CONTRIBUTION OF BUSINESS DEVELOPMENT FUND TO THE FINANCIAL ACCESS BY SMALL AND MEDIUM ENTERPRISES INRWANDA

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DECLARATION

This Dissertation is my original work and has not been submitted to any University for the award of a Degree.

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This Dissertation has been submitted for examination with My approval as University Supervisor.

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APPROVAL

This Dissertation titled; **"Contribution of Business Development Fund to the Financial Access by Small and Medium Enterprises in Rwanda"** is the original work of Faith BARUNGI and it was prepared under My direct supervision. I certify that it fulfills the requirements for presentation and submission to the College of Business and Economics (CBE) of the University of Rwanda.

Sign:

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Dr. Faustin GASHEJA

Senior Lecturer.

DEDICATION

To My Husband Rev. Nathan K.TAREMWA

My Brother Bishop Nathan AMOOTI RUSENGO

My Sister Phoebe BEINE

&

My Mother Mary MUKABUDARA

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LIST OF ACRONYMS

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AOR	Adjusted Odds Ration
BDF’s	Business Development Funds
BEEPS	Business Environment and Enterprise Performance Survey
BNM	Bank Negara Malaysia
BRD	Development Bank of Rwanda
CI	Confidence Interval
EU	European Union
FAQs	Frequently Asked Questions
GDP	Gross Domestic Product
MFIs	Microfinance institutions
MFIs	Microfinance institutions
MINICOM	Ministry of Trade and Industry
MSMEs	Micro, Small And Medium-Sized Enterprises
NGOs	Non Government Organisations
OECD	Organization For Economic Co-Operation And Development
SDC	Swiss Agency for Development and Cooperation
SDRS	Small Debt Resolution Scheme
SEIP	Skill for Employment Investment Program

SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Scientists
TTT	Train-the-Trainers
US$	United States Dollar

ABSTRACT

SMEs play an important role in creating employment and wellbeing. Having a strong, vibrant, competitive and resilient base of SMEs is key to enhancing wealth creation and social well-being, but to fully achieve that, SME need to have sufficient and easy access to finance. Yet, in most developing countries, the majority of SMEs are unable to acquire the financing they need to reach their potential. Governments, particularly financial regulators like those of Rwanda, have established various measures, programs and schemes aimed at providing SMEs with better access to financing. For the case of the Rwanda, the Business Development Fund (BDF) was set up to increasing access to finance for SMEs. The purpose of this study was to assess the contribution of the Business Development Fund to the ease of access to finance among Small and Medium Enterprises in Kigali city and the Southern Province.

The study adopted a mixed methods approach. The study population was personnel of SMEs that are facilitated the Business Development Fund in Kigali city and the southern province. Purposive sampling was use to sample the districts and convenience sampling for the SMEs. The study used structured questionnaires and interview guides as the primary data collection tools. The qualitative tool following the data collection method describe above was the key informant interview guides. Structured interviews were the quantitative data collection methods used in this study. Key informant interviews were used to collect qualitative data. The qualitative tool was the key informant interview guides. The data was analyzed using SPSS 22. Thematic analysis was used to analysis qualitative data.

The majority of the respondents representing their SMEs reported having easy access to finance when need (n = 112, 93%).About three quarters of the received training in the different areas of investment from BDF (n = 96, 76.5%). The majority of the respondents mentioned that BDF had guaranteed their SMEs a loan at some point in time (n = 111, 92.5%), and for about half of those who had been guaranteed a loan, the percentage of the loan BDF guaranteed was less than 50% (n = 55, 49.5%). Still for those who had been guaranteed a loan, the guarantee period give to the majority of their SMEs was less than five year (n = 103, 92.8%). The majority of the respondents (SMEs) reported that BDF had not coached and mentored them or other staff in the SME about business management (n = 81, 67.5%) and still the majority had not been provided with business advisory services in business management by BDF (n = 69, 57%).SMEs where staff had received investment advisory services from BDF were twice as likely to report easy access finance (AOR = 2.208, CI = 1.043 - 3.192). SMEs were staff had received business advisory services from BDF were four times as likely to report having easy to access finance (AOR = 4.405, CI = 4.405, CI = 2.013 - 5.416).

Generally, Small and medium sized enterprises in Kigali city and the southern Province have easy access to finance. The majorities of the SMEs in these areas are given loan guarantees, and are trained in business investment; however, the majorities do not receive mentorship and business advisory services from BDF. BDF has to some extent contributed to the ease of access to finance among the SMEs at majorly one front; this is the provision of advisory services (investment and business advisory).

Keywords: *Business Development Fund, Financial Access, Small and Medium Enterprises, Rwanda.*

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter presents the background, statement of the problem, Justification and significance of the study, objectives (General and specific), research questions, the study scope and the conceptual framework.

1.1 Background of the study

The Small and Medium Enterprises (SMEs) cover nonfarm economic activities mainly manufacturing, mining, commerce and services. There is no universally accepted definition of SME. Different countries use various measures of size depending on their level of development (Mbithe, 2013). Nonetheless, generally a small business is defined as a small scale entity that is independently managed by an owner manager in both its finance and operation and is also characterized by its small number of staff, limited financial resources and assets (Schaper, Volery, Weber, & Lewis, 2011). The Small and Medium Enterprises (SMEs) sector is internationally known as the driving force in economic growth and employment creation. SMEs play an important role in creating employment and wellbeing (Harash, 2014). In many countries, small and medium enterprises comprise more than 90% of all businesses (on average) (Alliance for Financial Inclusion, 2016).

By creating employment and fostering economic growth, SMEs have enormous potential to assume a greater role in the economy. As recently reported by the International Labour Organization (ILO), SMEs create 67% of global employment, regardless of a country's income level or size of its region. Having a strong, vibrant, competitive and resilient base of

SMEs is key to enhancing wealth creation and social well-being, but to fully achieve that, SME need to have sufficient and easy access to finance (World Bank, 2013; Beck, 2008). With sufficient funds, SMEs can prosper, expand and have a greater impact on the economy through higher tax contributions, job creation and employment. The unanimous adoption of the Maputo Accord by Alliance for Financial Inclusion members at the 2015 Global Policy Forum also reinforced the importance of access to finance for SMEs "in driving employment, economic development and innovation." (Alliance for Financial Inclusion, 2016).

Increased access to finance for SMEs can improve economic conditions in developing countries by fostering innovation, macro-economic resilience, and GDP growth (Beck & Demirgiic-Kunt, 2008). According to Bharti and Shylendra (2011) access to capital is critical in the promotion of entrepreneurship development particularly microenterprises. Similarly, Muktar (2009) stated credit as a precondition to the growth of enterprises. Yet, in most developing countries, the majority of SMEs are unable to acquire the financing they need to reach their potential (Harelimana, 2017).Small and Medium Enterprises (SMEs) are commonly believed to have very limited access to deposits, credit facilities and other financial support services provided by formal financial institutions. Access to finance is necessary to create an economic environment that enables firms to grow and prosper. 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 and lack of experience within financial intermediaries (*Ibid*).

According to ABDG (2011), one of the factors limiting the survival and growth of small and medium enterprises (SMEs) is non-availability of debt financing. This is because these SMEs cannot provide the necessary collateral security demanded by these formal institutions and also, the banks find it difficult to recover the high cost involved in dealing with small firms.

In addition to this, the associated risks involved in lending to MSEs make it unattractive to the banks to deal with micro and small enterprises (World Bank, 2013; World Bank, 2004).

A World Bank Group (2015) study suggests there are between 365-445 Million MSMEs in emerging markets: 25-30 million are formal SMEs; 55-70 million are formal micro enterprises; and 285-345 million are informal enterprises. Formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to World Bank estimates, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, most formal jobs are generated by SMEs, which also create 4 out of 5 new positions. However, SMEs are less likely to be able to obtain bank loans than large firms; instead, they rely on internal funds, or cash from friends and family, to launch and initially run their enterprises (World Bank group, 2015).

About half of formal SMEs don't have access to formal credit (World Bank group, 2015). The financing gap is even larger when micro and informal enterprises are taken into account. Overall, approximately 70% of all micro, small and medium-sized enterprises (MSMEs) in emerging markets lack access to credit. While the gap varies considerably region to region, it's particularly wide in Africa and Asia. The current credit gap for formal SMEs is estimated to be US$1.2 trillion; the total credit gap for both formal and informal SMEs is as high as US$2.6 trillion (World Bank group, 2015).

Since pre-colonial and after colonial, Rwanda efforts have been directed towards the poverty eradication, economic growth and development, through agriculture commercialization, tourism and industrialization. In relation to this and through the Private Sector Foundation the country has focused on sustainable development through small business development (RDB, 2014).

Governments, particularly financial regulators like those of Rwanda, have established various measures, programs and schemes aimed at providing SMEs with better access to financing. The motivations of these initiatives may differ depending on the stage of a country's financial sector development, its specific short- and long-term goals and the diverse needs of SMEs (AFI, 2016). The implementation of programs and schemes, including prioritizing and sequencing various measures, are also influenced by the available resources in a country, both financial and non-financial (*Ibid*). For the case of the Rwanda, the Business Development Fund (BDF) was set up to increasing access to finance for SMEs.

The Business Development Funds (BDF's) aim is to promote SME development through the provision of financial services to enhance the lending mechanism of financial institutions. As part of the financial infrastructure to promote SMEs, it was established in 2011 as a wholly owned subsidiary of the Development Bank of Rwanda (BRD), with the objective of assisting SMEs to access finance with ease, particularly those without sufficient collateral to obtain credit from traditional financial institutions at reasonable rates (Kantengwa, 2015).The BDF conducts a number of activities including guaranteeing loans for SMEs, and providing financial education services to SMEs in Rwanda. The SME sector, including formal and informal businesses, comprises 98% of the businesses in Rwanda and 41% of all private sector employment (Minicom, 2010; OECD, 2011).

1.2 Statement of the problem

Despite improvements in the past decade, a considerable section of Rwandan SMEs are faced with several challenges in accessing financing (MINICOM, 2016). A very recent study by Harelimana, (2017) showed 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 with internal sources, implying that some of the SMEs rely on internal revenue sources and most probably due to a myriad of hurdles in access. In addition, most SMEs are faced with difficulties in consolidating capital and creating business plans to qualify for lending from commercial banks and microfinance institutions, they lack skills and capacity and often lack the ability and resources to gather and process market information outside of what is immediately relevant to their current business due to lack of technical knowledge and training on how to make use of this information (Access to Finance Rwanda (2012). According to the Ministry of Trade and Industry (2016) SMEs in Rwanda lack an understanding of the local, regional and international market in which they operate, limiting their ability to take advantage of potential market opportunities. They do not have the resources or time to spend gathering and understanding market information that would be useful to their operations.

This is despite of the fact that the government set up the Business Development Fund, whose chief objective was to increase and make access to finance easy for small and medium enterprises and in addition educate SME staff in issues of financial management meant to increase their skills and capacity to gather and process market information. No study has however been to done to assess the role of BDF in increasing finance access among SMEs, hence a significant knowledge gap.

1.3 Objectives of the study

1.3.1 General objective

To assess the contribution of the Business Development Fund to the ease of access to finance by Small and Medium Enterprises in Rwanda.

1.3.2 Specific objectives

1. To determine the level of ease for access to finance among Small and Medium Enterprises facilitated by the Business Development Fund in Kigali City and the Southern Province
2. To establish the nature of services received from the Business Development Fund by Small and Medium Enterprises in Kigali city and the Southern Province
3. To determine the contribution of Business Development Fund services to the ease of access to finance among Small and Medium Enterprises in Kigali City and the Southern Province

1.4 Research questions

1. What is the level of ease of access to finance among Small and Medium Enterprises facilitated by the Business Development Fund in Kigali city and the Southern Province?
2. What is the nature of services received from the Business Development Fund by Small and Medium Enterprises in Kigali city and the Southern Province?
3. What is the contribution of Business Development Fund services to the ease of access to finance among Small and Medium Enterprises in Kigali city and the Southern Province?

1.5 Significance of the study

The Rwandan government in a bid to foster further economic development through a firm SME sector, set up the Business Development Fund so that SMEs can have easy access to finance with no or minimal hurdles. The BDF also has a mandate of educating SME personnel about financial management, planning and other economic matters. This fund has been in place for a number of years, however, currently there is some evidence that most SMEs in the city of Kigali still rely on only internal revenue and others rarely seek external revenue of capitalization. This therefore required that the contribution of BDF to access to finance by SMEs be studied, since no study has been done as yet with that endeavor, which made the current study rational.

The results of this study will be of great significance to the Business Development Fund as it showed which BDF activities have a significant and positive contribution towards access to finance among SMEs facilitated by BDF in Kigali city and the Southern province. With that information, BDF will be informed about which activities should be strengthened in order to achieve its goals. Business Development Fund will also be informed about the current level of access to finance among SMEs under its jurisdiction, and with that they might be stimulated to come up with appropriate interventions meant to increase access to finance among the SMEs.

Given that the study was among the first few which have assessed the contribution of the Business Development Fund to ease access to finance among Small and Medium Enterprises in Kigali - Rwanda, it will serve as a source of baseline information for other future studies that will be conducted in the same context.

1.6 Scope of the study

1.6.1 Geographical scope

The study was done among Small and Medium Enterprises who are the direct beneficiaries of BDF in Kigali and the Southern province. Two specific districts were included in Kigali (Gasabo and Kicukiro) and two in the Southern Province (Muhanga and Kamonyi) districts.

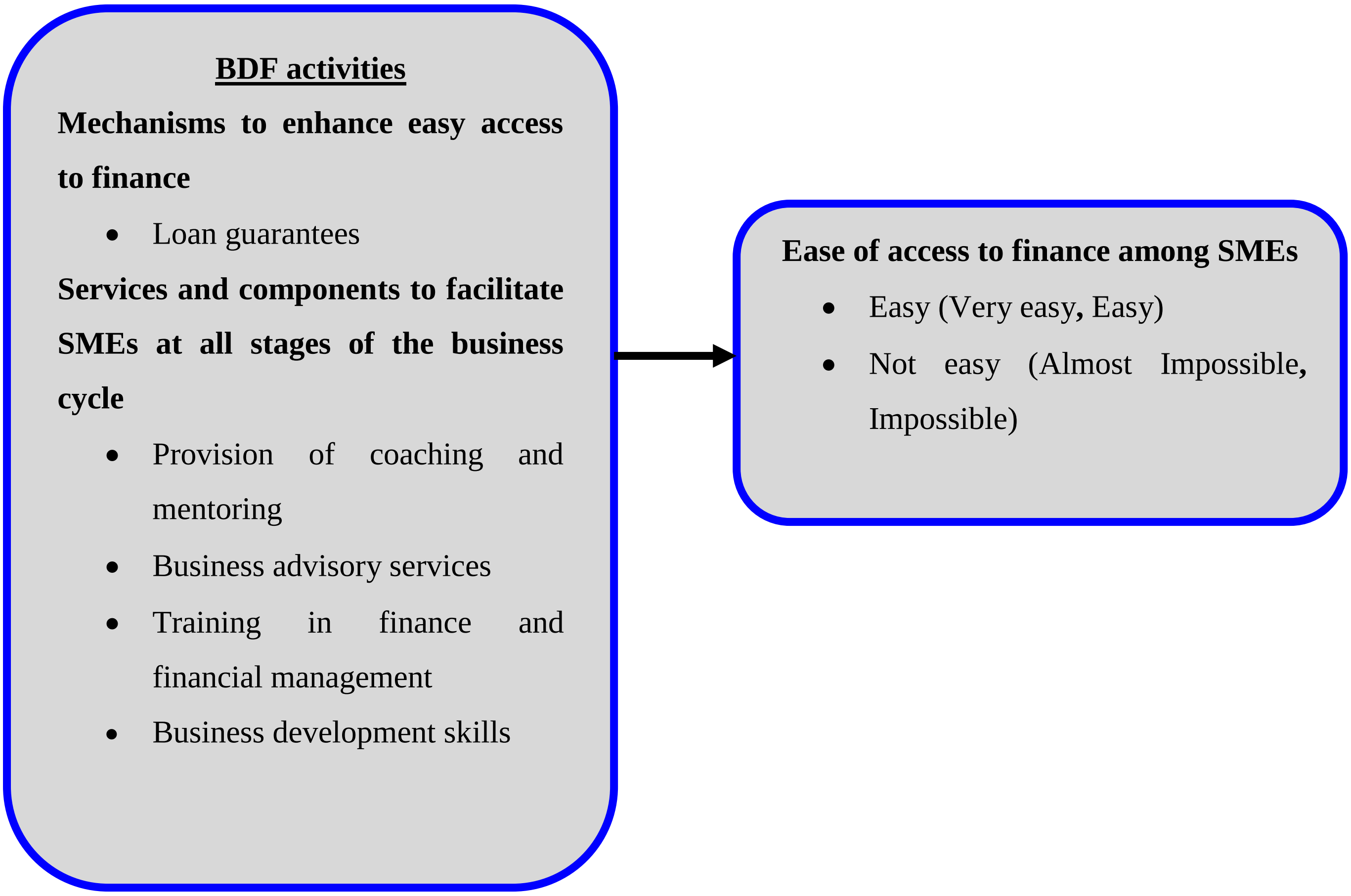
The Establishment Census revealed that 92.6 percent of all establishments in Kigali can be classified as being micro in size. Establishments with only one worker account for 72.2 percent of the total. The larger the firm size the fewer the number of establishments, with 6.9 percent small-sized establishments, 0.4 percent medium-sized and0.1 percent large-sized (0.1 percent) existing.

1.6.2 Content scope

The study was restricted to establishing the relationship between Business Developing Fund Activities including; Mechanisms to enhance easy access to finance (loan guarantees) and Services and components to facilitate SMEs at all stages of the business cycle (provision of coaching and mentoring, business advisory services, training and business development skills) and access to finance among SMEs in Kigali.

1.7 Conceptual framework

The BDF mission, vision, and goals, clearly state that BDF will achieve its goals through the use of two major activities among others, one is; through establishment of **mechanisms to enhance easy access to finance** and second is the provision of **Services and components to facilitate SMEs at all stages of the business cycle. Given that the aim of the study was to "**assess the contribution of the Business Development Fund to the ease of access to finance among Small and Medium Enterprises in Kigali city and the Southern Province", it is those activities above that the study based on as being done by BDF and as such they constituted the independent variables as shown in the figure below.



Source: Researcher developed from literature

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature review in this chapter is strictly aligned to the objectives of the study, and specifically to the contribution of the activities of financial organizations to access to finance among Small and Medium Enterprises. Since literature on the contribution of the BDF to finance access is meager, some literature has been cited in generic terms. The literature search was conducted according to a pre-specified protocol available from the investigators. I conducted an initial search on various databases and Journals using an enhanced filter in consultation with an information specialist.

2.1 Operational definitions

Access to finance: A situation in which a borrower is able to obtain some amount of capital (in cash or in kind), regardless of his/her willingness to pay a higher price for credit (interest rate at which a loan is granted) from the particular source of capital, though he/she may choose not to borrow

Ease of access to finance: This referred to the level of simplicity of accessing finance among SMEs. Access to finance was regarded as easy if the respondents of this study reported that it was either "Very easy or "easy" to access finance.

Contribution: According to the Concise Oxford Dictionary, to contribute is to help to cause or bring about something. In this study, the term was operationalized as referring to how the activities of BDF help bring about ease of access to finance among SMEs.

SMEs: A small scale entity that is independently managed by an owner manager in both its finance and operation and is also characterized by its small number of staff, limited financial resources and assets

Business advisory services: This term was used in this study to refer to assistance provided to owners and managers of small and medium enterprises which can help them improve in their performance

2.2 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, 2015).

Objective indicators of access used by the World Bank Enterprise Survey of 2008 included whether the firm has any credit products (e.g. overdrafts, loans or line of credit), loan applications and rejections, percent of finance for working capital and investment, and interest rate. Subjective indicators of access include whether the firm claims access is one of the top three obstacles and whether the firm states “no need for a loan” as a reason for not applying for a loan. In World Bank Enterprise Surveys (World Bank, 2012), only 36% of firms access external finance, and, even in OECD countries, firm access only reaches 40%. The surveys show that most private investment is internally financed (68% overall), with just 17% financed by banks and 4.5% through equity. Notably, only 31% of firms in these surveys see access to finance as a major constraint, and only 16% say it is their most important constraint.

According to the EU-wide survey, published on 2 December 2015, access to finance is the most important concern of 10% EU SMEs (European Commission, 2016). 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).

On average, in 2015 SMEs perceived an improvement in the availability of bank financing. However, increases in the non-interest rate costs of financing and collateral requirements have been reported by SMEs. A similar development can be observed for other terms and conditions for bank financing. Furthermore, some SMEs do not even apply for bank loans because of fear of rejection, especially in Greece (37%) and Cyprus (17%)11.The approval rate for SMEs' bank loan applications has increased from 60% in 2014 to 67% in 2015 on average. Yet, rejection rates remain high in some EU countries such as the Netherlands (25%), Denmark (20%), Ireland (17%), Greece (16%) and Lithuania (15%) (European Commission, 2016).

In addition to the problem of loan applications being rejected, some businesses receive less financing than requested or decline loan offers due to their high costs and/or tight conditions.

As a result, over a quarter of SMEs do not get most of the financing they ask for from their banks.

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%).

SMEs play an important social role in Central Asia as well and have a large economic potential. SMEs are an important source of employment in that region, although the share in employment significantly varies from country to country. SMEs employ 22.3% of the workforce in Kazakhstan and 14.8% in the Kyrgyz Republic (OECD, 2012a). SME contribution to GDP remains low. Estimates vary across Central Asia from 1.3% of GDP in Afghanistan3 to more than half of GDP in Uzbekistan based on official statistics, compared to the OECD average of 55% (OECD, 2012b). Despite their recognized role in the economy, SMEs still face a number of obstacles to growth and development, especially in obtaining access to financing. In the first Central Asia Competitiveness Outlook (OECD, 2011) the OECD conducted an assessment on the level of reforms in access to finance policies based on the government and private sector perception in all seven countries. The assessments of both the government and the private sector indicate that there is room for improvement in a number of policy measures. Major obstacles to SME growth have been identified as weak regulatory frameworks, limited access to bank finance and few other alternatives for financing start-ups and young SMEs (OECD, 2013).

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, 2013).

2.3 Services provided by financial organizations to Small And Medium Enterprises

One of the major difficulties of SMEs is accessing capital from banks and credit institutions. One reason for this is the lack of collateral. In addition, banks and financial institutions find it difficult to evaluate the creditworthiness of SMEs. 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 and Dizkirici, 2012; Saldana, 2000). Credit guarantees are the most popular measure accepted as an effective and more market-friendly tool (Tunahan and Dizkirici, 2012; Zecchini and Ventura, 2009; Kuo, Chen and Sung, 2011; Back et al, 2010). 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'' (Deelen and Molenaar, 2004: 11). 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).

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, 2016).

Green (2003) 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 (2001) notes that since the above classifications are related to different aspects, they are not mutually exclusive. Any specific guarantee fund combines features of the various typologies (Deelen andMolenaar,2004). Public guarantee schemes represent the majority in developing countries, while mutual guarantees are more widely used in high-income countries (Beck et al,2008).

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 ‘unbankable’ by 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. Microfinance institutions (MFIs) also develop new techniques and methods (processes) to ensure that the services both reach the targeted clients and yield profits. They innovate in terms of rules and procedures to ensure clients' repayment. This includes training policies and human resource management practices which aim at modifying financial facilities and structuring the working units to provide services.

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 (Nugroho & Miles, 2009).

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).Bangladesh Bank for instance recently implemented the “Skill for Employment Investment Program (SEIP)” with financial support from the Asian Development Bank (ADB) and the Swiss Agency for Development and Cooperation (SDC). The project aimed to train 10,200 people in the three years and each course had a separate module on MSMEs (Alliance for Financial Inclusion, 2016).

Meanwhile, Bank Negara Malaysia (BNM) conducts regular outreach and awareness programs, including some in collaboration with financial institutions and other agencies. BNM has a dedicated SME Promotions team that regularly participates in events, seminars and exhibitions nationwide. Depending on the attendees and the focus of the events, financial education topics are routinely included. Bank Negara Malaysia also initiated the Train-the-Trainers Programme on SME Financing (TTT), in collaboration with the associations of financial institutions, such as SME Corporation Malaysia, Credit Guarantee Corporation Malaysia Berhad, Credit Bureau Malaysia Sdn. Bhd. and Agensi Kaunseling dan Pengurusan Kredit.

The TTT program trains a pool of financial institution officers nationwide to become trainers and conduct a series of briefings for internal staff and training sessions for SMEs (AFI, 2016). The program wasand still is part of a continuous effort to enhance the capabilities of financial institutions to deliver quality advisory services and address the information gaps SMEs face. The program will increase the awareness and knowledge of SMEs on the availability of various funds and financing schemes, capacity building initiatives, financial and advisory services and improve their understanding of financing requirements (*Ibid*).

The member country survey by AFI (2016) revealed the majority of regulators are not involved in the process. However, four of the 22 countries indicated there were policies or regulations in place to assist MSMEs experiencing difficulties repaying their bank loans. In Malaysia, a dedicated scheme was established to encourage banks to be more flexible and attentive to the needs of MSMEs in difficult times, particularly those with viable businesses, and allow entrepreneurs to focus on turning around their business performance and becoming more sustainable. To provide a holistic and conducive financing ecosystem for MSMEs, Bank Negara Malaysia established the Small Debt Resolution Scheme (SDRS) in 2003 with the aim of providing assistance to viable MSMEs in all economic sectors with impaired financing or those facing difficulties with financing from multiple banks. In essence, the SDRS facilitates the rehabilitation of problematic financing accounts, either through restructuring or rescheduling an MSME's existing financing facilities.

According to Ledgerwood (2009), some MFIs provide financial and social intermediation services such as the formation of groups, development of self confidence and the training of members in enterprise development. The services provided by MFI included: marketing and technology services, business training, production training and subsector analysis and interventions. Enterprise development services can be sorted out into two categories (Karlan and Valdivia, 2006). The first was enterprise formation which is the offering of training to persons to acquire skills in a specific sector such as weaving and as well as persons who want to start up their own business. The second category of enterprise development service rendered to its clients is the enterprise transformation program which was the provision of technical assistance, training and technology in order to enable existing SMEs to advance in terms of production and marketing (Bennett, 2007).

Business advisory services are range of consulting services provided to owners and managers of small and medium enterprises which can help them improve in their performance (Kubr, 2002). In SME Business advisory services of may be offered by financial advisors to businesses and high net worth individuals who require specialized advice on capital formation, cash flow and wealth management. Advisory clients pay fees based on services provided or as a percent of assets under management (Business Dictionary, 2016). According to a survey carried out by the Asian Development Bank (2009) on fostering dynamism in MSEs in Asia, MSEs can be helped to adopt technologies and enter into new markets by the government by providing information and business advisory services on improved production methods, products, markets, technical support and vocational training. The government can also foster links between MSEs and large enterprises and encourage cluster-based development whereby many enterprises that make and sell related or complimentary products are grouped in close proximity with their suppliers and buyers. Business advisory services enhance innovation, higher production and human resource management. Innovation leads to technology development, intellectual property diagnostic and business thinking design. It also leads to high production involving quality management, production management and service excellence. Innovation further leads to human resource management which entails manpower planning, recruitment and selection, compensation and benefits, performance management, career management, learning and development of employees.

2.4 The relationship between services provided by financial organizations to Small And Medium Enterprises and ease of access to finance

Financial Organisations render advisory services to Small Enterprises to aid them act upon the advice thus enable them grow in business. They are taught how to introduce simple accounting and record keeping in their operations because most Small Enterprises do not keep accurate record of business which often leads to business failure mostly due to inability to access finance with ease. Financial and non-financial services are complementary, increasing the chances that a client will achieve the outcomes that financial services are designed to provide and therefore making it more likely that the client will repay a loan, make savings deposits, pay an insurance premium, and therefore contribute to the financial performance of an SME (http://www.microfinancegateway.org (2010).

Effective collateral regimes can contribute to SME finance by reducing the risks and losses of lenders when providing loans based on collateral. Reliable and properly enforced bankruptcy laws, property rights, creditor's rights, collateral registration are thus important elements to encourage banks to lend based on collateral and to ensure creditors' claims on assets in case of default (OECD, 2013). Nevertheless, a number of creditworthy SMEs will still not receive a bank loan because they lack collateral or have collateral that cannot easily be assessed by banks (e.g. intellectual property). In such cases, credit guarantee schemes, equity finance and other instruments which target firms with high cash flow potential could help to provide easier access to finance (OECD , 2013).

There is a general belief that loan guarantees can address small enterprises' credit constraints by improving both the access to credit and its terms. However, analysts (D'Ignazio and Menon, 2013; Tunahani and Dizkirici, 2012) argue that the empirical evidence on the effectiveness and real effects of credit guarantee programs is inconsistent. Studies

(Mafimisebi et al, 2010; Craig et al, 2007) 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, 2003).

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 ‘‘additionality 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, 2000). This definition however emphasizes financial additionality. In short, financial additionality measures the direct effect of the intervention of the CGS on the relationship between the bank and the firm (Panetta, 2012). Authors (Green, 2003) claim that the presence of guarantees may improve the loan conditions, which can be taken as another form of financial additionality. These include a longer repayment period, larger loan size, a less stringent collateral requirement, larger loan size, interest rate reduction, faster loan processing time, and providing loans on a more-timely basis. CGSs ultimately aim to achieve economic additionality, which refers to the improvements achieved among the borrowers and in the overall economy.

Different factors influence lenders decisions in granting loans to their customers. These factors can be internal or external factors. Before lending institutions like banks consider granting loans to their customers, internal factors like prime interest rate, volume of deposits, domestic and foreign investments, banks liquid ratios, managerial policies, prestige and public recognition of the banks, etc. are accessed by their credit officers (Haron, Said, Jayaraman and Ismail, 2013). Apart from the banks own internal assessment of their own capacity to grant loans to their customers, other literatures show that character, capacity, condition and collateral of customers are the external factors that influence loan decisions by credit officers (Haron et al., 2013, Mahanty 2015, Alliance Bank, 2016). Character, capacity, and condition are SME traits that are imparted into SMEs by financial service support organizations.

Management character is one of the key things that influence loan decisions by banks. Character is the assessment of the likelihood of firms in fulfilling and honoring their credit obligations. Banks assess the key management and business style, business plan, succession, age and health of the business. They seek to know and understand the firm's business experience, past, present and future projects and investments. The firm's past credit repayment records, credibility and commitment to business is evaluated (Haron et al, 2013). 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, 2016.).

Banks are uneager to grant loans to SMEs because of the uncertainty in their management forecasts (Haron et al., 2013). 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. 2013). Cash flow shows how current cash expenditure corresponds to cash revenue generated by the business. Cash flow cycle from the purchase of inventory through to accounts receivables is key factor banks use to evaluate firms before granting most short-term and working capital loans to firms. Cash flow and income statement assessment gives the lender knowledge into the firm's market demand, management competence, business cycles and relevant changes of the business operations over time (Alliance Bank, 2016). This means that if an SME has received business advisory services in that regard they 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, 2014; Coleman, 2000). These, for example, include new and technology-based propositions for which market intelligence will be limited and asymmetric information is more acute. At an early stage, information is limited and not always transparent and assets are often knowledge based exclusively associated with the founding entrepreneur.

Especially with manufacturing or technology based firms, entrepreneurs may be reluctant to provide full information about the opportunity because of concerns that disclosure may make it easier for others to exploit. In addition, there may be asymmetries arising from location as well as sector. For example, owners of SMEs in rural environments may face difficulties with access to bank finance (OECD, 2008). However, many non-financial constraints inhibit the success of such enterprises. SME owners are reluctant to be transparent or open up their businesses to outsiders. They seem to be unaware of their obligations and responsibilities they have toward capital providers, and the need to acquire or seek support for technical services like accounting, management, marketing, strategy development and establishment of business linkages (Mensah, 2004)

According to Siharath (2013), the problems hampering banks in their lending to SMEs link to the country's slow development in the financial sector due to its lack of experience and ineffective financial management. Financial sector policy distortion is a critical indicator that discourages extending loans to the small business segment. Inadequate and unreliable business information is another factor, given the poor credit information affecting the ability of banks to identify sound information about small borrowers and their repayment abilities. A lack of good credit records creates barriers in terms of cost and time for loan management and risk assessment process. In addition, sluggishness in banking reform and the domination of state owned commercials banks undermine the confidence of foreign banks in terms of receiving equal treatment in the market. Legal and regulatory constraints implied by weak enforcement on the use of movable collateral are critical factors disadvantaging SMEs in acquiring bank loans. As a result, banks remain risk adverse to the SME sector, situation that could also be linked to lack of business advisory services.

Furthermore, the problems of accessing external finance for SMEs are associated with a lack of business capacity development and limited competencies by entrepreneurs. Numbers of businesses still engage in low productivity and informal activities. In addition, even though SMEs are recognized as the growth engine for socio-economic development, their limited access to finance remains a challenge compared to larger firms (Siharath, 2013). Although

SMEs are granted credits by banks, their lending is usually in short supply, high interest rates and high collateral coverage. The lack of ability to fulfill the bank requirements which is more common for SMEs that are supported by financial organisations cause them to rely heavily on the non-bank sources.

Yesseleva (2013) posits that it is a prerequisite for the efficient allocation of resources by market forces, that all participants share the same relevant information. This is not the case in financial markets. Borrowers will always know more about the viability of their projects and their ability and willingness to repay than lenders (Cofie, 2012). The lenders are thus faced with uncertainty about both the expected rates of return of the project they are financing and the integrity of the borrower. This uncertainty increases with the length of the loan. Borrowers face difficulties in transmitting information about their projects to lenders, as lenders will suspect them of underestimating the risks of failure.

Karlan and Valdivia (2006) find that microfinance clients subjected to the training programmes are more likely to maintain a clean repayment record compared to untrained clients. They argue that this results from the improved business outcome, which on average is 16 percent higher for trained clients in terms of sales. The results are however not similar to other business outcomes such as profit margins and change in the number of employees. Nor are there significant changes in loan size and cumulative savings due to training. In a different study carried out by Henriken and Svoldal (2010) on the impact of providing business training to microfinance clients in Tanzania, the study uncovered that training was not reflected on the entrepreneur's profits. The general judgment was that business training leads to shifts towards business structures that are associated with higher profitability. This is because entrepreneurs with business training have more often become multiple-business owners (Karlan and Valdivia, 2006). Second, the entrepreneurs offered business training have increased their engagement in commerce at the expense of engagement in manufacturing. Parallel to this, the bulk of indicators rank commerce as the most profitable sector and manufacturing as the least profitable sector, especially in terms of profit per working hour (Bennett, 2007). Taking into account working hours, it is therefore confirm that business training enhances movements away from the least profitable sectors and towards the sectors associated with higher profits (Legerwood, 2009). Any better predictors of the future business environment are however difficult to find, and the micro entrepreneurs are also restricted to the available market information when they evaluate the profitability of different business practices. In view of this, the entrepreneurs with business training have more often exploited the profit opportunity of operating successful businesses compared to the least profitable ones (Henriken and Svoldal, 2010).

Entrepreneurship training can equip business owners with all the necessary tools that can hinder them from obtaining loans. Existing businesses with part of their capital being equity is preferred by most MFIs to work with since the level of involvement is high and consequently lower risk (Ledgerwood, 2009). Enterprise development services are not a prerequisite for obtaining financial services and they are not offered free of charge. These charges are sometimes subsidized by the government or an external party since to recover the full cost in providing the services will be impossible by the MFI (Bennett, 2007). The enterprise development services may be very meaningful to businesses but the impact and knowledge that is gained cannot be measured since it does not usually involve any quantifiable commodity. It has been observed that there is little or no difference between enterprises that receive credit alone and those that receive both credit packages and integrated enterprise development services (Ledgerwood, 2009).

2.5 Literature gap

The chapter presented literature on the aspects of ease of access to finance among small and Medium Enterprises, Services provided by financial organizations to Small And Medium Enterprises, and The relationship between services provided by financial organizations to Small and Medium Enterprises and ease of access to finance. However, it is clear that there is little literature on these aspects that apply to the context of Rwanda. Secondly, there is meager literature, on the actual ease of access to finance among SMEs, most empirical literature covers general access to finance among SMEs.

CHAPTER THREE

METHODS

3.0 Introduction

This chapter introduces the research design and methodological paradigm that the research followed in executing the research. It provides a description of the research design, defines the population, sample size calculation, data sources, sampling procedures, the data collection methods, data collection tools, quality control techniques, and the ethical standards that were observed.

3.1 Study design

The study adopted a mixed methods approach. The central goal of mixed methods research is to maximize the advantages of quantitative and qualitative research and to ensure that disadvantages are minimized (Gelo et al., 2008). Mixed methodology helps enrich the research design, data collection, and data analysis. In such type of research, the data collected from quantitative and qualitative methods may help provide interpretation for a survey, form a sampling frame, add to the development of the survey, and increase return rate (Sieber, 1973). That is why such an approach was used, and in addition, the mixed method research includes the benefits of converging or corroborating of findings and minimizing alternative explanations for findings (Johnson and Turner (2003). The study relied on both quantitative (cross sectional) and qualitative methods. In quantitative research, the collected data are measurable, often systematically standardized, and easily presented in a short space of time. Creswell (2009) explains that the purpose of quantitative research is to test a hypothesis concerning the relationship between variables under investigation in the study. This was the case for this study in that, the main aim was to assess the contribution of the Business

Development Fund to the ease of access to finance among Small and Medium Enterprises in Kigali city and the Southern Province.

On the other hand, qualitative research using key informant interviews was also done to elicit in depth opinion from some officials in the Business Development Fund. Qualitative research takes place in the natural environment of the subjects, with the researcher not attempting to control or modify the environment for research purposes. In addition, the researcher interacts with the subjects in the data collection and analysis process, which introduces a greater degree of subjectivity into the research method when compared to quantitative methods.

3.2 Data sources

This study relied on both primary and secondary data. Primary data is data observed or collected directly from first-hand experience; in this study, this was obtained from interviews that were conducted with the personnel in SMEs that are facilitated by BDF and key informants. Secondary data was obtained from relevant literature source like publications and reports on finance and SME financing.

3.3 Study population

Population refers to the entire group of people, event or things of interest that the researcher wished to investigate, and it forms a base from which the sample or subjects of the study was drawn (Bryman, 2008). In this case, the study population was personnel of SMEs that are facilitated the Business Development Fund in Kigali city and the southern province. They included directors, managers, and owners of those SMEs. Only one respondent was sampled per SME.

Inclusion criteria

- Those who consented to participate in the study
- SME personnel who had been part of the respective SMEs for at least 6 months

Exclusion criteria

- The study excluded SME personnel who did not meet any of the inclusion criteria

3.4 Sample size calculation

Quantitative sample

An estimate of the number of SMEs that are facilitated by BDF in the districts of Gasabo, Muhanga, Kacukiro and Kamonyiwas available. The researcher therefore used the finite population formula as per (Fernando Russels, May 2012) to estimate the sample size as follows:

$$n = \frac{NZ^2P(1-P)}{(N-1)\ e^2 + Z^2P(1-p)}$$

Where;

N is the finite population size = Total number of SMEs facilitated by BDF in the four districts of Gasabo, Kamonyi, Muhanga and Kicukiro = 3611 (BDF records, 2016)

n is the determined sample size

e is the precision of estimate or the margin of error

P is the proportion

1 is the complement of the proportion

Z^2 is the square of the standard normal probability value

To obtain the sample size, the substitution of the parameters has been done as follows

$$\frac{3611\,(1.96)^2(0.5 \times 0.5)}{(3611 - 1)\,(0.05)^2 + (1.96)^2(0.5 \times 0.5)}$$

n = 347 SMEs and thus respondents

However, the accessible population was 120 respondent's due to a number of contraints, and these were the ones considered

Qualitative sample (Key informants)

The number of key informants was not calculated; rather it was determined by the principal of data saturation whereby key informants were interviewed until saturation was reached

3.5 Sampling procedures

Non probabilistic sampling techniques were used to sample both the study districts and SME personnel who participated in this study. This was because of the relatively small target population size relative the required sample size that was calculated and because of the scattered manner of the respondents in that each was located singly at a distance between the other. Hence using random sampling methods would not be so feasible and it would have eliminated some items, thus hindering achievement of the sample size. Purposive sampling was used to sample two districts in Kigali city and two districts from the southern province. Purposive sampling is a non-random sampling technique that uses a range of various ways to locate possible participants based on subjective judgments or bias by the researcher to answer the research question(s) as well as to meet the objectives of the study (Saunders et al., 2009).

The districts were purposively sampled on the premise that they harbor a relatively higher number of SMEs facilitated by BDF, these were; Gasabo and Kacukiro in Kigali city; Kamonyi and Muhanga in the southern province.

To facilitate the process of sampling the specific SMEs, BDF availed the researcher with a list of SMEs in the four districts. To locate these SMEs, the researcher used convenience sampling. This a type of sampling in which the researcher samples study elements basing on ease of access to each particular one. In other words, for this study, the researcher sampled one SME, and thereafter proceeded to the nearest SME after the one previously sampled, until the required sampled size was reached. This sampling methods was used because as earlier mentioned, the SMEs were situated at a distance from each other, and because the sample size required was relatively yet the target sample size in the four districts was not that big, as such, a random methods was not used so as to meet the required sample size.

The sampling method used in this study is also referred to as judgmental sampling because only a few cases are selected based on the researcher's choice of which subjects will be most representative of the research population (Babbie, 2011a). It is most appropriate when selecting unique cases such as a skilled or specialized population (Saunders et al., 2009; Neuman, 2011). In other words, the participants are identified and selected according to how they fit the purpose of the study. With respect to this study, people who were holding key positions in the SMEs facilitated by BDF were purposively sampled.Only one person was sampled per SME as a representative.

The same applied to key informants, they were sampled purposively, on the premise that they are staff of the Business Development Fundwho are mandated to directly provide services to SMEs in the four districts.

3.6 Data collection methods

Structured interviews were the quantitative data collection methods used in this study. The aim of the structured interview approach was to confirm that each interview was offered with exactly the same questions in the same order (Trueman, 2015). Using structured interviews to collect quantitative data guaranteed that responses from the respondents could be reliably collected and that comparisons can be made with confidence between sample subgroups or between different survey periods. All respondents were asked the same questions in the same manner. This made it easy to replicate the discussion. In other words, this type of data collection method was easy to regulate and thus increased accuracy of the responses. Data was collected over a month's period. During the structured interviews, the interviewer asked a certain number of specific questions, without additional probes or prompting questions (Brink et al., 2006).

Key informant interviews

Key informant interviews are qualitative in-depth interviews with people who know what is going on in the community. The purpose of key informant interviews is to collect information from a wide range of people including community leaders, professionals, or residents who have firsthand knowledge about the pertinent issue being studied (Creswell, 2008). For this study, the key informants were staff of the Business Development Fund who are mandated to directly provide services to SMEs in the four districts (Gasabo, Muhanga, Kacukiro and Kamonyi). The number of key informant interviews was guided by Saturation, which occurred when adding more participants to the study did not result in additional perspectives or information (Creswell, 1998). In this study, saturation occurred at the 10^{th} key informant. The key informant interviews were conducted face – to face with informants.

3.7 Data collection tool

Quantitative tool

Researchers have noted significant advantages of using questionnaires techniques. They are of relatively of low cost and that respondents have adequate time to give well thought out answers (Kothari, 2004). Among other advantages of Questionnaire is that it provide coverage of a large area of study, it is free from external influence and provide reliability and validity of the information. The study used structured questionnaires and interview guides as the primary data collection tools. The questionnaires were administered to the respondents (SME personnel) sampled. Mugenda and Mugenda (2003) depicts that the use of questionnaire method is advantageous because many of the respondents' information can be captured in an easy, quick and cost effective manner. The questionnaires were structured according to the objectives of the study with closed-ended questions in a way that the respondents could have a choice or choices.

It was designed with three sections, Section A had socio demographic characteristics of the respondents, Section B had questions assessing ease of access to finance, Section C had questions assessing the services provided to SMEs by BDF.

Qualitative tool

The qualitative tool following the data collection method describe above was the key informant interview guide. These tools were designed with only open ended questions so as not to restrict the respondents in giving their opinion.

3.8 Quality control techniques

Pretest of the Questionnaire

Prior to the study, the developed questionnaire was pre tested among 10 SMEs personnel in Rwamagana District. The researcher planned to pretest test the questionnaire in an area where similar characteristics of SMEs are, to ensure clarity of questions and consistence in methods of questioning and data collection procedures. The pretest also helped to ensure feasibility and clarifies questions, words and sentences that may be found to be unclear or requiring explanations. Furthermore it allowed the researcher to determine whether the intended data analysis could be carried out, and whether the data collected will help achieve the research objectives. However, there were no questions from the participants after addressing the questionnaire, the researcher went on to capture the data using SPSS in order to determine whether the intended data analysis can be carried out and whether the research objectives were achieved from the collected data.

Training of research assistants

Two research assistants with experience in survey data collection were trained for one day, participated in the pretesting and thereafter conducted the interviews under supervision. The training was done for one days on how to use the research instrument and the easier way to collect data from respondents. This was important the familiarization of the assistants with the research goals, questions and procedures and it gave them enough experience in collecting information in the field. Training was also provided for data collectors and supervisors on data collection procedures to ensure the quality of the field operation. The training was mainly focused on how to fill the questionnaire, make good interviews and field exercise were conducted. The issues which are relevance of the study, about confidentiality of the information, informed consent were also a part of the training.

Daily tool checks

On each day the principal investigator met with the research assistants to go through the questionnaire and find out whether they were all correctly filled. Any anomalies were corrected there and then such that they are not repeated the next day.

Chronbac alpha check

To ensure that the tool that was used to collect data was reliable, SPSS was used to calculated the Cronbach's Alpha. The results shown in the table below show that the tool was reliable given that the alpha is above 7.

Reliability Statistics	
Cronbach's Alpha	N of Items
.754	20

3.9 Data analysis

Quantitative analysis

The data was analyzed using the same program with the latest Version of SPSS, version 22 (SPSS Inc., Chicago, IL, USA) complex samples procedures to account for the sampling design in the calculation of the association measures. The data was then transformed into percentages, tables, graphs and charts for easy visualization and interpretation. The advantage of using simple percentage, tables and charts is that it can easily be understood by ordinary readers.

Bivariate and multivariable models were run to assess any relationship between each independent variables (BDF services) and outcome variable (ease of access to finance) using Chi square test statistics were appropriate. Independent variables found to be significant with p-value less than 0.05 at the bivariate level were the ones that were included in a multivariable logistic regression model for the dependent variable to control potential confounding variables. Adjusted odds ratios were used to ascertain any associations between the dependent and independent variables while significance was determined using 95% confidence intervals.

Qualitative analysis

Analyzing qualitative data according to Biggam (2011) is “not a linear activity and requires an iterative approach to capturing and understanding themes and patterns”. Robson (2011; pp. 468) also contended that, analyzing qualitative data requires the “clear thinking on the part of the analyst” in order to make meaningful and useful presentation of data generated. This is mainly because qualitative data involves the analysing of words in the form of narratives or accounts from respondents (Ibid).

To easily analyze the data generated from this study, interviews interview guides used in study were designed according to themes to reflect the main objectives of the study and aid the easy analysis of data transcribed. Thus thematic analysis was used in the analysis. The data analysis was began by first assigning labels or codes to the words, paragraphs or phrases of interest from the data transcribed from the interviews, observations and the data from the open-ended questionnaires. Again, comments as well as reflections, which are usually referred to as ‘memos’ were added to the labels. The data collected were then focused into small sets of generalisation by identifying similar phrases, patterns, themes, sequence and relationships between the various phrases, paragraphs or words to form a sort of network of data consistency. The sets of generalisation were then linked to a formalised body of knowledge in the form of theories, literatures or constructs.

3.10 Ethical considerations

In order to protect human subjects in the conduct of this cohort study, ethical considerations were upheld as follows:

Authorization to conduct the research: authority to conduct the research was obtained from the ethical review committee of the University and subsequently the respective authorities at BDF headquarters.

The research participants were informed of the purpose of the research and what the data was used for. It was ensured that the 'ethical dilemma' was balanced to gather the data with the interests of the participants and that of the researcher considered. Openness and truthfulness was the key words to the participants about the research. Cook and Crang (1995) suggested that as a general rule "the researcher should do what the community requires as long as it does not compromise the researcher's own values and beliefs".

Informed consent has been defined by Diener and Crandall (1978) as: "the procedure in which individuals choose whether to participate in an investigation after being informed of facts that would be likely to influence their decision". The researcher did not force the respondents to take part in the study but rather their participation was voluntary. Sufficient information was given to the respondents about the research which enabled them to make up their minds as to whether to participate or opt out. Written and verbal consent (witnessed) was sought from participants.

Confidentiality and anonymity was ensured by avoiding writing names on the research tools, instead they were coded. Completed questionnaires were sealed in envelopes and stored in lockable cabinets to ensure safety and security. No person had access to the data except the researcher. To remain anonymous, no names were marked on questionnaires. Instead the questionnaires were coded to clearly identify participants per SME. Both names and codes appeared in consent forms mainly for verification reasons in case there was need to follow-up participants. However, the names of the participants were not mentioned in the research study findings to ensure both anonymity and confidentiality.

The elements of competence, voluntarism, full information and comprehension was rigidly adhered to and these elements gave the researcher confidence that the rights and welfare of participants was ensured. Also, the data protection principles was adhered to in conducting the study. All data gathered was collected and processed in a fair and lawful manner; the data collected will only be used for the study; the data are accurate, kept secure and not distributed to third parties; and finally the data was kept anonymous and destroyed after the report has been handed out.

Respondents were assured that participation in this study was totally voluntary, and that no incentives was to be given to them as a reward for participation. Participants were also told that they was free to withdraw from the interview at any time without the need to justify their decisions.

3.11 Dissemination plan

After completion, a copy of the thesis will be given to the university, and thereafter, the Business Development Fund will also be given a copy. A digital copy will also be prepared for publication online.

CHAPTER FOUR

RESULTS

4.0 Introduction

In this chapter the results of the study are presented in chronology with the study objectives and research questions. The results have been tabulated and also presented in statistical figures were appropriate.

4.1 Socio demographic characteristics

Table 4. 1: Socio demographic characteristics of the respondents sampled from the SMEs

Variable	Category	Frequency	Percent (%)
Age of respondent			
	20-27	6	5.0
	28-35	34	28.3
	36-42	39	32.5
	43-50	27	22.5
	More than 50 years	14	11.7
	Total	**120**	**100.0**
Gender of respondent			
	Male	84	70.0
	Female	36	30.0
	Total	**120**	**100.0**
Marital status			
	Married	101	84.2
	Single	15	12.5
	Separated	1	.8
	Widowed	3	2.5
	Total	**120**	**100.0**
Education level			
	Lower primary	8	6.7
	Upper Primary	43	35.8
	Secondary (O- Level)	30	25.0
	Secondary (A- Level)	15	12.5
	Post- Secondary Education	24	20.0
	Total	**120**	**100.0**

The results in the table above show the socio demographic characteristics of the respondents who were sampled. It is shown that many of the women had ages which fell in the age bracket of 36-42 year (n = 39, 32.5%) with a mean age of 34.8 years (SD = 7.1). The majority of the respondents were male (n = 84, 70%), and were married (n = 101, 84.2%). The greatest proportion of the respondents had been educated up to Upper primary level (n = 43, 35.8%).

Table 4. 2: Religion, Position in the SME and experience of working in SME

Variable	Category	Frequency	Percent (%)
Religion of respondent			
	Catholic	47	39.2
	Born again	19	15.8
	Muslim	6	5.0
	Protestant/Anglican	29	24.2
	Seventh Day Adventists (SDA)	9	7.5
	Restoration church	1	.8
	ADPR	9	7.5
	Total	**120**	**100.0**
Position in the SME			
	Director	17	14.2
	Manager	67	55.8
	Finance officer	1	.8
	Sole proprietor	35	29.2
	Total	**120**	**100.0**
Experience working with SME			
	Less than one year	20	16.7
	1 year -2 years	50	41.7
	3-4 years	30	25.0
	Five years	9	7.5
	More than 5 years	11	9.2
	Total	**120**	**100.0**

Further still, the results in the table above indicate that many of the respondents were Catholics by religion (n = 47, 39.2%) and more than half of them were SME Managers (n = 67, 55.8%). About a quarter of the respondent population had worked in their respective SMEs for a period spanning 3-4 years (n = 30, 25%)

4.2 Ease of access to finance

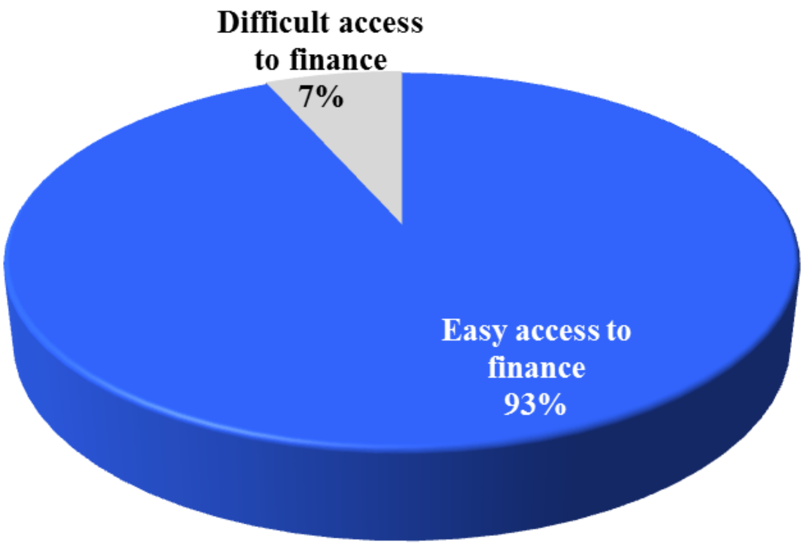
Table 4. 3: Attributes of ease of access to finance among the SMEs facilitated by BDF

Variable	Category	Frequency	Percent (%)
Current status of ease of obtaining a bank loan by SME			
	Very easy	29*	24.2
	Easy	83*	69.2
	Almost impossible	7	5.8
	Impossible	1	.8
	Total	**120**	**100.0**

***Values used to measure easy access to finance**

When asked about the ease of access to finance by the SMEs, the majority of the respondents reported that it was easy (n =83, 69.2%).

Figure 1: Ease of access to finance among Small and Medium Enterprises in Kigali - Rwanda



Taking the summation of respondents who had reported access to finance as being easy and very easy in table 2, it was computed that the majority of the respondents representing their SMEs reported having easy access to finance when need (n = 112, 93%)

Key informant interviews conducted among staff of the Business Development Fund in each of the four districts concurred with the findings in the figure above. All key informants were of the view that majorly, all SMEs who were being facilitated by BDF have easy access to finance. This is shown in the excepts below;

"It is steadily now increasing but initially it was so hard due to Sacco & Financial institutions that were not willing to work with BDF but the help of Government of Rwanda; now Banks, Saccos and MFIs are progressively working with BDF thus increasing SMES to access Finance. It is now becoming easy for any SME to access Finance through BDF Guarantee".

There has been a visible difficulty in accessing finance for SMEs in Rwanda, but a number of good programs that have been started by government and NGOs have helped to ease the access to finance issue. BDF is a good example of what the government is doing to address the issue of access to finance for SMEs in Rwanda.

One key informant in Kicukiro district, also in agreement added that;

"First of all in Kicukiro District these are many financial institutions which SMES request and access finance more than that there is BDF in Kicukiro District where it helps SMES to access finance by giving them guaranties & grant.

"It depends, for start- up projects it is not easy but for the projects done it is easy, but for now as BDF is there, things can be easy with poor mindset change".

"We (BDF) connect people with banks but is if those people are always work with banks. If they don't have account numbers is not easy to get loans. For youth is easy to get loans because there is no condition for them. They create account in their Saccos and we give them guarantee". Business Advisor

"BDF facilitate SME to access finance through guarantees and grants. Depending on the type of business, BDF pracide guarantees to SMES, so now almost all of them have easy access to finance". Financial Analyst

Another one added that:

"It has been easy, since most of the people lacked motivation to start business because of limited capital, hence this was a big a challenge for these SMEs, but due to the existence of institutive like BDF, the turn up of SMES has grown and people are now more confident to use the BDF guarantee". Business Advisor/Branch Manager

In Kamonyi district, the key informants their also reported that currently, many SMEs had easy access to finance, basing their views on BDF loan guarantee activities

"SMES can easily access finance in this District (Kamonyi) since there is SACCO in each sector and more other different PFIs can provide loans and also we (BDF) which provides guarantee and matching grants for the SMES to access finance easily" .Investment advisor

"It is easy for SMES to find access to finance since all sector have Umurenge SACCO and there is other MFIs and Banks also BDF is helping those providing guarantees and grants to facilitate easy access to finance".

4.3 The nature of services received from the Business Development Fund by SMEs

Table 4. 4: The nature of services received from the Business Development Fund by Small and Medium Enterprises in Kigali city and the Southern Province

Variable	Category	Frequency	Percent (%)
Received training in the different areas of investment from BDF			
	Yes	28	23.5
	No	91	76.5
	Total	**119**	**100.0**
BDF guaranteed SME a loan			
	Yes	111	92.5
	No	9	7.5
	Total	**120**	**100.0**
Percentage of the loan BDF guaranteed			
	Less than 50%	55	49.5
	50-75%	50	45.0
	More than 75%	6	5.4
	Total	**111**	**100.0**
Guarantee period that was given			
	Less than five years	103	92.8
	Five to ten years	6	5.4
	More than 10 years	2	1.8
	Total	**111**	**100.0**
BDF coached and mentored SME staff about business management			
	Yes	39	32.5
	No	81	67.5
	Total	**120**	**100.0**
Business advisory services by BDF			
	Yes	51	42.5
	No	69	57.5
	Total	**120**	**100.0**

The respondents each represented on SME were asked about the kind of service they have ever received from the Business Development Fund. Table 3 above shows that about three quarters of the received training in the different areas of investment from BDF (n = 96, 76.5%). The majority of respondents mentioned that BDF had guaranteed their SMEs a loan at some point in time (n = 111, 92.5%), and for about half of those who had been guaranteed a loan, the percentage of the loan BDF guaranteed was less than 50% (n = 55, 49.5%). Still for those who had been guaranteed a loan, the guarantee period give to the majority of their SMEs was less than five year (n = 103, 92.8%).

The majority of the respondents (SMEs) reported that BDF had not coached and mentored them or other staff in the SME about business management (n = 81, 67.5%) and still the majority had not been provided with business advisory services in business management by BDF (n = 69, 57%).

There were differing views when it came to the issue of services provided to SMEs by BDF. Although majority of the respondents reported not receiving advisory services, key informant were of the opinion that SMEs received these services.

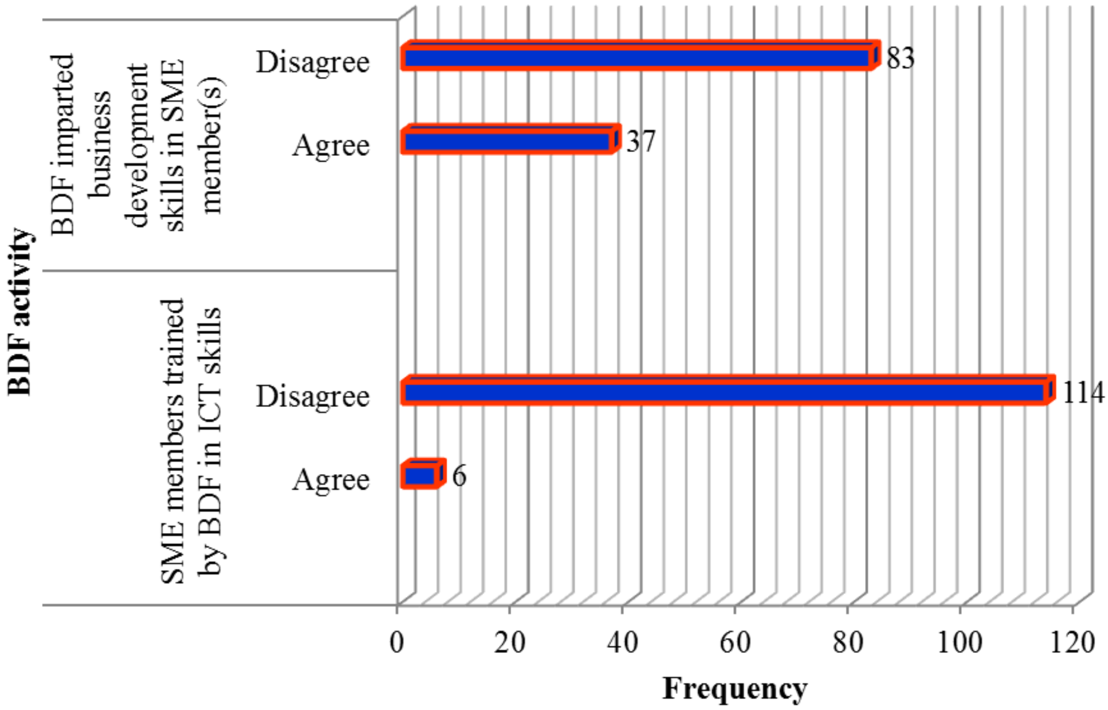
"Regarding the advisory services; Yes SMEs do access Financial Advisory services right from the time they approach BDF for Business plan preparation to the stage of project implementation. Advisory services are also given to NGOs, SMEs, and individual entrepreneurs at affordable charges".

"In regards to BDF, Yes. BDF provides this service country wide (all 30 branches). It's important to note that most of these services are given at a certain fee which is relatively cheaper and affordable". This key informant also added that; *"The entire business cycle involves the three main financing stages which include the pre-financing the financing and post financing stages which BDF emphasizes on mostly".*

"BDF provides services that cover the 3 financing stages such as business plan preparation, training in Pre-financing credit guarantee, Grants, Quasi Equity, Tel kit facility, Agri-business facility all in financing stage".

"The business cycles involves pre-financing stage, financing and post financing stage. BDF provides services that cover whole business cycle. Advisory services like business plan writing and training cover the pre-financing, our credit guarantee covers the financing, and monitoring and evaluation and continuous advisory support cover the post financing stage".

Figure 2: Training in ICT and business development skills by BDF



In addition, the figure above shows that the majority of the respondents reported that the members of their SMEs has been trained by BDF in ICT skills such as opening e-mail accounts and using the Internet to access market information (n = 83, 69.1%), and also reported that BDF had imparted business development skills like planning and budgeting into members of their SMEs (n = 114, 95%).

Contrary to responses obtained from the respondents, key informants further added that BDF provided advisory services to majority of the SMEs.

"Yes they do; to advisory service is one of BDF product's, we provide advisory service to anyone who come to us or our clients (individual, cooperatives, Companies and Associations).

"We provide this service in three levels: Investment advisory (opportunity identification, project preparation…), Corporate advisory and Microfinance Development".

"SMES access advisory services any time because there is BDF branch in Kamonyi and every one access those services of the branch, we also visit those SMES some times and we advise accordingly, there is also BDAs (Business Development Advisors) there are two in each sector under NEP Program and they provide those services also". PF is also advise their clients.

"Yes, SMES in this District access to financial advisory services mainly at BDF branch in Kamonyi as well as at the financial Institutions (MFIs, Banks and SACCOs) where they go for loans request".

4.4. Business Development Fund services and the ease of access to finance

Table 4. 5: The contribution of Business Development Fund services to the ease of access to finance among Small and Medium Enterprises in Kigali city and the Southern Province

Variable	Status of ease of finance access: Easy (n = 108)	Difficult access to finance (n = 12)	F	P value
Received investment advisory services from BDF				
Yes	54(98.2%)	1(1.8%)	3.836	
No	58(89.2%)	7(10.8%)		0.048*
Received training in the different areas of investment from BDF				
Yes	28(100.0%)	0(.0%)	2.639	
No	83(91.2%)	8(8.8%		0.104
BDF guaranteed SME a loan				
Yes	104(93.7%)	7(6.3%)	0.309	
No	8(88.9%)	1(11.1%)		0.578
Percentage of the loan BDF guaranteed				
Less than 50%	50(90.9%)	5(9.1%)		
50-75%	48(96.0%)	2(4.0%)	1.576	0.455
More than 75%	6(100.0%)	0(.0%)		
Guarantee period that was given				
Less than five years	95(92.2%)	8(7.8%)		
Five to ten years	6(100.0%)	0(.0%)		0.715
More than 10 years	2(100.0%)	0(.0%	0.670	
BDF coached and mentored SME staff about business management				
Yes	38(97.4%)	1(2.6%)	1.563	
No	74(91.4%)	7(8.6%)		0.211
Business advisory services by BDF				
Yes	51(100.0%)	0(.0%	6.335	
No	61(88.4%)	8(11.6%)		0.012*
Training of SME members in ICT skills by BDF				
Agree	6(100.0%	0(.0%)	0.451	
Disagree	106(93.0%)	8(7.0%)		0.502
BDF has imparted business development skills like planning and budgeting into member of this SME				
Agree	36(97.3%)	1(2.7%)	1.351	
Disagree	76(91.6%)	7(8.4%)		0.245

The results in the table above show that there are two Business Development Fund activities that have a statistically significant contribution to the ease of access to finance among SMEs in Kigali city and the Southern province. These are; reception of investment advisory services from BDF (X^2 = 3.836, p = 0.048*) and provision of business advisory services by BDF (X^2 = 6.335, p = 0.012). Cross tabulation results further reveal that of the SMEs where staff had received investment advisory services from BDF, a bigger proportion of them (98.2%) reported that it was easy to access finance compared to those who had not received investment advisory services from BDF (89.2%).

The results also showed that all SMEs were staff had received business advisory services from BDF reported that it was easy to access finance compared to those were staff had not received investment advisory services from BDF (93%).

Table 4. 6: Regression analysis for the contribution of BDF services to the ease of access to finance among SMEs in Kigali City and the Southern Province

Variable	B	S.E.	Sig.	AOR	95.0% C.I.for AOR	
					Lower	Upper
Received investment advisory services from BDF						
Yes	-1.572	1.798	.049	2.208	1.043	3.192
No						
Business advisory services by BDF						
Yes	-2.249	1.062	.034	4.405	2.013	5.146
No						

The results of logistic regression in the table above show that SMEs where staff had received investment advisory services from BDF were twice as likely to report easy access finance (AOR = 2.208, CI = 1.043 - 3.192) compared to SMEs were staff had not received investment advisory services from BDF.

The results also show that SMEs were staff had received business advisory services from BDF were four times as likely to report having easy to access finance (AOR = 4.405, CI = 4.405, CI = 2.013 - 5.416) compared to those were staff had not received investment advisory services.

When asked about the contribution of BDF to the ease of access to finance among SMEs, all key informants were positive that BDF had helped SME have easy access to finance in Rwanda. Loan guarantees offered by BDF were opined as being one of the biggest reasons as to why BDF contributed to ease of access to finance as shown below;

"Yes, BDF has been so helpful to various SMEs through provision of several services such as credit guarantee, grants, business proposal preparation, trainings especially on SIYB-Stare and Improve your business this has helped al of SMES to improve their businesses.

"Yes, BDF has done so and continues to Thousands of business have been able to start and grow through the support of BDF in terms of credit guarantee, grants, trainings and other advisory support."

"Various Talks to Entrepreneurs especially those that are in SME category try and change their minds on how to approach Banks, MFIs, SACCOs and then BDF for guarantee & grants.- Proper and Good relationship development between MFI, SACCOs Banks and BDF-Proper understanding as to shy BDF do exist. Provision of several BDF products; guarantee, Grants, Advisory services such as trainings".

"Yes, BDF has contributed to access to financial services by providing guarantees to the PFs clients and also by providing matching grants. BDF has also contributed to access to advisory services by providing business trainings to the entrepreneurs".

"Yes, a big number of SMES have been helped to gets loans by BDF through it financial services (guarantees, matching grants, advisory services) that support SMES to easily access to external finance''.

"Yes, many people had problems of access to finance because of lack of collaterals for all people in need on the percentage of 50-75%.

"Yes of course because of our guarantee product, it's easy for SMES to access finance and because of our advisory service product it's also easy, and BDF has some experts in advisor services".

"BDF has contributed to the access to finance especially in Muhanga District because we have supported must of these people who approach banks/SACCOS but have a challenge of unlimited capital/ collaterals when applying for loans, BDF supply them with guarantees or available funds like when they are available."

"BDF has helped SMEs to access finance through: *Availability of Credit guarantee that act as collateral to several youth and women that need to start up business with no collaterals. Grants to several beneficiaries such as youth with skills from TVETs are provided with tool kit facility; People with Disabilities are provided with a grant facility; 50/loan $ 50% grant of amount requested through NCPD facility. Trainings of business related which help change the minds of youth & women thus feel free to start businesses and acquiring Loans from SACCOs, Banks & MFIs with the collateral being BDF 75% to youth & women. -Access to* *finance through availing credit guarantee through this, SME have been able to get loans from financial institutions".*

Two other mentioned trainings offered by BDF as the contributor to finance access ease;

"*Business development fund has contributed to facilitate many SMEs to access loans from different banks, through business training provided by BDF some SMES have improved their business".*

"BDF advisory services e.g. Business plans writings, business related trainings and turn around strategies have helped to support financial advisory services".

CHAPTER FIVE

DISCUSSION

5.0 Introduction

The key findings presented in the previous chapter are discussed in this chapter in comparison with findings of other studies .This has been done per objective.

5.1 The level of ease of access to finance among Small and Medium Enterprises facilitated by the Business Development Fund in Kigali city and the Southern Province

Access to finance is key to business development. Investment and innovation are not possible without adequate financing. A difficulty in getting finance is one of the main obstructions to the growth of many businesses, particularly small and medium sized enterprises (SMEs). Financial flows to SMEs are increasing but remain subdued (OECD, 2012). Access to finance is still perceived as an important problem by several SMEs. However, this was not the case for the majority of the SMEs in Kigali city and the Southern Province, as it was revealed that 9 out of every 10 of them had staff who reported that the SMEs had easy access to finance whenever needed. Specifically, only 7% of the SMEs reported having difficulties in having access to finance. The study findings are contrary to previous findings by the EU-wide survey (European Commission, 2016), were 10% of the EU SMEs reported having difficulties in accessing finance.The results of the study also differ from the findings in countries like Greece (30%) and Cyprus (25%), were higher proportions of SMEs reported having difficulties in having access to finance.

The findings of this study concur with the opinions of the key informants in their entirety since all of them reported that all SMEs facilitated by BDF had easy access to finance. However, none of the key informants opined that there could be a section of SMEs facilitated by BDF that may not be having easy access to finance. This has a potential meaning that BDF authorities may not be carrying out periodical surveys to ascertain finance access ease among the SMEs they facilitate.

Nonetheless, the findings of this study to a great extent show fulfillment of the mission of the Business Development. It should be noted that they findings on access to finance among the SMEs facilitate by BDF were based on self-reports and such could have been inflated by the respondents. Regardless, the fact that not all SMEs sampled had easy access to finance is symbolic of some gaps in achievement of the BDFs mission. This is because all SMEs that were sampled in this study were being facilitated by BDF and as such would have been having easy access to finance. It could be that the 7% which did not have easy access to finance probably missed out on some of the services that BDF offers to ease finance access to SMEs.

5.2 The nature of services received from the Business Development Fund by Small And Medium Enterprises in Kigali city and the Southern Province

By and large, the majority of the SMEs receivedservices from BDF save for only three services which were not received by the majority of the SMEs. These were; coaching and mentoring about business management and business advisory services in business management. Business advisory is an advisory service contracted for and provided to organization by specially trained and qualified persons who assist in an objective and in an independent manner, whereby the client organization identifies management problems, analyze such problems, recommend solutions to these problems, and help when requested in the implementation of solution. According to Kurby (2002), business advisory is an independent professional advisory service assisting managers and organization in achieving organizational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes.

The United Kingdom government policy towards small business (Mole, 2008) asserts that business organizations should ensure that they have access to quality and cost effective external advice services in order to grow and remain competitive. Many governments and supra national organizations promote and finance business support agencies of various types, similar to the government of Rwanda, however there was minimal provision and/or reception of business advisory services by the SMEs in Kigali and the southern province. This is contrary to findings by Carey (2005) who found that that many small and micro enterprises sought and received business advisory services in the UK. Basing on the views of the key informants, some of them opined that when SME representatives are called upon to attend business advisory sessions by BDF, some do not turn up, and hence miss out on them, and that could be the reason for the low reception of business advisory service by the SMEs. The same was reported when it came to mentorship in business management.

The most frequently received service from BDF by the SMEs was guaranteed of loans at some point in time. A guarantee fund, in its most common form, is an independent entity that acts as a third party between a lending bank and a borrower who does not meet all of the bank‘s qualifications, but are otherwise considered a good credit risk. The guarantee fund provides the bank security, in the form of a guarantee for a portion of the loan, in order to enable the borrower to obtain a loan. In an international survey, guarantee programs in both developed and developing countries were rated as the government program that most influenced the bank‘s involvement with SME‘s (Beck, Demirg-Kunt and Pera 2008). A guarantee fund helps borrowers to overcome this credit gap by providing the bank a loan guarantee as a substitute, or in some cases, in addition to, any collateral required by the bank. Given that almost all SMEs had received a loan guarantee from BDF, majority were able to utilize the formal banking sector, which not only lowered their costs, but as the bank requires more extensive reporting, it most probably helped move the company toward more professional practices. Furthermore, the borrower will begin building a formal credit history which will make gaining future loans more likely. From the banks side, they gain new customers, as well as experience in lending to new sectors (Honohan 2008). However, and for about half of those who had been guaranteed a loan, the percentage of the loan BDF guaranteed was less than 50%, implying that less than half of the SMEs had less than 50%. This could have prompted the SMEs to seek smaller loan facilities in possible fear of repayment of a bigger loan size or even contemplate no seeking finance.

On a positive note, the findings of this study showed that the majority of the respondents reported that the members of their SMEs had been trained by BDF in ICT skills and also reported that BDF had imparted business development skills like planning and budgeting into members of their SMEs. Business development comprises a number of tasks and processes generally aiming at developing and implementing growth opportunities within and between organizations. Business development is the creation of long-term value for an organization from customers, markets, and relationships. Business development is to be thought of as a marketing tactic and thus possibly make accessing finance easy. The main function of Business Development is to utilize partners in selling to the right customers. Creating opportunities for value to be ongoing in the long-term is very important. There is no doubt that small and medium scale enterprises are the saving grace of economies particularly the developing economies. SMEs are part of the responses to development in most developing countries and have proven to play major roles of development in developed worlds. Despite much attention on SMEs in developing countries especially, SMEs still face some major challenges that hinder their growth and prevents them from competing favorably with large scale companies. It is, therefore important to identify these needs and fulfill them in order to foster their growth and subsequently aid economic growth.

5.3 The contribution of Business Development Fund services to the ease of access to finance among Small and Medium Enterprises in Kigali city and the Southern Province

Similar to findings by Mburu (2012) and Blackburn (2010), reception of business advisory services from BDF by SMEs contributed to ease of access to finance.The same was also reported by the key informants. SMEs where staff had received investment advisory services from BDF were twice as likely to report easy access finance (AOR = 2.208, CI = 1.043 - 3.192) compared to SMEs were staff had not received investment advisory services from BDF. This is because byaccessing business advisory services comesbetter financial management. Financial management involves planning and budgeting, cash flow and working capital management, financial controls, financial and business assessment for growth. Seeking business advisory services does not only make business grow but also aligns the business with the national goals of sustaining an economy driven by innovation; value added services and high quality business activity (Mburu, 2012). As such, an SME with the above mentioned financial management traits will stands higher chances of receiving a credit extension from banks and other lending institutions as such management shows lower chances of loan default on the side of the SME. As earlier cited in literature, management character is one of the key things that influence loan decisions by banks(Haron et al, 2013). Character is the assessment of the likelihood of firms in fulfilling and honoring their credit obligations and thus having good SME financial management credentials can make it easy to get a loan requested for.

According to Wanjohi (2008) accessing business advisory services can help micro and small enterprises to improve their performance and also help them eliminate wasteful resources. He advocates that Firms which engage business advisory service are always ahead of time in terms of strategic business practices, such as new product development, organizational restructuring, operational improvements, market research, financial information systems, manufacturing information systems, standardization and environment energy and efficiency. He suggested that greater systematic support in the provision of infrastructure, information and advisory services to SMEshelps them cope with the new competitive domestic and global markets and therefore, have better finance seeking strategies, hence increasing their chances of finance access ease.

The results of this study showed that SMEs were staff had received business advisory services from BDF were four times as likely to report having easy to access finance (AOR = 4.405, CI = 4.405, CI = 2.013 - 5.416) compared to those were staff had not received investment advisory services. This is becauseinvestment advisory services bring in new and fresh ideas into the business organization, it is a catalyst for change in the organization which brings growth and success to the business organization, it is done by professionals, and therefore it brings to the business expertise relevant ideas which bring growth and competitive advantage. With that therefore, and SME can able present an intriguing business plan to the finance lending institution, hence making it easy for it to access finance.

CHAPTER SIX

CONCLUSION AND RECOMMENDATION

6.0 Introduction

In this chapter, conclusions based on the key findings of the study, and study recommendations both for policy and further study are presented

6.1 Conclusion

The study concludes that the majority of SMEs facilitated by BDF in thedistricts of Gasabo, Kicukiro (Kigali city), and Muhanga, Kamonyi (Southern Province) have easy access to finance when need.

The majority of the SMEs facilitated by BDF in the districts of Gasabo, Kicukiro (Kigali city), and Muhanga, Kamonyi (Southern Province) are given loan guarantees by BDF, and are trained in business investment, however, the majority do not receive ICT training, mentorship and business advisory services from BDF.

The study establishes that two Business Development Fund activities significantly contribute to the ease of access to finance among SMEs in Kigali city and the Southern province. These are; reception of investment advisory services from BDF and provision of business advisory services by BDF. SMEs where staff receive investment advisory services from BDF and SMEs were staff receive business advisory services from BDF aremore likely to haveeasy to access finance.

6.2 Recommendations

Apparently, there is evidence that BDF is contributing towards the ease of access to finance among SMEs in Rwanda, however, this is contribution is significantly premised on one aspect of business and investment advisory services. This has two implications; one is that to further increase ease of access to finance, BDF has to strengthen business advisory services to all SMEs in its docket. That might make access to finance easy even for the 7% SMEs who reported having uneasy access to finance.

Secondly, BDF offers other services apart from Business advisory, however, the fact that they did not significantly contribute toease of access to finance implies that they are not as widespread as business advisory ease. Therefore, BDF should ensure that each SME in its docket received these other services including training, mentorship.

To ensure, that all SMEs receive the full package of BDF services, BDF could consider upping its mobilization exercises every time they plan to conduct education sessions for SMEs. This could be done by sending invitation letters to all SMEs all by simply making phone calls to all of them.

To further make the other BDF activities effective, the people charged with educating SME representatives could consider conducting after session assessments of the SMEs representatives who attend such sessions just to ensure that what has been taught has been embraced.

6.3 Recommendations for further studies

A study on the general factors influencing access to finance in Rwanda should be done so that BDF is informed of such factors and as a such devise ways of providing services that are aimed at removing any bottle necks to finance access identified in that study

Studies assessing the contribution of the Business Development Fund to the ease of access to finance among Small and Medium Enterprises in other Provinces of Rwanda should be done in order to have a holistic picture of the contribution of BDF to that cause.

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APPENDIX A: CONSENT FORM

Please read this consent document carefully before you decide to participate in this study.

Purpose of the research study:

The purpose of this study is to assess the contribution of the business development fund to finance access ease among small and medium enterprises in Kigali - Rwanda

Time required: *[Less than 40 minutes]*

Risks and Benefits: There are no risks associated with participated in this study. The potential benefits of the study include; providing relevant information to the authorities of the business development fund about the extent to which their vision of easing access to finance for specifically SMEs is being realized. With the findings of this study, the Business Development Fund administration might carry checks and balances meant to augment their service delivery for the betterment of the SME business in the country.

Confidentiality:

Your identity will be kept confidential to the extent provided by law. Your information will be assigned a code number. The list connecting your name to this number will be kept in a locked file in the faculty supervisor's office. When the study is completed and the data have been analyzed, the list will be destroyed. Your name will not be used in any report or publication.

Voluntary participation: Your participation in this study is completely voluntary. Should you elect to discontinue participation, any information already collected will be discarded. There is no penalty or loss of benefit for choosing not to participate.

<u>Right to withdraw from the study:</u>

You have the right to withdraw from the study at any time without consequence or penalty.

Please tick (V) in the appropriate box

1. I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions. ☐

2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason. ☐

3. I agree to take part in the above study. ☐

APPENDIX B: QUESTIONNAIRE

PART A: Socio Demographic characteristics

Question	Category	Option chose (indicate number)
What is your current age in years	1. 20 - 27 2. 28 - 35 3. 36 - 42 4. 43 - 50 5. More than 50 years	
What is your gender orientation	1. Male 2. Female	
What is your current marital status	1. Married 2. Single 3. Separated 4. Widowed	
What is your current education level	1. Lower primary (P1 - P4) 2. Upper primary (P5 - P7) 3. Secondary (O level) 4. Secondary (A level) 5. Post secondary education	

Religion	1. Catholic 2. Born again 3. Muslim 4. Protestant/ Anglican 5. SDA	
What is your position in this SME	1. Director 2. Manager 3. Finance officer 4. Other (Specify).......................	
For how long have you been a part of this SME	1. Less than 1 year 2. 1 year - 2 years 3. 3 - 4 years 4. Five years 5. More than 5 years	

PART B: Access to finance and advisory services

Question	Response / category	Choice (Indicate choice number
Currently, how easy it is for this SME to obtain a bank loan in this country with only a good business plan and no collateral	1. Very easy 2. Easy 1. Almost Impossible 2. Impossible	

PART C: Mechanisms to enhance easy access to finance

Question	Response / category	Choice (Indicate choice number
Has BDF ever guaranteed this SME a loan made by Banks	1. Yes 2. No	
If yes above, up to what percentage of the loan did BDF guarantee	1. Less than 50% 2. 50 - 75% 3. More than 75%	
What was the guarantee period given to this SME	1. Less than five years 2. Five to 10 years 3. More than 10 years	

PART D: Services and components to facilitate SMEs at all stages of the business cycle

Question	Response / category	Choice (Indicate choice number
Has BDF coached and mentored you or other staff in this SME about business management	1. Yes 2. No	
Has BDF provided you with business advisory services in business management	1. Yes 2. No	
If yes above, up to what percentage of the loan did BDF guarantee	1. Less than 50% 2. 50 - 75% 3. More than 75%	
BDF has trained SME member s in ICT skills such as opening e-mail accounts and using the Internet to access market information	1. Agree 2. Disagree	
BDF has imparted business development skills like planning and budgeting into member of this SME.	1. Agree 2. Disagree	
Have you ever received investment advisory services from BDF or any other organization in the country	3. Yes 4. No	
As an SME have you received training in the different areas of investment from BDF or any other organization in the country	1. Yes 2. No	

KEY INFORMANT INTERVIEW GUIDE

Demographics

1. Gender of informant

i. Male

ii. Female

2. Position in Business Development fund

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3. What is your take on the ease of access to finance among SMEs in this areas? Do SMEs find it easy to access finance? Please tell me more

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4. How about access to financial advisory services, do SMEs in this area access them any time they need those services? Please tell me more

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5. Would you say that BDF has contribute in one way another to the access to financial services and financial advisory services, among SMEs in this area? Please explain your answer

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6. What are some of the Mechanisms BDF has put in place to enhance easy access to finance among SMEs in this area? Please elaborate

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7. What services and components has BDF put in place to facilitate SMEs at all stages of the business cycle? Please elaborate

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8. How have the above Mechanisms, services and components helped SMEs access finance and financial advisory services? Please explain your response

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END.