020). Therefore, in this case researchers will print set of questions and distribute them to the selected 53 SMEs working with Equity Bank Main Branch located in Nyarugenge sector. Researcher choose questionnaire because of how it saves time and allows easy analysis of collected data.

3.3.2. Interview

(Elliott, 2021); the term "interview" is defined as: a method of collecting data that involves presentation of oral- verbal stimuli and reply on in term of oral-responses. This technique can be used through personal interview and if possible through telephones interviews". It is a technique that connect two persons where the narrator asks questions by bring up or rising up an indication that can trigger the interviewed to respond either Oral-verbal or using telephones.

3.3.3. Documentary review

This is data collection technique based on reading books, report and documents which have information related to the topic (Kothari, 2018). In this view researchers will use the already worked data i.e. secondary data from Published and non- published materials that researchers will use as a source of data to supplement primary data. This technique for example was used to find the empirical review in the second chapter of this study. It will also help researchers to find some information on the services provided by Equity bank to SMEs and so on.

3.4 Validity and reliability tests

According to Drost (2019), reliability refers to random error in measurement. Reliability indicates the accuracy or precision of the measuring instrument. The researchers used the test-retest reliability technique where a pilot test of the questionnaires that researcher distributed to 10% of selected SMEs working with Equity bank main branch and located in the area understudy so as to examine the appropriateness of responses given by respondents before applying the questionnaire to the entire population. This enabled the researchers to address errors or irregularities that would appear during the research exercise.

3.5. Methods of data analysis

According to Grawitz (2020). Method is concentrated operation implemented in order to reach one or many objectives, a body of principles leading all organized research; the researchers adopted the following methods

3.5.1. Historical method

According to grinner (2013) this is a data editing to the occurrences in order to establish criticism on event anticipate the future guidelines of research, this method helps in collecting and interpreting the past facts in order to understand the present ones and proposes how they will be in future.

3.5.2. Analytical method

According to Lecourt (2016) analytical method consists in dividing the complex problem in small problems which are very simple. It consists in studying separately one case outside the whole, whose it is a part. This method was intervene in order to a deep analysis on information and other different data from the field related.

3.5.3 Statistical method

Statistical method; a method of analyzing or representing statistical data; a procedure for calculating a statistic. It was used to measure and quantifies the results gotten in any research; it also allowed presenting the result in graphs, tables and figures. This method was helped the researcher to present the result of the research in tables for better interpretation by using the percentage

3.6. Limitations of the study

The following limitations may encounter during 2 the process of data collection:

(i) Availability of respondents was constraint because some time some of them were busy and refuse to respond.

(ii) The process of distributing questionnaire was very tiresome and expensive to the researchers.

3.7. Ethical considerations

Almost all the financial institutions have strict policy implications on the confidentiality of their data. They can pay the ultimate price for the breach of this duty of confidentiality. Disclosing of information by employees to a third party can expose the institution to potential legal conflict. Due to this ethical issue, they are fearful in disclosure of such information. However, this fear will address by explaining the core of the study to the information providing agents with the assurance that the data will be handled professionally through formal letter. Therefore, before data collection, permission is obtained from the management body of all the selected commercial banks through formal letter.

CHAPTER FOUR: PRESENTATION OF FINDINGS, DATA ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter involves the data gathered from the field, analysis and its interpretation. The data gathered was mainly in line with the research objectives and the overall purpose of research which was investigates the contribution of EQUITY BANK to the growth of small and medium business in Rwanda. Under such table, a short conclusion is formulated on the services provided by Equity Bank Rwanda to SMEs in located in Nyarugenge Sector and the contribution of Equity Bank Rwanda in promotion of SMEs.

4.2. Respondents profile

The table bellows present the profile of respondents in terms of ages, education level and

length of job experience. Therefore, this is to ensure that respondents have a wider knowledge on the information that we are looking for.

Table4. 1. Classification of respondents by gender

Gender of respondents		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	33	62.3	62.3	62.3
	Female	20	37.7	37.7	100.0
	Total	53	100.0	100.0	

Sources: Primary data, 2024

Table4.1. Presents the gender of respondents, 62.3% of respondents was male, and the 37.7% of respondents were female. Even if the majority of respondents were male, the

side of female was also represented. This shows that Equity Bank in it process of promoting SMEs simultaneously promote the business operated by both gender.

Table4. 2Age of respondents

Age of respondents	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
18-30 years old	13	24.5	24.5	24.5
31-42 years old	24	45.3	45.3	69.8
43-54 years old	11	20.8	20.8	90.6

| Above 55 years old | 5 | 9.4 | 9.4 | 100.0 |
| Total | 53 | 100.0 | 100.0 | |

Sources: Primary data, 2024

Looking at the table 4.2 above it is clear that a high rate of respondents representing 45.3% are on the range of 31-42 years old. This is followed by the range of 18-30 years old with 24.5%. Then 43-54 years old and above 55 years old with 20.8% and 9.4% respectively.

4.2.1. Classification of respondents by education

Under these sub-section researcher presents the classication of respondents education with the main purpose of understanding their profile in terms of educational background.

Table4. 3. Education level attained

Age of respondents	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Primary levels	16	30.2		

30.2

30.2

Diploma Levels

21

39.6

39.6

69.8

Bachelor

11

20.8

20.8

90.6

Masters

5

9.4

9.4

100.0

Total

53

100.0

100.0

Sources: Primary data, 2024

From the table4.3 above, it was revealed that 39.6% of the total respondents have diploma level; 30.2% has primary levels; 20.8% has bachelors level and only 9.4% has Masters. None either has PHD or other. This shows that equity bank support small business of all entrepreneurs without taking education level as criteria. This is good because it is an opportunity in reducing unemployment rate even in those who doesn't have a high

education level.

4.3. Analysis of effectiveness of financial services in Equity Bank PLC/Head office

This section, present data on services offered by Equity Bank PLC/Head office and the level at which SMEs owners attend their consumption as well as the how they are effective toward change of living conditions of the SMEs.

4.3.2. Evolution of deposits in Equity Bank PLC/Head office

The deposits consist of money a customer provides the bank timely or credit by the bank in favor of this client; the deposit is a major resource of banking. The table below shows the evolution of deposits within Equity bank Rwanda PLC for the period under the study. Evolution of deposit may show how the bank stands; because sufficient deposit allows the bank to perform well.

Table4.4: Evolution of deposits of Equity bank Rwanda PLC (amount in 000'Rwf)

Years	Deposit	Variation	Percentages
2020	240,038,120	41,946,904	-
2021	329,034,975	88,996,855	37.1
2022	440,185,577	111,150,602	33.8

Source: Financial statements of Equity bank Rwanda PLC from 2020 up to 2022

The table 4.4 shows that from 2020 to 2022 deposit have been increase to correspondent of 37.1% and 33.8% of increase of deposits from 2020 up to 2022. The increases of that deposit come from to the good service. The clients increase during covered period. The quality of services is the main factors that influence the increase of the clients The increase of deposits was due to this increase of those previous years due to the line with the Bank's commitment to take banking services closer to the people, and promote the use of formal financial services across the country.

Increases of that deposit come from good service. For deposits services and for loan products and the bank itself get liquidity from members deposits and gets earnings from loan granting. Increase in customer deposit lead to Banks performance. Loan management contributes to improvement of Equity Bank Rwanda PLC as they help the bank to get interests and commissions. The effective loan management enabled the bank to get income from the loans extended to clients.

4.3.3. Evolution of loan granted in Equity Bank

A credit is defined as a financial facility, which enables a person or a business to borrow money to purchase (i.e. take immediate possession) of products raw material act and to pay for them over an extended period of time. This is the major source of income for banking institutions Equity Bank Rwanda PLC inclusive. This avenue is evaluated year by year in Equity Bank Rwanda PLC which generated interest to the bank. The credit offered increased or decreased due to financial environment and strategies of the bank.

years

Loan granted

Evolution

Evolution rate

2020

189,955,663

33,656,428

-

2021

220,998,847

31,043,184

16.3

2022

241683383

20684536

9.3

Source: Equity Bank Rwanda PLC Annual report from 2020-2022

The table 4.5 shows how the Equity Bank Rwanda PLC conducted its credits distribution. Therefore researchers have found out that from 2020 to 2022 credit distributed were increased by 16.3%, and 9.3% from 2021, up 2022. In order to increase the income of the Equity Bank Rwanda PLC has adopted of customer care service policy that enabling rapid service, good customer care and the introduction of electronic services. Those increases of credit granted by Equity Bank Rwanda PLC indicate that the management had managed to generate income from those credits as interest and at the same time Equity Bank Rwanda PLC is intended to help its customers to improve their social and economic conditions. The deposits with clients were increased affected the credit given by Equity Bank Rwanda PLC in the clients.

Table4.6. Respondents on Whether Equity bank deliver saving and withdraw services to SMEs

Frequency

Percent

Valid Percent

Cumulative Percent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Strongly agree	30	56.6	56.6	56.6
Agree	23	43.4	43.4	100.0
Total	53	100.0	100.0	

Sources: Primary data, 2024

The results presented in the table 4.6 shows that the majority of respondents with 56.6% strongly agreed that Equity Bank Rwanda provides to SMEs saving and withdraw services and 43.4% agreed with this statement. Normally saving is a very important because it allows SMEs to prepare future expansion through their savings. Therefore, this shows that the saving ability encouraged by Equity bank to SMEs encouraged them to think on how they will expand their business activities in the future.

Table4.7. Respondents on whether Equity Bank deliver Loans services to SMEs

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

Strongly agree

25

47.2

47.2

47.2

Agree

28

52.8

52.8

100.0

Total

53

100.0

100.0

Sources: Primary data, 2024

Looking at the table 4.7 it is clear that the majority of respondents representing 52.8% agreed that Equity Bank deliver Loans services to SMEs and 47.2% strongly agreed with the statements. In further discussion some respondents mentioned that Even if before joining this bank he have a small business in Nyarugenge but due insufficient capital they wasn't operate well. They weren't generating enough profit as they wished and this was a huge barrier to their development but after receiving loan in Equity Bank things were changed". Normally, having insufficient capital is a barrier to the success of Small and Medium Enterprises but as they testified Equity Bank became a good stakeholder of these SMEs due to its small business facilities which enable them to expand their business and

perform better.

Table4.8. Respondents on whether Equity bank provides training services to SMEs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Strongly agree	37	69.8	69.8	69.8
Agree	16	30.2	30.2	100.0
Total	53	100.0	100.0	

Sources: Primary data, 2024

The results presented in the table 4.8 shows that the majority of respondents 69.8% strongly agreed that they received training on the business management and 30.2% agreed with the statement. Normally training is very important for everyone who operates business because the more they operate the business with high level of management skills

is the more they succeed. And some respondents testified that at their fast stage they open business and fail because they weren't know how to effectively manage them. But currently after receiving business management training they operate successfully.

Table4.9. Respondents on whether Equity bank provides advisory services to SMEs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Strongly agree	46	86.8	86.8	86.8
Agree	7	13.2	13.2	100.0
Total	53	100.0	100.0	

Sources: Primary data, 2024

Almost all respondents with 86.8% strongly agreed that Equity bank provides advisory

services to SMEs and 13.2% agreed with this statement. Normally, advises are very important in business operation whenever are provided by a professional person on the carriers he/she advise you on. And of course commercial banks like equity bank have specialist business analysts who are there to provide advices that would help the SMEs they gave credit with the many purpose of ensuring that the project they support will continue to succeed.

Table4.10. Respondents on whether Equity bank helps SMEs to open different types of accounts

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

Strongly agree

40

78.7

78.7

78.7

Agree

13

21.3

21.3

100.0

Total

53

100.0

100.0

The results show that the majority of respondents with78.7% agreed with this statement and 21.3% strongly agreed with this statement. In further discussion with respondents they testified that they are encouraged to open different kind of account in this bank because each of them has it own additional advantages. One for example said that before he had current account only. But currently he also has saving account and this is taken as a grant in Equity bank whenever he is asking for a loan.

Table4.11. Respondents on whether Equity bank provides trade finance services to SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	49	92.5	92.5	92.5
	Agree	4	7.5	7.5	100.0
	Total	53	100.0		

100.0

The results presented in the table 4.11 shows that almost all respondents representing 92.5% strongly agreed that Equity bank provides trade finance services to SMEs and 7.5% agreed with this statement. Normally, most banks won't finance SMEs without adequate security. An SME's line of credit often determines this security. In many cases, this process limits an SME's ability to maintain healthy cash flow and pursue growth objectives. Therefore, trade financing offers more flexible solutions that can accelerate cash flow and reduce exposure to trade risks.

4.4. Contribution of services provided by Equity banks to promotion of SMEs

The main purpose of this study was to analyse the contribution of services provided by equity bank to promotion of SMEs. Therefore, researcher analysed this and results are presented under this sub-section

Table4.12.Equity bank encourage SMEs located in Nyarugenge Sector to save for the future

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

Strongly agree

40

75.5

75.5

75.5

Agree

13

24.5

24.5

100.0

Total

53

100.0

100.0

Sources: Primary data, 2024

The table 4.12 indicated that only 75.5% strongly agreed that Equity bank encourage SMEs located in Nyarugenge Sector to save for the future and 24.5% agreed with this statement. Some respondents said that "his daily life was hard they was not even able to satisfy the primary needs of their families' members. They more said that they would have not save while his children used to eat once per day. But currently his small business enables him to save and satisfying the needs of his children because of a small loan he received form Equity Bank Rwanda". Normally, saving for the future is the most important indicator of the improvement in someone's economic condition especially those who give me testimony because they were not even been able to feed his family, paying community based insurance contribution. But referring to their testimonies through to the saving encouragement made by Equity bank, currently they save for the future expansion of their business because bank ask them to at least present 30% of their part on the projects they present to bank. Therefore, this is only achieved when they regularly save.

Table4.13. Respondents on whether their saving in Equity bank facilitate expansion of my Business

Frequency

Percent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	46	86.8	86.8	86.8
Agree	7	13.2	13.2	100.0
Total	53	100.0	100.0	

Sources: Primary data, 2024

Looking at the table 4.13 it is clear that almost all respondents with 86.8% strongly agreed that their saving in Equity bank facilitate expansion of my Business and 13.2% agreed with this. In further discussion with respondents some said that expansion of their business doesn't only base of the loans provided by banks. But on the other hand they use their savings and acquire equipment they use in business or add some new products to boost their business activities. But before. One further said that before, he used to consume whatever he earn as interest on his investment and he was not able to acquire anything in his business. But currently he is encouraged to save for the expansion of his business and things are moving well because of this culture.

Table4.4. Respondents on whether their savings enable me to keep enough liquidity to meet my business current liabilities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Strongly agree	11	20.8	20.8	20.8
Agree	42	79.2	79.2	100.0
Total	53	100.0	100.0	

Sources: Primary data, 2024

The results presented in the table 4.14 shows that the majority of respondents with79.2% agreed that their savings enable me to keep enough liquidity to meet my business current liabilities and 20.8% strongly agreed with this statement. In further discussion with respondents they pointed that their saving in equity helped them to keep the liquidity that

enable them to easily handle some liability like paying suppliers who delivered raw materials, paying taxes regularly and son on. Therefore, this shows that SMEs saving in Equity Bank facilitate them to handle everything related to the liabilities that would be the bidden to the business operating activities.

Table4.5. Respondents on whether their saving in equity bank allows my business to grow up as quick as possible

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	36	67.9	67.9	67.9
Agree	17	32.1	32.1	100.0
Total	53	100.0	100.0	

The results presented in the table 4.15 show that 67.9% of the total respondents strongly agreed that their saving in equity bank allows my business to grow up as quick as possible and 32.1% agreed with this statement. In further discussion with respondents what researchers realised is that the SMEs clients of Equity bank whenever they got a business opportunity like public tender they perform it through to their saving and credit line they got from Equity bank because of how they regularly save in this bank which in turn made this bank a partner in their business activities.

4.4.1. How loans services provided by Equity Bank promote SMEs

Loans is one of the products provided by equity bank to Small and Medium enterprises and in this sub-section researchers assessed its contribution in promotion of SMEs in Nyarugenge sector. Therefore, results are presented below.

Table4.16. Loan granted Equity bank help SME to introduce technology in its business

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

Strongly agree

13

24.5

24.5

24.5

Agree

40

75.5

75.5

100.0

Total

53

100.0

100.0

The table 4.16 demonstrates that 24.5% of the total respondents strongly agreed that loans granted by Equity bank help their SMEs to introduce technology in their business and 75.5% agreed with this statement. In further discussion with some of these who answered this question positively, on said that loan granted by Equity bank helped him to buy both computer and modern and that these equipment help him in various activities of his business since it allow him to prepare and submit bids on different public tenders, he further more said that this allow him to declare and pay taxes due the e-tax. And he said that this helped him to gain more on his business and be aware of any new business information. Normally the role of technology in business caused a tremendous growth in trade and commerce. Business concepts and models were revolutionized as a result of the introduction of technology. This is because technology gave a new and better approach on how to go about with business. It provided a faster, more convenient, and more efficient way of performing business transactions. Another interviewee said that credit granted by Equity bank help him to new technology in his business since it allowed him to use modern accounting software and currently his business information are kept well and safely. Therefore, all these allow researcher to conclude that Equity bank contribute a lot on smooth working of SMEs operating activities in Nyarugenge Sector.

Table4.17. Loan granted by Equity bank to SME helps the business to acquire new business equipment

Frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	19	35.8	35.8	35.8
	Agree	34	64.2	64.2	100.0
	Total	53	100.0	100.0	

Sources: Primary data, 2024

Looking at the table 4.17 it is clear that loans granted by Equity Bank to the SMEs facilitate them to acquire new business equipment since 64.2% of the total respondents agreed and 35.8% strongly agreed with this. Normally business equipment contributes a lot to the success of any business. in further discussion on respondent said that his business is to produce liquid soap and glycerin and he said that loans received from Equity Bank helped him to import machine that his using to in producing these products and car which facilitate him in distribution of these products. He more said that this credit help him to implement his dream. On the other side other interviewee said that by just using Equity

Bank's loan he buys desk and comfortable cheers and due to this he is able to serve their clients effectively. Therefore all this allows researcher to conclude that bank of Equity Bank contribute a lot to the growth of partners SMEs.

Table4.18. Loan granted by Equity bank to SME facilitate the expansion of business operations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	29	54.7	54.7	54.7
	Agree	24	45.3	45.3	100.0
	Total	53	100.0	100.0	

Sources: Primary data, 2024

Looking at the table 4.18 the majority of respondents represented by 54.7% strongly agree

that granted by Equity Bank facilitate SMEs in expanding their business operation and 45.3% agreed with this. None argued negatively on this. Normally main small business start with a small capital however all them have dreams of becoming big business. And the most important and possible way to expand their business at this level of their dreams is to work with bank. In further discussion with some interviewed SMEs representative researchers realized that some of them due to the loans granted by this bank understudy have been able to open other shop in Kigali. Others have been able to diversify product that they are selling by just using loans they received from Equity bank.

4.3.2. How advisory and training services provided by Equity Bank Promote SMEs services

Advisory and training services are the most important in promotion of any kind of business. Therefore, under this section researcher assessed whether Equity bank Rwanda provide them to SMEs and what does it contributed to the promotion of SMEs in the area under study.

Table4.19. Business training provided by Equity bank made up marketing strategies in SMEs

Frequency

Percent

Valid Percent

Cumulative Percent

Valid

Strongly agree

39

73.6

73.6

73.6

Agree

14

26.4

26.4

100.0

Total

53

100.0

100.0

The results presented in the 4.19 shows that the majority of respondents with 73.6% strongly agreed that business training provided by Equity bank made up marketing strategies in their business and 26.4% agreed with this. Normally, as long as your business makes a great product or provides a great service, you might be under the impression that it'll be easy for your company to stand out. But that is simply not the case. One of the top reasons why marketing is important for small businesses is because it lets the public know about a company's existence. You'll be able to put your small business on the map through your marketing efforts. Therefore, inbound marketing, in particular, is an effective marketing approach for small businesses. It allows businesses to use a combination of content marketing, social media marketing, and more to educate consumers about the products and services that they sell which in turn lead to the overall performance of these SMEs' business.

Table4.20. Training provided by Equity bank give SMEs a good experience in business management

Frequency

Percent

Valid Percent

Cumulative Percent

Valid				
Strongly agree	41	77.4	77.4	77.4
Agree	12	22.6	22.6	100.0
Total	53	100.0	100.0	

Sources: Primary data, 2024

Looking at the table 4.20 it is clear that the majority of respondents representing 77.4% of the total respondents strongly agreed that training provided by Equity bank give them a good experience in business management and 22.6% agreed with this statement. In further discussion with some respondents researcher realized that a large number of those who operate small and medium business in Nyarugenge Sector doesn't have education background that would permit them to effectively manage their business but the respondents testified that currently they are familiar with business management so that their business can not fail through to ineffective management. Therefore, these allow researcher to confirm that Equity bank contribute a lot to the success of their business.

Table4.2.1 Advisory services provided by equity bank help me to make a needed

restructure in my financial management

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Strongly agree	23	43.4	43.4	43.4
Agree	30	56.6	56.6	100.0
Total	53	100.0	100.0	

Sources: Primary data, 2024

The results presented in the table 4.21 shows that 56.6% agreed that Advisory services provided by equity bank help them to make a needed restructure in their financial management and 43.4% strongly agreed with this statement. In father discussion with respondents researchers realized that Equity bank trained SMEs which are clients of this bank how to apply the simple accounting so that they become able to handle all issues

related to their financial management.

4.5 The relationship between Equity Bank services and promotion of SMEs in Nyarugenge Sector

The overall purpose of this study was to investigate the contribution of EQUITY BANK to the growth of small and medium business Nyarugenge Sector and researcher assessed this and results are presented below.

Table4.22. Correlations

Correlations

Equity Bank services to SMEs

Promotion of SMEs in Nyarugenge sector

Equity Bank services to SMEs

Pearson Correlation

1

.883

Sig. (2-tailed)

.000

N

53

53

Promotion of SMEs in Nyarugenge Sector

Pearson Correlation

.883

1

Sig. (2-tailed)

.000

N

53

53

Table 4.22 is giving the relationship between Equity Bank services to SMEs and Promotion of SMEs in Nyarugenge Sector whereby the respondents N is 53 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .883** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers concludes that variables are correlated and the hypothesis are confirmed. This means that there is a significant relationship between Equity Bank services to SMEs and Promotion of SMEs in Nyarugenge Sector.

GENERAL CONCLUSION, SUGGESTIONS AND RECOMMENDATIONS

Summary of the findings

The topic of our study was " Access to Finance in Promoting of SMEs in Rwanda Case of study: Selected SMES Financed by Bank of Kigali PLC in Nyarugenge Sector For achieving the objective of this study, researcher tried to answer the following questions:

3. What are the services provided by Equity Bank to SMEs in located in Nyarugenge Sector?

4. What is the contribution of Equity Bank in promotion of SMEs located in nyarugenge sector?

In order to answer the above questions researchers formulated the following hypotheses:

H1. Equity Bank provide financial services to the SMEs in Nyarugenge Sector.

H2. Equity Bank Rwanda PLC contributes to the SMEs promotion in Nyarugenge Sector

Through these hypotheses we organized this study into three chapters with the general introduction at first in which we have presented the significance of the study, scope, problem statement, hypotheses and research objectives to attend.

Briefly the main objective of this research was is to analyze and demonstrate the contribution of commercial bank in promotion of small and medium businesses in Nyarugenge Sector

Chapter one entitled "Literature review" presents a full description of the research topic related terms and concepts. Therefore, in virtue to the above objectives and hypotheses, the research designed an appropriate research methodology and used the documentary, and questionnaire techniques to collect and analyze relevant data. Historical, analytical, and statistical methods were used to analyze and interpret the useful information collected through the above mentioned techniques.

The table 4.4 shows that from 2020 to 2022 deposit have been increase to correspondent of 37.1% and 33.8% of increase of deposits from 2020 up to 2022. Increases of that deposit come from good service. For deposits services and for loan products and the bank itself get liquidity from members deposits and gets earnings from loan granting. Increase in customer deposit lead to Banks performance. Loan management contributes to improvement of Equity Bank Rwanda PLC as they help the bank to get interests and commissions. The effective loan management enabled the bank to get income from the loans extended to clients.

The results presented in the table 4.6 shows that the majority of respondents with 56.6% strongly agreed that Equity Bank Rwanda provides to SMEs saving and withdraw services and 43.4% agreed with this statement. Normally saving is a very important because it allows SMEs to prepare future expansion through their savings. Therefore, this shows that the saving ability encouraged by Equity bank to SMEs encouraged them to think on how they will expand their business activities in the future.

The results presented in the table 4.8 shows that the majority of respondents 69.8%

strongly agreed that they received training on the business management and 30.2% agreed with the statement. Normally training is very important for everyone who operates business because the more they operate the business with high level of management skills is the more they succeed. And some respondents testified that at their fast stage they open business and fail because they weren't know how to effectively manage them. But currently after receiving business management training they operate successfully

The Second objective of this study was aimed to analyze the contribution of Equity Bank Rwanda in promotion of SMEs

Looking at the table 4.13 it is clear that almost all respondents with 86.8% strongly agreed that their saving in Equity bank facilitate expansion of my Business and 13.2% agreed with this. In further discussion with respondents some said that expansion of their business doesn't only base of the loans provided by banks. But on the other hand they use their savings and acquire equipment they use in business or add some new products to boost their business activities. But before. One further said that before, he used to consume whatever he earn as interest on his investment and he was not able to acquire anything in his business. But currently he is encouraged to save for the expansion of his business and things are moving well because of this culture.

The results presented in the table 4.15 show that 67.9% of the total respondents strongly agreed that their saving in equity bank allows my business to grow up as quick as possible

and 32.1% agreed with this statement. In further discussion with respondents what researchers realised is that the SMEs clients of Equity bank whenever they got a business opportunity like public tender they perform it through to their saving and credit line they got from Equity bank because of how they regularly save in this bank which in turn made this bank a partner in their business activities.

Table 4.21 is giving the relationship between Equity Bank services to SMEs and Promotion of SMEs in Nyarugenge Sector whereby the respondents N is 53 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .883** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers concludes that variables are correlated and the hypothesis are confirmed. This means that there is a significant relationship between Equity Bank services to SMEs and Promotion of SMEs in Nyarugenge SectorTable 4.21 is giving the relationship between Equity Bank services to SMEs and Promotion of SMEs in Nyarugenge Sector whereby the respondents N is 53 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .883** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers concludes that variables are correlated and the hypothesis are confirmed. This means that there is a significant relationship between Equity Bank services to SMEs and Promotion of SMEs in Nyarugenge Sector. Therefore, it is based on the above findings that the first and second hypothesis which stated that there are different ways used by Bank of Kigali PLC to support SMEs activities and Equity Bank services contributes to the SMEs development was verified and confirmed.

SUGGESTIONS

To the bank

There are needs for commerce banks to reduce the interest rate charged on loans so as to allow SMEs to increases the amount of loans they get from those banks and expand activities. To increase a high computerized system and increase many qualified employees

for quickening services. Increase the partnership with SMEs by providing more trainings and advices on how the loans can be used effectively to avoid the default in paying back the loans.

To the Small and Medium enterprises

1. Before starting business, a proper business plan with a sound feasibility study so as to avoid business failure.

2. They should keep the books of account that could clarify their daily transactions and facilitate their decision making'

3. They should deal in lawful merchandises in order to fight against the fines and penalties imposed by Rwanda Revenue Authority.

4. They should try to use the updated technology in order to run well their business.

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QUESTIONNAIRE to SMEs REPRESENTATIVE

I, UWINEZA Albertine final year students at Kigali Independent University in the School of Economic and Business studies. I am carrying out an academic research as a partial fulfillment of the requirements for the award of Bachelor degree in Accounting. The research topic is "Access to Finance in Promoting of SMEs in Rwanda Case of study: Selected SMES Financed by Bank of Kigali PLC in Nyarugenge Sector I would appreciate your support by responding the following questions and information provided will be used for academic purpose only. Please answer the following questions by giving the appropriate answer on each question.

Tick the answer of your choice among the alternatives provided.

There are 2 sections.

SECTION A: GENERAL QUESTION

1. What is your gender

a) Male

b) Female

2. What is the range of your ages?

a) Between 20-30

b) Between 31-40

c) Between41-50

d) Above 50

3. What is your level of education?

a) Secondary level

b) Bachelor's level

c) Master's

d) PHD

4. How long have your SMEs been working with Equity Bank?

a) Less than one year

b) Between 1&2 years

c) 3years and above

Section B: Effectiveness of services provided by Equity Bank

5. To what extent do you agree with the following statements regarding to the services provided by Equity Bank promote SMEs in Nyarugenge Sector? Using a scale of 5 – 1 tick the appropriate answer from the alternatives provided for each of the questions. 5. Strongly Agree 4. Agree 3. Neutral 2. Disagree 1. Strongly Disagree

Statement

Rating

Strongly agree (5)

Agree (4)

Neutral (3)

Disagree (2)

Strongly Disagree (1)

Equity bank deliver saving and withdraw services to SMEs

Equity Bank deliver Loans services to SMEs

Equity bank provides training services to SMEs.

Equity bank provides advisory services to SMEs.

Equity bank provides trade finance services to SMEs

Section C: Contribution of services provided by Equity banks to promotion of SMEs

6. To what extent do you agree with the following statements regarding to how services provided by Equity Bank promote SMEs in Nyarugenge Sector? Using a scale of 5 – 1 tick the appropriate answer from the alternatives provided for each of the questions. 5. Strongly Agree 4. Agree 3. Neutral 2. Disagree 1. Strongly Disagree

Statement

Rating

Strongly agree (5)

Agree (4)

Neutral (3)

Disagree (2)

Strongly Disagree (1)

Statement related to the promotion of SMEs through saving encouragement

Equity bank encourage SMEs located in Nyarugenge Sector to save for the future

My saving in Equity bank facilitate expansion of my Business

My weekly savings enable my business to acquire new products

My savings enable me to keep enough liquidity to meet my business current liabilities

My saving allow my business to grow up as quick as possible

My saving allow my business to earn on savings

Statement related to how loans services provided by Equity Bank promote SMEs

loan granted Equity bank help my SME to introduce technology in its business

Loan granted by Equity bank to my SME helps the business to acquire new business

equipment

Loan granted by Equity bank to my SME facilitate the expansion of business operations

Business training provided by Equity bank made up marketing strategies in my business

Training provided by Equity bank give me a good experience in business management

Advisory services provided by equity bank help me to make a needed restructure in my

financial management

Thanks you for your cooperation

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Sources

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2	https://researcher.life/blog/article/simple-random-sampling-definition-methods-examples/ INTERNET <1%

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EXCLUDE QUOTES	OFF
EXCLUDE BIBLIOGRAPHY	OFF