



MAASTRICHT SCHOOL OF MANAGEMENT

**CHALLENGES AND BARRIERS FACING ENTREPRENEURSHIP DEVELOPMENT
THROUGH PUBLIC INVESTMENT: A CASE OF
MILLENNIUM DEVELOPMENT VILLAGES PROJECT IN RWANDA -
MAYANGE**

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DECLARATION

This is to declare that thesis entitled “Challenges and barriers of developing entrepreneurship through public investment: A case of Millennium development villages project in Rwanda - Mayange” comprises only my original work and due acknowledgement has been done for all other material used.

Name.....

Signature.....

Date.....

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LIST OF ABBREVIATIONS

CAPMER: Centre d'Appui aux Petites et Moyennes Entreprises au Rwanda

CITT: Center for Information and Technology Transfer

EDPRS: Economic Development and Poverty Reduction Strategy

ERF: Entrepreneurial Revolving Fund

ESDF: Entrepreneurship Skills Development Facility

GDP: Gross Domestic Product.

GoR: Government of Rwanda

ICT: Information and Communication Technology

IT: Information Technology

KIST: Kigali Institute of Science and Technology

LDCs : Least Developing Countries

MBA: Master of Business Administration

MDGs: Millennium Development Goals

MFIs: Microfinance Institutions

MINECOFIN: Ministry of Finance and Economic Planning

MINICOM: Ministry of Trade and Industry

MVs: Millennium Villages

MVP: Mayange Villages Project

NGOs: Non Governmental Organizations

NMPS: National Microfinance Policy and Strategy

NSMS: National Savings Mobilization Strategy

PEs: Public Enterprises

PPP: Public Private Partnership

PPPMER: Projet pour la Promotion des Petites et Micro Entreprises Rurales

PSF: Public Sector Federation

RDB: Rwanda Development Board

RRA: Rapid Results Approach

RTC: Rwanda Tax Code

SACCOs: Savings and Credit Cooperatives

SFB: School of Finance and Management

SMEs: Small and Medium Enterprises

SSEs: Small Scale Enterprises

TBIF: Technology and Business Incubation Facility

TEA: Total Entrepreneurial Activity

TVET: Technical and Vocational Education Training

UNDP: United Nations Development Program

UNR: Université Nationale du Rwanda

WB: World Bank

WDI: William Davidson Institute

ABSTRACT

Many developing countries (LDCs) have ambitious plans of development but they hardly achieve them due to lack of entrepreneurial or business knowledge among their people. This is because various studies have revealed that, entrepreneurship is an important vehicle for economic growth and development which all countries should aim at LDCs being unexceptional.

In Rwanda's context, the country regards entrepreneurship as a powerful tool for both economic growth and job creation. With this regard, the government of Rwanda (GoR) through the Ministry of Commerce and Trade has created various conditions to facilitate entrepreneurship development though no tremendous results have been realized.

The study problem is hence, entrepreneurship development and sustainability is still constrained despite the improved infrastructure the government has invested. The researcher observed this problem and conducted a qualitative study to find out what might be needed for Rwanda to shift from where it is today to where it wants to be in terms of entrepreneurship development.

The major objective of this study is to figure out the challenges and barriers hindering Mayange MVP to maximize its entrepreneurship sustainability despite the public investment made by government and this led to other specific objectives like to find out whether public investment is a crucial factor in fostering entrepreneurship development in Mayange MVP, to define the nature of entrepreneurial activities funded through public investments in Mayange Millennium Village Project and to examine the prevailing environmental conditions, challenges and barriers encountered by entrepreneurs in Mayange MVP thus hindering the progress of their businesses.

The methodology applied by the researcher to carry out his research was the one of case study and convenience sampling during sample selection. The chosen sample comprised of 30 entrepreneurs selected from 6 cooperatives out 20 found in Mayange MVP by September 2010. The primary data was collected by means of questionnaires addressed to the entrepreneurs whereas the secondary data was obtained from the documentation about the project.

The findings of this study were that entrepreneurship development in Mayange MVP was affected by the problems of Lack of ready market availability for products, poor or inaccessibility to financial services, insufficient capacity building, poor entrepreneur culture, poor technology and unfavourable government policies, which were regarded as environmental conditions to enhance entrepreneurship development.

The study being a qualitative one, when analyzing its data, descriptive statistics was used and the analysis revealed that, availability of conducive environment was very crucial to complement the existing physical infrastructure invested by government in conjunction with development partners if entrepreneurship is to be developed.

After the findings and analysis of the data, some recommendations for developing sustainable entrepreneurship were formulated for the project coordination office, government, developing partners and all stakeholders. Last but not least, proposals for further research were also made in terms of developing sustainable entrepreneurship for economic growth and development.

CHAPTER 1: INTRODUCTION

The objective of this chapter is to give a background on the research topic, highlight the problem statement, give the research objective and questions, state the conceptual framework and scope of study in terms of sample, period but also identify the methodology under which this study will be done. The structure of the thesis shall also be defined.

BACKGROUND

Rwanda is a small landlocked country in central Africa, with 26,338 Sq Km occupied by a population currently estimated at 10.7 million. It is regarded as the mostly populated country in Africa (Rwanda Economic Indicators, 2009).

As stated by KIST FACET BV Report (2004), during the 5 years of civil war that culminated in the 1994 Tutsi genocide, GDP declined in 3 out of 5 years, posting a dramatic decline at more than 40% in 1994, the year of the Tutsi genocide. Rwanda's economy was demolished. Not only were thousands of lives lost but also the infrastructure such as schools, hospitals, roads, buildings were destroyed. Economic activities too ceased but begun to recover by 1995.

In addressing the numerous aftermath effects of the Genocide, the Government of Rwanda with the support of UNDP remains committed to providing a strong and enduring economic climate for the country. To this end the government focuses on poverty reduction, infrastructure development, privatization of government-owned assets, expansion of the export base, and liberalization of trade.

This study focuses on the strategy adopted by government and other development partners to eradicate poverty through entrepreneurship.

Entrepreneurship is widely acknowledged as a channel for poverty reduction and economic development. The Rwandan government has embarked on infrastructure development as a vital mechanism for boosting entrepreneurship. This accounts for the major public investment in roads, schools, health facilities, markets in an endeavor to enhance the business environment. This has made commendable progress with the number of SMEs growing over years. As stated in entrepreneur journal, there is no clear demarcation between entrepreneurship and starting new enterprises. In their article Jens, Rasmus and Nikolaj

describe an entrepreneur as an individual who creates a new organization or industry (Rasmus Jorgensen, Jens & Nikolaj Malchow-Moller, 2008 in Schumpeter, 1949: 66).

One of the entrepreneurship developing programs established for poverty reduction and contribution towards the achievement of Rwanda's vision 2020 is Mayange Millennium Village Project (MVP). The government investment in providing basic infrastructure and services such as roads, health facilities, schools, electricity and water has boosted the number of entrepreneurial activities in this village (Ndahiro, 2009).

Under this project, women are now undertaking additional income-generating activities such as basket weaving. An example is the Imirasire (sunrise) basket weaving cooperative comprises of more than 200 women who are learning basket weaving and business techniques, leading to additional income for their families. These baskets are being sold to tourists and others. Through this project, many entrepreneurs have organized themselves into cooperatives thus easy accessibility to credit facilities, trainings in business management, and market identification for their own products, (Ndahiro, 2009).

A lot has been done by the government especially through public investments in roads, health services, technology, schools that have tremendously decreased the social problems of the community. This has enabled them concentrate on economic activities but also made the environment for entrepreneurship more conducive and attractive.

The researcher is however concerned that amidst such heavy public investment, directed towards developing and sustaining entrepreneurship in Rwanda specifically Mayange, there is still a lot to be done.

One probable reason for constrained entrepreneurship development and growth in Rwanda is: lack of sufficient and conducive environmental conditions. In the context of this study, such environmental conditions entail lack of capacity building (Skills and business knowledge), poor or inaccessibility to financial services, lack of ready market availability, poor technology, unfavorable government policies, poor entrepreneur culture, to mention but a few.

This has propelled the researcher to undertake this study, in order to identify the challenges and barriers in developing entrepreneurship in Mayange MVP despite the improved infrastructure and provision of basic services through public investment.

The findings from this study shall contribute to the knowledge on how entrepreneurship can be enhanced through improved environmental conditions for sustainable poverty eradication in Rwanda.

1.2 PROBLEM DEFINITION

As highlighted by the information extracted from Millennium Villages (2009) website, Mayange millennium village with a huge population estimated at 20,000 people was facing impending famine because of sporadic rainfall and declining soil fertility, leading to endemic poverty, illness and a lack of economic opportunity. This area also lacked basic infrastructure and services ranging from healthcare, electricity, running water, schools and roads and this frustrated the government's efforts to develop and promote entrepreneurship as a sustainable approach to poverty eradication.

Like in other rural areas, in Mayange, the Rwandan government supported by development partners embarked on boosting economic activities in this area through public investments such as Health Center, schools, clean water, electricity and roads. This was in endeavor to make the environment conducive for entrepreneurship activities. This has boosted entrepreneurship activities in form of cooperatives ranging from basket weaving, animal husbandry, agriculture, small scale production such as cassava processing plants, soap making industries, energy saving lights, etc. These have also been a source of employment, income and improved livelihoods, (Ndahiro, 2009).

It is evident that public investment in infrastructure has promoted business activity in Mayange through entrepreneurship, but a lot still lacks. The government has focused more on public investment leaving gaps on other vital entrepreneurial environmental conditions necessary for business success. These range from lack of available market especially for exports, limited technology, accessibility to credit, unfavorable government policies, and intense competition from bigger firms, lack of competent technical skills and business management to mention but a few.

This justifies why entrepreneurship development and sustainability is still constrained despite the improved infrastructure and this study therefore intends to explore the

challenges and barriers in developing entrepreneurship given the public investment already done.

1.3 RESEARCH OBJECTIVE

The major objective of this research is to figure out the challenges and barriers hindering Mayange millennium village project (MVP) to maximize its entrepreneurship sustainability despite the public investment made by government.

The major research objective is further divided into the following specific objectives:

- To find out whether public investment is crucial and an independent factor in fostering entrepreneurship development in Mayange MVP.
- To define the nature of entrepreneurial activities in Mayange MVP.
- To examine the prevailing environmental conditions, challenges and barriers encountered by entrepreneurs in Mayange MVP thus hindering the progress of their businesses.

1.4 RESEARCH QUESTIONS

To achieve the above objectives, the study was guided by the following research/study questions:

What are the entrepreneurial conditions lacking in Mayange Millennium Village project for entrepreneurship development?

From the above major question, other minor questions are extracted and listed below:

1. How crucial is public investment in fostering entrepreneurship development in Mayange MVP?
2. What are entrepreneurial activities in Mayange MVP?
3. What are the prevailing environmental conditions, challenges and barriers of entrepreneurship development in Mayange MVP?

1.5 CONCEPTUAL FRAMEWORK

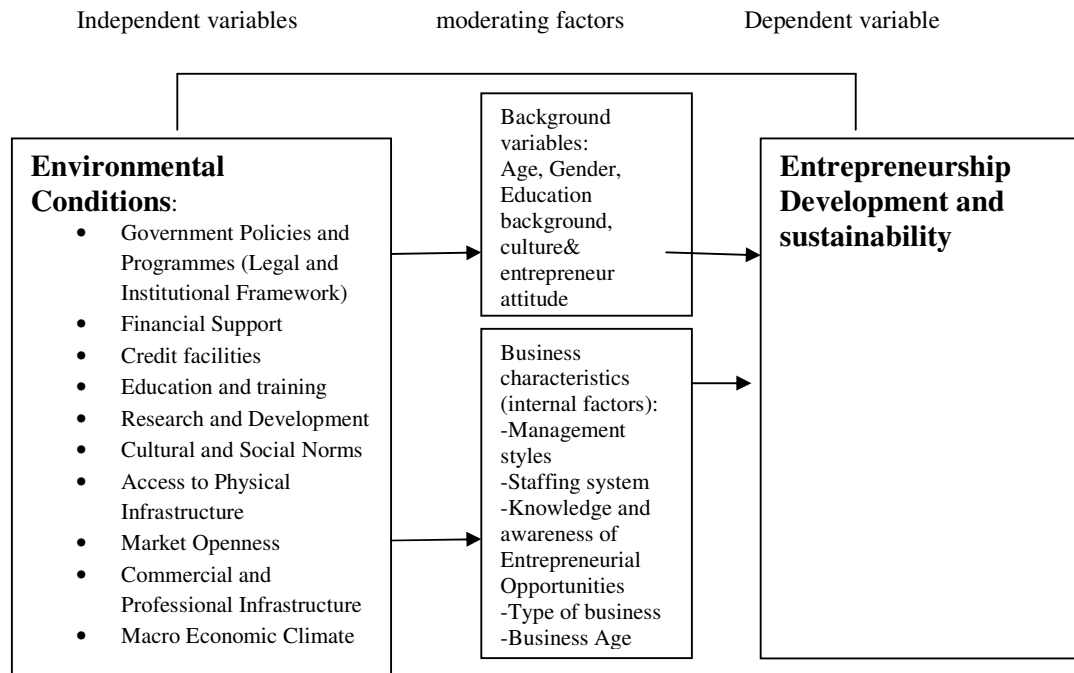


Fig 1. 1 Conceptual framework showing the relationship between Environmental conditions and entrepreneurship development.

Source: Modification of Reynolds et al's Model (1997)

The conceptual framework above illustrates the variables under study and their relationship with each other.

It shows that, the presence of favorable entrepreneurial environment or framework conditions as termed by Reynolds et al (1997) may lead to entrepreneurship development. Entrepreneurship environmental conditions in the conceptual framework being the independent variables, affect the population's perception of presence of entrepreneurial opportunities. These include government policies and programmes, education and training, financial support, etc as listed in the figure 1.1.

The influence of the environmental conditions in entrepreneurship development and sustainability as mentioned in this conceptual framework is further elaborated by Gnyawali & Fogel (Summer,1994), article on Environments for entrepreneurship development: key dimensions and research implications, then in their Journal article (1994), Entrepreneurship: Theory and Practice.

Various scholars have also listed a good number of environmental conditions that may play a considerable role in developing entrepreneurship in the country or region (Bruno & Tyebjee, 1982; Gartner, 1985; Manning, Birley, & Norburn, 1989;). Other scholars have insisted on what governments can do to develop entrepreneurship (Mokry, 1988; Vesper, 1983;). Dushanbe (2010) also states how environmental conditions can affect entrepreneurship development in his Poverty reduction strategy paper of the Republic of Tajikistan for 2010 – 2012, page 23.

As Gnyawali & Fogel (1994) states, while the role of environmental conditions in developing entrepreneurship has been recognized, most of the studies carried out have been fragmented, highly descriptive, and focused on only a few aspects of the environment.

It is therefore highlighted by Hoy (1989) that some gaps still exist in the literature developed by various scholars. First and foremost, he states that a proper conceptual framework is lacking to integrate the available literature on entrepreneurial environments. Secondly, he mentions of the lack of explicit links between the needs of entrepreneurs and how environments can fulfill these needs, induce or reinforce their desire to go into business, thereby facilitating the process of new venture creation. Thirdly, he highlights the limited guidelines which exist to conduct empirical research on entrepreneurial environments. Lastly, he insists on the fact that there is a limited body of literature to address the needs of policy makers despite the recognition of this group as an important audience for research on entrepreneurship.

Modification of Reynolds et al's Model was therefore done in an attempt to bridge these gaps in the literature, by developing first a conceptual framework to integrate existing literature on entrepreneurship environments. By doing so, the core elements of the new venture creation process was introduced and explicitly link the environmental dimensions to the process of new venture creation and show how environments can help increase people's likelihood to go into business.

Three major considerations entered into the development of the framework are the major environmental conditions empirically studied or mentioned in the existing literature, and then an attempted to establish a framework that captures the richness of an entrepreneurial environment in developing entrepreneurship.

The independent variables mentioned here in this conceptual framework referred to as environmental conditions do influence entrepreneurship development and sustainability herewith regarded as the dependent variable.

The relationship between the dependent and independent variables is catalyzed or inhibited by moderating factors such as age, gender, education background, entrepreneur's attitude and internal factors such as management styles, staffing system, and nature of businesses etc.

1.6 SCOPE OF THE STUDY

1.6.1 Main Focus

The study focused on six (06) cooperative businesses under the Mayange MVP in Rwanda. Each of the chosen businesses is a representative of the main categories of businesses under this project which entail: Knitting, Basket weaving, ICT, animal husbandry, crop farming and small scale production such as plant processing.

1.6.2 Geographical Area

Due to financial constraint, this study was focused on entrepreneurial activities carried out within the area near Kigali known as Mayange MVP. This area of research is located in Eastern Province, about 20 km south of Kigali city. The researcher selected this area because it is near his home, just a 20 minutes drive and it is a live example where, public investment has been carried out by both government and development partners with an objective of developing entrepreneurship for self sustenance of the local people, thus achieving the MDGs.

1.6.3 Period Scope

The period in which the research sought to examine the problems and challenges of entrepreneurship development was between 2006 to September, 2010. This period was preferred because firstly, it is the period in which millennium development villages which had entrepreneurship development as one of their major objectives were started in Rwanda. Secondly, this is the period in which intensive public investment with an aim of accelerating entrepreneurship initiatives is highly noticed. Lastly, this period is appropriate for comparison over time.

1.7 RESEARCH METHODOLOGY

1.7.1 Data Needed

The researcher used both primary and secondary data. Applying qualitative approach and descriptive statistics, the primary data was collected through a questionnaire which was submitted to the entrepreneurs.

The secondary was collected from existing documentation like project reports, project design reports of UNDP supervision mission, Ministerial reports prepared by the project coordination unit, various reports done by different consultants and stakeholders, journals, internet materials, etc.

The questionnaire to the entrepreneurs was handled by the research himself through face to face interview. The face to face interview with entrepreneurs was found necessary due to the fact that most of them needed further clarifications about the questionnaire. In order to avoid collecting misleading data, the researcher therefore had to help the entrepreneurs filling the questionnaires. This exercise of face to face interview was very swift and fast because the questionnaire was well designed in multiple answer questions which could take only between 20 and 30 minutes for the researcher to fill.

1.7.2 Sample Selection

The sample was limited to the entrepreneurs of the project. The entrepreneurs were selected from the various cooperatives developed by the MVP with an aim of creating entrepreneurial activities among members. Out of twenty cooperatives found in Mayange MVP, six well-established ones were selected. Well established in this context means, cooperatives were chosen on the basis of cooperative age, size, turn over and the level of organization. Each category of business in Mayange MVP was also put into consideration. These categories include: Knitting, Basket weaving, ICT, animal husbandry, crop farming and small scale production such as plant processing and energy saving lights.

From each of the six cooperatives selected, two respondents from leadership committee and three members from the cooperative were interviewed. The two persons from the leadership committee interviewed were chairman and secretary. Among the five respondents, at least two were women for a balanced gender opinion.

1.7.3 Sample Size

The sample size selected is of 30 entrepreneurs from the 6 well-established cooperatives in Mayange MVP (five entrepreneurs from each cooperative). under the supervision of the cooperative chairmen. Out of 30 entrepreneurs to be interviewed, at least 12 of them must be women.

1.7.4 Data Analysis Method

All data was analyzed through descriptive statistics by use of tables, graphs and pie charts, and then simplified as per specific needs and requirements of this research. This was done to enable the easy analysis and interpretation by the users. During the data analysis, the researcher based himself on the 3 steps as suggested by Miles and Huberman (1994), which are:

1. Data reduction: this is about sharpening, sorting, focusing, discarding and organizing data in a way that allows conclusions to be drawn and verified. This is done through transformation which can be reached by data selection, summary or paraphrasing.

2. Data display: this is about displaying the reduced data in an organized and compressed way so that conclusions can be easily drawn.

3. Conclusion drawing and verification: This part consists of showing meaning of what the data would have revealed. The researcher makes the use of similarities, explanations as well as propositions.

1.8 THESIS STRUCTURE

Chapter 1

This chapter gives an overview of entrepreneurship in general and in Rwanda in particular. It briefly describes the millennium village project under study by documenting the wide range of activities that involved in Mayange MVP as being the only millennium village which was established to meet the millennium development goals and how their sustainability are to be realized through entrepreneurship creation. This chapter presents and analyzes Mayange MVP and its current challenges, then what entrepreneurship is generally

by using the context of millennium village. The chapter further describes the research problem, the research objectives, the conceptual framework and the research questions. Finally, the chapter explains the scope of work, the methodology used during the research work and ends up by illustrating the entire structure of thesis.

Chapter 2

This chapter goes into details by giving the historical perspective of entrepreneurship, the relevant theories of what actually entrepreneurship is, how it is developed through various means and public investment, how it relates to the barriers and challenges encountered when developing it. This literature, which will be integrated with practice, is to include the importance of entrepreneurship, entrepreneurship in relation to SMEs, how it is understood and practiced within the region, the rate of entrepreneurship in Rwanda, extent of using the public investment in its development, how various scholars explain the influence of environmental conditions in entrepreneurship development, then ends up by analyzing the challenges and barriers encountered, and how to go about them.

Chapter 3

This chapter briefly highlights the various research methods and how both qualitative and descriptive statistics were applied. It describes the theoretical framework used, the target population, data collection methods and analysis. The researcher also justifies why he chose the qualitative method when doing his research and finally discusses the limitations of the research methods applied, then ends up by giving a brief summary of the whole chapter.

Chapter 4

In this chapter, the researcher documents the data as gathered from interviews conducted, existing project and other documentation. It shows the index of data analysis in a scientific way using various tools such as tables, graphs, charts, etc.

Chapter 5

The researcher analyzes and interprets findings against known practices as elaborated in literature. Conclusions are drawn basing on the research findings and analysis done, and then possible implications are also indicated. Finally, the researcher gives recommendations on what should be done to get rid of the barriers and challenges being faced in developing entrepreneurship through public investment and guidance for future research is given.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

Under this chapter, the researcher explores existing research done on this topic. Areas covered of interest in entrepreneurship, best practices in entrepreneurship development, challenges and barriers obstructing entrepreneurship development etc.

The review of such literature is extracting a deep understanding on the subject matter, identify the missing gaps that the researcher will base on to conduct this study.

2.1.1 Overview of Entrepreneurship

In developing countries, the need for entrepreneurial development is emphasized by extremely high levels of unemployment that are reported Timmons and Spinelli (2007).

Stokes (1998) describes an entrepreneur as someone who manages large projects. In the 17th century, the concept was extended to include some element of risk and profit. Entrepreneurs were those who contracted with the state to perform certain duties, such as collection of revenues or the operation of banking and trading services. Stokes emphasized that since price was fixed, the entrepreneur could profit or lose from their performance of the contract.

Other scholars have taken up this theme of entrepreneurship as a process, an action-oriented management style which takes innovation and change as the focus of thinking and behavior. A recent definition by Hisrich & Peters (1995) summarizes this approach as a process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resultant rewards of monetary and personal satisfaction.

2.1.2.1 Notable Persons and their works in Entrepreneurship History:

Using the innovations and new business venture (INBV) course materials by Sharma, it is stated that entrepreneurship is about taking risk. The behavior of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture.

Knigh (1921) classifies three types of uncertainty:

- **Risk**, This can be measured statistically (such as the probability of drawing a yellow colour ball from a jar containing 5 yellow balls and 5 red balls).
- **Ambiguity**, This one is hard to measure statistically (such as the probability of drawing a yellow ball from a jar containing 5 yellow balls but with an unknown number of red balls).
- **True Uncertainty**, This one is impossible to estimate or predict statistically (such as the probability of drawing a yellow ball from a jar whose number of yellow balls is unknown as well as the number of other colored balls).

The acts of entrepreneurship are often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never exists. However, even if a market already exists, there is no guarantee that a market exists for a particular new player in the cola category (Sharma, 2009)

2.2 WHAT IS ENTREPRENEURSHIP?

Hisrich and Peters (1995) refers to entrepreneurship as the dynamic process of creating incremental wealth. According to them, the wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment or provide value for some product or service. The product or service may or may not be new or unique but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources.

According to Kuratko and Hodgetts (2001), entrepreneurship is more than just creating business. They state that, despite the fact that creation of business is an important facet, it's not the complete picture. Reasons being advanced here are that, the characteristics of seeking opportunities, taking risks beyond security, and having the tenacity to push an idea through to reality combine into a special perspective that permeates entrepreneurs.

Timmons and Spinelli (2007) regarded entrepreneurship as an act of recognizing a great opportunity. They say, 'An entrepreneur with credibility, creativity, and decisiveness can seize an opportunity while others study it' (Timmons and Spinelli 2007:119).

Fang (2005) explains entrepreneurship using Johnson (2001) definition where he states that Entrepreneurship, in its narrowest sense, involves capturing ideas, converting them into products or services and then building a venture to take the product to market.

In the Monitor Group (2009), entrepreneurship is defined at the broad level as the creation and operation of new enterprise, often through the recognition of new opportunities or gaps in the existing market.

2.2.1 Who is An Entrepreneur?

According to Kuratko and Hodgetts (2001), the word entrepreneur is derived from the French *entreprendre*, meaning “to undertake”.

According to these two authors, the entrepreneur is one who undertakes to organize, manage, and assume the risks of a business. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement those ideas; and realizes rewards from these efforts.

Fang (2005) defines entrepreneurs as people who have higher achievement motivation and risk taking, and are inclined to innovation and change. Thompson (1999) also describes an entrepreneur as someone with a vision who spots a new opportunity and is minded to act on it and start something.

Zimmerer, Scarborough and Doug (2008) described an entrepreneur as the one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them. ‘Although many people come up with great business ideas, most of them never act on their ideas, but entrepreneurs do’ (Zimmerer et al, 2008).

2.2.2 Characteristics of the successful entrepreneur

It has been identified throughout this study that entrepreneurs can only be successful if availed with favorable environmental conditions. However, these conditions must go hand in hand with special personal entrepreneurial characteristics.

Lack of strong entrepreneurial characteristics could be one of contributing factors to barriers of entrepreneurship development however much public investment is done. Wickham (1998) highlights some of the characteristics exhibited by the successful entrepreneur as hard work, self-starting, setting of personal goals, resilience, confidence, receptiveness to new ideas, assertiveness, information seeking, eager to learn, attuned to opportunity, receptive to change, commitment to others and comfort with power.

2.2.3 Skills which enhance entrepreneurial performance:

When analyzing the barriers and challenges of developing entrepreneurship in any country or region, it is necessary also to identify the skills which enhance entrepreneurial performance. An entrepreneur is described by Wickham as someone who has a good business idea and can turn that idea into reality (Wickham, 1998). According to him, turning an idea into reality call upon two sorts of skills:

1. General management skills which are required to organize the physical and financial resources needed to run the venture.
2. People management skills which are needed to obtain the necessary support from others for the venture to succeed.

Wickham analyzes the two sorts of skills in details by describing some important general management business skills which enhance entrepreneurial performance as:

- **Strategy skills** – An ability to consider the business as a whole, to understand how it fits within its marketplace, how it can organize itself to deliver value to its customers, and the ways in which it does this better than its competitors.
- **Planning skills** – An ability to consider what the future might offer, how it will impact on the business and what needs to be done to prepare for it now.
- **Marketing skills** – An ability to see first the firm's offerings and their features, to be able to see how they satisfy the customer's needs and why the customer finds them attractive.
- **Financial skills** – An ability to manage money, to be able to keep track of expenditure and to monitor cash-flow, but also an ability to assess investments in terms of their potential and their risks.

- **Project management skills** – An ability to organize projects, to set specific objectives, to set schedules and to ensure that the necessary resources are in the right place at the right time.
- **Time management skills** – An ability to use time in a productive manner, to have capacity of prioritizing important jobs and to get things done to schedule.

Wickham (1998) therefore argues that, under normal circumstances, businesses are made by people. A business can only be successful if the people who make it up are properly directed and are committed to make an effort on its behalf. For Wickham, an entrepreneurial venture also needs the support of people from outside the organization such as customers, suppliers and investors. Wickham further says that, in order an entrepreneur to be effective, he needs to demonstrate a wide variety of skills in the way he/she deals with other people and these are described as people management skills.

Some of the people management skills advanced by Wickham (1998) are:

- **Leadership skills** – Wickham sees leadership as an ability to inspire people to work in a specific way and to undertake the tasks that are necessary for the success of the venture. Leadership is not only about directing people, but it is also about supporting them and helping them to achieve the goals they have been set.
- **Motivation skills** – For Wickham, motivation skills originate from an ability to enthuse people and get them to give their full commitment to the tasks in hand. Being able to motivate demands an understanding of what drives people and what they expect from their jobs. It should be noted that for an entrepreneur, an ability to motivate oneself is as important as an ability to motivate others.
- **Delegation skills** – An ability to allocate tasks to different people. Effective delegation as Wickham states it, involves more than instructing. It involves a full understanding of the skills that people possess, how they use them and how they might be developed to fulfill future needs.
- **Communication skills** – An ability to use spoken and written language to express ideas and inform others. Good communication is not just passing information, but it involves using language to influence people's actions.
- **Negotiation skills** – Involves full knowledge and understanding of what is wanted from a situation, what is motivating others in that situation and recognize possibilities of

maximizing the outcome for all parties. Being a good negotiator as Wickham states it, is more about being able to identify win-win scenarios and communicate them, than it is about being able to bargain hard.

According to Wickham all of the mentioned different people skills are interrelated. Good leadership demands being able to motivate. Effective delegation requires an ability to communicate. The skills needed to deal with people are not innate, they must be learnt and they do play a considerable role in entrepreneurship performance. These factors which influence the entrepreneur performance as states Wickham, can clearly be illustrated using the following figure.

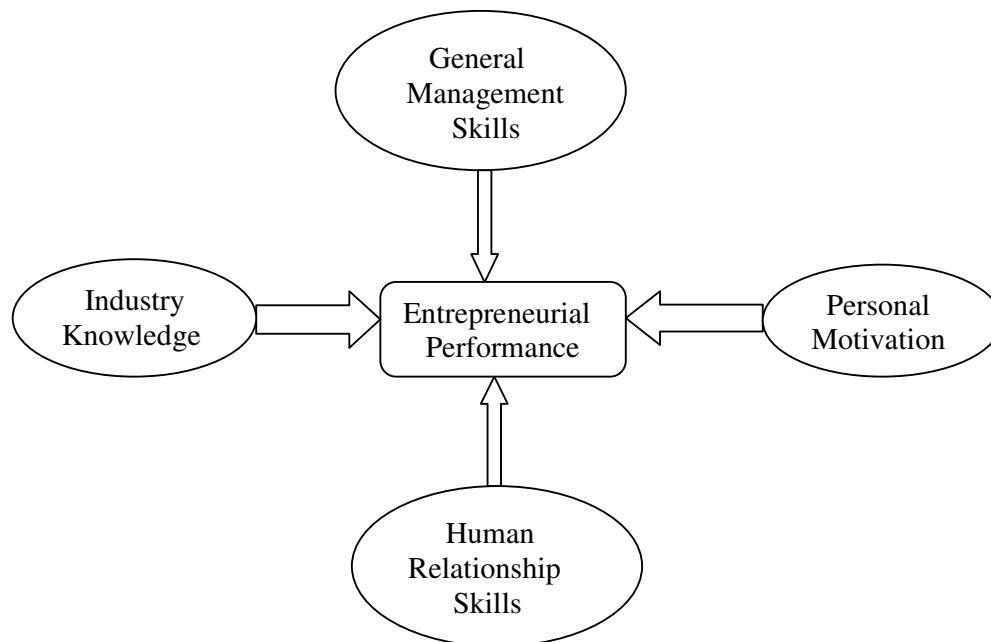


Fig 2. 1 Factors influencing entrepreneurial performance

Source: Wickham A. Philip (1998)

Entrepreneurial performance results from a combination of industry knowledge, general management skills, people skills and personal motivation (Fig. 2.1). The successful entrepreneur must not only use these skills but learn to use them and learn from using them. For Wickham (1998) entrepreneurs should constantly audit their abilities in these areas, recognize their strengths and shortcomings, and plan how to develop these skills in the future.

**2.3 ENTREPRENEURSHIP IN RELATION TO MEDIUM AND SMALL SCALE
ENTREPRISE (MSSEs)**

Although there is some distinction between small businesses and entrepreneurship as mentioned by Wickham (1998), other scholars like Burns (2001), states that entrepreneurs are defined by their actions not by the size of the organization they happen to work within. To him, any manager can be entrepreneurial. The manager of a small firm may not be an entrepreneur as entrepreneurs can also exist within large firms, even ones that they did not set up themselves.

Burns (2001) thus defines entrepreneurs as people who use innovation to exploit or create change and opportunity for the purpose of making profit. They do this by shifting economic resources from an area of lower productivity into an area of higher productivity and greater yield, accepting a higher degree of risk and uncertainty in doing so. In his book, Paul Burns defines Small and Medium Enterprises (SMEs) using the 1985 UK Companies Act as follows:

Exhibit 2. 1 Classification of Small and Medium Business according to the 1995 UK Companies Act.

Criterion	Small Business	Medium Business
Maximum annual turnover	2.8 million pounds	11.2 million pounds
Maximum annual balance sheet total	1.4 million pounds	5.6 million pounds
Maximum number of employees	50	250

Source: Paul Burns “Entrepreneurship and Small Business (2001), page 8.

‘The European Commission has coined the term “Small and Medium Enterprise” (SME) and defined them as organizations employing fewer than 250 people. This is disaggregated into three parts and, to qualify as a SME, both the employee and the independence criteria must be satisfied plus either the turnover or balance sheet criteria’ (Burns 2001: 8).

Exhibit 2. 2 Classification of Micro, Small and Medium Business according to the 1995 UK Companies Act.

Criterion	Micro business	Small business	Medium business
Maximum number of employees	9	49	249
Maximum annual turnover	-	7 million Euros	40 million Euros
Maximum annual balance sheet total (total assets)	-	5 million Euros	27 million Euros
Maximum % owned by one, or jointly by several, enterprise(s) not satisfying the same criteria	-	25%	25%

Source: Paul Burns “Entrepreneurship and Small Business (2001), page 8.

Despite the independence criteria, Burns states that SMEs could still include organizations managed by non owner-managers. Even so, some of them may be entrepreneurs. Three groups can therefore be identified in the management of SMEs, which are managers of small firms, owner-managers and entrepreneurs.

Small firms and entrepreneurs are broadly overlapping sets according to Paul Burns. However, the two concepts are not synonymous. Small firms are broadly characterized as either lifestyle – set up to allow the owner-manager to pursue an activity they enjoy, or growth – one set up to make money and grow.

Joseph Schumpeter also finds no difference between entrepreneurship and enterprises. He bases himself on his theory of ‘creative destruction’ where he highlights the idea of producing something totally new or different from the existing one. ‘To produce other things or the same things by a different method, means to combine the materials and forces differently’ (Schumpeter 1934: 65). The individual who introduces new combinations is an entrepreneur. According to Schumpeter, carrying out the new combination of both materials and forces means an ‘enterprise’ and individuals who carry out this function are ‘entrepreneurs’ (Schumpeter 1934). This means that for an enterprise to exist, an entrepreneur is needed and must constantly carry out new combinations of resources at his/her disposal for it to grow, prosper, and develop. It is therefore hard to find proper demarcation between SMEs and entrepreneurs as enterprises depend on the entrepreneurs’ ability to innovate.

This lack of proper demarcation between SMEs and entrepreneurship guided the researcher in regarding the SMEs development policy in Rwanda as entrepreneurship development policy.

2.3.1 Entrepreneurship in Uganda-Best Practice

Uganda is described as the entrepreneur’s paradise by the Fast Company magazine (2004). According to this magazine, the country portrays the highest percentage of individuals, age 18 to 64, active in either starting up or managing a new enterprise. The magazine further illustrates the statistics of the study carried out in various countries between 2002 and 2003 by Global Entrepreneurship Monitor (GEM) as follows:

Exhibit 2. 3 The statistical data of active entrepreneurs in various countries.

N0	Country	%	N0	Country	%	N0	Country	%
1.	Uganda	29.3%	10.	China	12.0%	19.	Hungary	6.6%
2.	Venezuela	27.3%	11.	Iceland	11.3%	20.	UK	6.0%
3.	Thailand	18.9%	12.	USA	11.3%	21.	Singapore	5.4%
4.	India	17.9%	13.	Australia	9.9%	22.	Italy	4.6%
5.	Argentina	17.0%	14.	Average	9.0%	23.	Poland	4.4%
6.	Korea	13.8%	15.	Ireland	8.6%	24.	Slovenia	4.3%
7.	N.Zealand	14.5%	16.	Canada	8.5%	25.	France	2.6%
8.	Brazil	13.2%	17.	Switzerland	7.3%	26.	Russia	2.5%
9.	Mexico	12.4%	18.	Israel	7.1%			

Source: GEM (2003)

The above statistics based on interviews carried out in 40 countries in 2002 and 2003, by Babson College and the London Business School, states Fast Company magazine (2004).

The GEM National Report (2003) further states that, the average age of an entrepreneur in Uganda, where many of who are women, are between the ages of 30 and 40; and many of who only have a high school education. 59% of these people are surveyed as being in business for making a living. As stated above by fast company data, the percentage of individuals, ages 18 to 64, active in either starting up or managing a new enterprise is 29.3% in Uganda. In Uganda, trade is encouraged in the way that discounts for starting a business are offered by the government. The Total Entrepreneurial Activity (TEA) account for 2003

stated 29.2, whereas in 2004 it increased to 31.6. The estimated number of start-ups and new firms in Uganda as of 2004 were 1,755,415; A slight raise of 3,982 since 2003.

2.3.1.1 Key factors about Entrepreneurship in Uganda

The GEM National Report (2003) states the key factors about the entrepreneurship in Uganda in the following way:

- Uganda's 2004 TEA Score index was 31.6 which is the highest of all countries analyzed in that year.
- Uganda's economy has "great potential." (GEM National Report, 2003) as stated above. Agriculture is the main sector of the economy; however economical growth is driven by services and trade. As the GEM report states, although Uganda is among the poorest countries in the world, the government has pursued economic reform policies, infrastructure projects, domestic security initiatives that have resulted in positive economic growth (average real rate annual growth in GDP of 6.9% over a 10 year period).
- Asian investors/entrepreneurs are increasingly returning to Uganda after being ousted during the last civil war. When they come back, they re-claim property, re-establish businesses and boost the economy.
- Like in other LDCs, Uganda still has legal issues and lack of intellectual property rights for entrepreneurs seeking to do R&D of innovation strategies.
- In Uganda, entrepreneurship is necessity based, and there is significant opportunity based business activity; indicated by the high number of well-paid employed individuals who start their own businesses.
- The majority of entrepreneurs are men between the ages of 25-34 with higher educations. However, women are seen to be active in start up businesses and ownership.
- The GEM report continues saying that, in Uganda, culturally business is looked at with optimism and ownership and is highly respected.
- In Uganda, 50% of businesses fail; however there is a high rate of failed business owners who re-start their business within 3 years.
- Traditionally, start up businesses were not formally licensed or registered with government officials, however this is slowly changing.

- Angel investors are very common in Uganda, however as stated by the report, the amount invested in is very low.
- Entrepreneurship is seen as a vital part of the nation building process that many African Nations are going through as they shed the “dependency syndrome” left by the colonial legacy systems of state enterprise, vocational education system and extreme social class stratification.
- Most Ugandans feel that entrepreneurial activity is a better way to “make a living.” An example can be given using Ugandan entrepreneurs in Rwanda.
- Ugandans cite independence as a key motivating factor in starting a business.
- There is considerable potential and a wide range of opportunities, both for rural and agriculture-linked micro to small Enterprises and for linkages with small and medium enterprises competing in national, regional and international markets.
- The GEM report finally states that, the Uganda government is engaged in entrepreneurship development, but still suffering from highly variable funding sources.

2.3.1.2 Enterprises and job creation in Uganda through Entrepreneurship

Basing on the research carried out by Rooks Gerrit, Szirmai Adam & Sserwanga Arthur (2009) about the interplay of human and social capital in entrepreneurship in developing countries taking the case of Uganda, their first finding worth noting was the predominance of tiny enterprises: 64 per cent of the enterprises in their sample employed only one person, and 85 per cent of the enterprises employed less than three people. There were only 25 enterprises (3.7 %) with ten or more employees. In most cases where the question was not answered, they assumed these to refer to enterprises without any employees, bringing the percentage of enterprises with employees to 11.7%.

Exhibit 2. 4 Number of persons employed by the Ugandan enterprises

Number of persons employed	N0.	Valid Percentage	Percentage
None	22	3.3	3.0
1	428	64.0	58.4
2	102	15.2	13.9
3	41	6.1	5.6
4-9	51	7.6	7.0
10-15	12	1.8	1.6
More than 15	13	1.9	1.8
Total	669	100.0	
Missing data	64		8.7
Total incl. missing	733		100.0

Source: Rooks Gerrit, Szirmai Adam & Sserwanga Arthur research paper NO. 2009/09 (2009)

In their research, Rooks Gerrit, Szirmai Adam & Sserwanga Arthur found most enterprises very young: Most Ugandan enterprises were young; 55 per cent had started after 2004, 73% after 2002, and 11.5% or 81 firms had been established in 2008. The details were clearly demonstrated in the table 2.5 on the following page.

Exhibit 2. 5 Year of start-up

Period	N0.	%
2008	81	11.5
2005-07	307	43.5
2002-04	130	18.4
1999-2001	71	10.1
1998-95	51	7.2
Total	706	100.0

Source: Rooks Gerrit, Szirmai Adam & Sserwanga Arthur research paper NO. 2009/09 (2009)

Taking Uganda's example, it is well illustrated that the country is moving at a very first rate as far as entrepreneurship development is concerned. There is a predominance of tiny and very young enterprises which is a clear indication of how most Ugandans especially the youth are quite enterprising and have turned the entrepreneurship to be their way of living. Considering GEM statistics, Uganda ranks number one as regards entrepreneurial best

practices and thus the best also in East African region. This is an interesting case especially from such a neighboring country which Rwanda can imitate in order to boost its ongoing entrepreneurial initiatives.

2.3.2 Entrepreneurship in Rwandan Context:

2.3.2.1 Historical background of entrepreneurship in Rwanda

According to MINICOM (2010) SMEs Development Policy, the GoR has fully recognized the paramount role of private sector in further economic development and pro-poor growth. Both Rwanda's vision 2020 and its economic development and poverty reduction strategy (EDPRS) handbooks clearly articulate that the emergence of a viable and sustainable private sector will be the principle engine of economic growth of Rwanda.

The SMEs development policy continue stating that, the government has taken several measures by introducing several programs and policies directly aimed at promoting entrepreneurship and business development at the micro and SMEs level. These include promotion and formalization of the SME sector through the passage of the cooperative policy, the law of companies and by supporting the creation of business development centers for formal registration/technical assistance and targeted training of SMEs that engage in value addition. Also the current savings and loan environment for entrepreneurs/SMEs as states the policy, has been supported by the National Savings Mobilization Strategy (NSMS) and the National Microfinance Policy and Strategy (NMPS), and this has led to the creation of savings and credit cooperatives (SACCOs) at the local level, thus accelerating the entrepreneurial activities.

In addition to new policies as the SMEs development policy highlights, the government has identified and supported key priority export sectors where entrepreneurship/SMEs play a major role. These export sectors include coffee, tea, leather, flowers, tourism, fruits, handicrafts and minerals (MINICOM SMEs Development Policy, 2003).

2.3.2.2 The role of Entrepreneurship in Rwanda

FACET BV Report (2004) highlights the role of entrepreneurship in Rwanda as follows:

- Entrepreneurship improves trade balance;

- Entrepreneurship is a famous venture for job creation;
- Entrepreneurship also creates tax revenues thereby accelerating economic development;
- Entrepreneurship is a major driver of economic growth.

2.3.2.3 The main challenges of Entrepreneurship in Rwanda

FACET BV Report (2004) report further explains how entrepreneurship or SMEs in Rwanda still experience some challenges, and the main ones being:

- Inadequate entrepreneurial skills of recent graduate as well as within SMEs;
- Lack of entrepreneurial culture;
- High cost of doing business;
- Difficulties in obtaining credit facilities;
- Lack of business training and advisory services;
- Lack of awareness of investment opportunities;
- Lack of appropriate technologies;
- Inadequate regulatory framework;
- Inadequate infrastructure;
- Poor SME/Entrepreneurs' access to market information.

2.3.2.4 Possible solutions to the above challenges

This report finally highlights the possible solutions to the above challenges. It states that these challenges can be reduced by providing a micro-environment for entrepreneurs whose activities accelerate the process of enterprise development and increase the likelihood of business growth by:

- ✓ Conserving entrepreneurs' most scarce and precious resources, time and money, through cost sharing, time-saving and capital-conserving access to affordable space, services and equipment. All these should be done in flexible and timely ways tailored to entrepreneurs' needs;
- ✓ Helping entrepreneurs overcome constraints to growth that rise from the macro-economic environment, such as administrative barriers, lack of information and lack of access to capital;
- ✓ Accelerating the rate at which entrepreneurs learn core elements of business planning and business management assistance, workshops and access to learning resources.

2.3.2.5 Government initiatives to support Entrepreneurship Development

'Government initiatives have strongly supported these industries, such as the PPMER II (Rwanda Small and Microenterprises Promotion Project Phase II) which was developed to promote rural SMEs' (MINICOM SMEs Development Policy, 2010:9).

As the policy states, donors and NGOs put funds at disposal of the Banque Populaire du Rwanda (BPR) to provide specific sectors and groups of people with loans. Targeted groups include youths, women and agricultural workers. The facility works as a revolving fund where the amount paid back on the awarded loans is provided to other beneficiaries.

According to the SMEs development policy, other initiatives to support nascent business include the Private Sector Federation (PSF) business plan competition, which has grown to a considerable good number each year. Winners receive priority access to loans with partner banks.

As FACET BV Report (2004) states further, the TBIF which is part of CITT of KIST is a spin-off of the entrepreneurship skills development facility (ESDF). From the SFB website, one reads that, the School of Finance and Banking (SFB) in partnership with William Davidson Institute (WDI) and Goldman Sachs, support a good number of women program with an aim of boosting entrepreneurship initiatives among women. The partnership also provides scholarships for young Rwandan women annually as well as certificate programs for women without secondary education. Finally, the kingdom of Netherlands in partnership with the Workforce Development Authority is rolling out a new Technical and Vocational Education Training (TVET) policy (Goldman Sachs - SFB Website).

The policy concludes that these initiatives help to support the work of Ministry of Commerce and Trade (MINICOM) in cooperative development sector and sector organization strategies to assist in the development of entrepreneurship.

2.4 HOW ENVIRONMENTAL CONDITIONS INFLUENCE

ENTREPRENEURSHIP DEVELOPMENT ACCORDING TO VARIOUS SCHOLARS

Though a big volume of literature exists on entrepreneurial environments as an impetus for entrepreneurship development, it is highly fragmented. Various scholars have listed a good number of environmental conditions that may play a considerable role in developing

entrepreneurship in the country or region (Bruno & Tyebjee, 1982; Gartner, 1985; Manning, Birley, & Norburn, 1989). Others still have a more descriptive approach to show the actual condition of entrepreneurship in a particular country or region (Davidsson, 1991 & Pennings, 1982). Other scholars have further insisted on the role of governments in developing entrepreneurship (Mokry, 1988; Vesper, 1983).

In this thesis, what is referred to is "entrepreneurial environment or environmental conditions" as a combination of factors that play a role in enabling the entrepreneurship development. During the research, the literature review first refers to the overall political factors, socio-cultural factors and economic factors that influence people's willingness and ability to undertake entrepreneurial activities. Secondly, the literature refers to the availability of assistance and support services that facilitate the start-up process.

Gnyawali R. Devi & Fogel S. Daniel (1994) bases themselves on what is stated by various scholars to group the available literature on entrepreneurial environments into three broad streams: (a) general environmental conditions for entrepreneurship; (b) descriptive studies of the environmental conditions of a particular country or region; and (c) the role of public policy in shaping the entrepreneurial environments.

General environmental conditions as discussed by different scholars include legal and institutional frameworks for efficient functioning of private entities, existence of experienced entrepreneurs, existence of skilled labor force, accessibility of suppliers and customers or new markets, high degree of competition among firms, favorable government policies and programs, provision of training and support services, and favorable infrastructure (Bruno & Tyebjee, 1982; Gartner, 1985). The literature further suggests that the characteristics of people, their skills, experience, and motivation, play important roles in new venture creation (Manning, Birley, & Norburn, 1989).

Empirical studies of entrepreneurial environments of various countries show that countries that keep rules and regulations at a minimum, offer tax and other incentives, and provide training and counseling services to start-up entrepreneurs facilitate an increase of new venture start-ups (Dana, 1987). It is further stated that factors such as availability of financial resources and presence of universities for training and research are quite crucial in increasing the rate of new venture creation (Pennings, 1982).

More studies have also showed that entrepreneurs face several huddles, such as lack of financial assistance, lack of information on various aspects of business, excessive taxation, and high rate of inflation (Young & Welsch, 1993).

The role of public policy has been focused on by some scholars (Mokry, 1988 & Vesper, 1983). They discuss various policy options for developing entrepreneurship. The policy options being suggested here are such as provision of funds for venture capital, tax incentives, protection of proprietary ideas and innovations investment in education and research, special programs for supporting entrepreneurship by government agencies, etc. Goodman, Meany, & Pate (1992) also highlight further activities governments have undertaken to stimulate entrepreneurship.

However, some commonalities do exist among these streams of literature as stated by Gnyawali R. Devi & Fogel S. Daniel (1994). One can conclude that there is common agreement among scholars that the more conducive the business environment, the more likelihood for emergence and growth of new businesses ventures. For instance, people will be more encouraged and feel competent to start a business when the social environment give more values to entrepreneurship, when various opportunities are available and ready for entrepreneurs, and when they are equipped with sufficient knowledge and skills required to start and manage their business.

The willingness and capability to start new ventures may further be enhanced if potential entrepreneurs do not face obstacles during the start-up process. Either directly or indirectly, governments also affect the development of an environment that could support entrepreneurship.

2.5 ENTREPRENEURSHIP DEVELOPMENT CHALLENGES IN MAYANGE MVP

According to the article by Millennium Villages (2009), the population in Mayange was facing impending famine because of failing rains and a poor harvest the year before the project. The health center was also severely lacking in staff, medicines, equipment and supplies, and had no electricity or running water. In such conditions no one could think of entrepreneurship development. Due to all these challenges, in the year 2006, the GoR,

UNDP and other stakeholders decided to choose the area as a prototype for implementing the MDGs.

The goal of the entrepreneurship development sector in all Millennium Villages (MVs) is to boost income-generation and diversify households' sources of income thereby stopping the dependency culture through sustainability, (Millennium villages, 2009). Building upon the MVs' early progress in agricultural productivity, Mayange MVP is now working to support farmers' transition to commercialized agriculture, including diversification into cash crops, credit-based access to inputs, and capital-based investments in both agribusiness and other types of business like weaving, fabrication of energy saving stoves, etc (Ndahiro, 2009).

In his article the project coordinator confirms that Mayange MVP targets investments at four different levels: household-based enterprises, mid-scale “incubation” cooperatives, and partnerships with local commercial banks, MFIs and SACCOs to expand communities' access to credit and finance thereby facilitating the entrepreneurial activities.

Mayange MVP still suffers unfavourable conditions for entrepreneurship development. The terrain around Mayange is flatter and drier than most of Rwanda. The area suffers from sporadic rainfall and declining soil fertility, leading to endemic poverty, illness and a lack of economic opportunity (Millennium Villages, 2009). Like other MVs, the government and developing partners have played a considerable role in the provision of some basic requirements which would bring about favourable conditions for entrepreneurship development.

However as experienced in other MVs, the environmental conditions for entrepreneurship development such as macro economic climate, sufficient financial support, market research, education and training, research and development (R&D), cultural and social norms, access to physical infrastructure, commercial and professional infrastructure, etc are still very low and insufficient in Mayange MVP.

This will be elaborated on in chapter four where the researcher will take stock of further reasons behind the challenges and barriers of developing entrepreneurship in Mayange MVP.

2.6 CONCLUSION

This chapter highlighted some of factors favorable for entrepreneurship development as gathered from relevant textbooks, journals, as well as internet articles. Theories from different authors were integrated and linked to the research problem.

CHAPTER 3: THEORETICAL FRAMEWORK AND RESEARCH DESIGN

3.1 INTRODUCTION

Chapter 2 dealt with some theories of suitable environmental conditions for entrepreneurship development as advanced by various scholars. It showed that though public investment is very crucial as far as entrepreneurship development is concerned, it cannot work in absence of other environmental factors.

Chapter 3 presents the description of the research theory and methodology that was employed in the study. It specifies the region in which the study was conducted, techniques and research methods applied, tools used in data collection and data analysis. Limitations and problems encountered during the study are also highlighted.

3.2 PROBLEM DEFINITION

Pretorius, Nieman, & van Vuuren (2005) argue that once entrepreneurship takes off, it will create economic growth that will curb massive unemployment. The government of Rwanda with support of several development partners invested heavily in the public infrastructure such as roads, health care facilities, schools, electricity, water to mention but a few as a boost for entrepreneurship in Mayange and other rural areas.

This indeed boosted entrepreneurial activities in this area, but needless to mention is there are still impediments to entrepreneurship development despite this approach of improving public infrastructure. Improvement in physical infrastructure and provision of basic social services such as health facilities is not a standalone factor for enhancing entrepreneurship in any area. The government of Rwanda has focused more on this aspect, giving little attention to development of other entrepreneurial conditions necessary for business success.

To this end, the researcher has described here below a research design and methodology appropriate for this study, in order to establish the challenges and barriers entrepreneurs in Mayange face and therefore limit growth and development of entrepreneurship.

3.3 RESEARCH DESIGN

Vos et al (2004:137) emphasizes that the definition of research design is ambiguous and therefore summarizes it as a plan or blue print according to which data is gathered to investigate the research question in the most economical way. During this study, a descriptive research design has been employed as the most appropriate.

3.4 RESEARCH OBJECTIVES

The major objective of this research is to establish the challenges and barriers hindering Mayange MVP to maximize its entrepreneurship sustainability despite the public investment made by government.

As explained in chapter one, the main research objective shall be reached through subdividing into smaller research objectives stated here below;

- To find out whether public investment is crucial and an independent factor in fostering entrepreneurship development in Mayange MVP.
- To define the nature of entrepreneurial activities in Mayange MVP.
- To find out the prevailing environmental conditions, challenges and barriers encountered by entrepreneurs in Mayange MVP thus hindering the progress of their businesses.

3.5 THEORETICAL FRAMEWORK

In order to respond to the objectives of this research, the researcher based this study on the theory of environmental conditions as an impetus of entrepreneurship development as advanced by Gnyawali R. Devi and Fogel S. Daniel, (Summer,1994). This theory fronts the argument that entrepreneurship development and sustainability is impossible amidst lack of favorable environmental conditions.

Furthermore in establishment of the Mayange Millennium Project, the government considered the relevance of such a theory and first introduced or improved various environmental conditions in order to favor the entrepreneurial process. Among these included accessibility to credit facilities, financial services, capacity building in entrepreneurship to mention but a few.

In the context of this study, the entrepreneurial environmental conditions as described by Gnyawali R. Devi and Fogel S. Daniel, (Summer,1994) are categorized into five namely: (i) government policies and procedures, (ii) socioeconomic conditions, (iii) entrepreneurial and business skills, (iv) financial support to businesses, and (v) non-financial support to businesses.

The researcher uses this theory of environmental conditions as a benchmark to define the dependant and independent variables of this study. This has been developed in to a conceptual framework for this study as explained below:

3.5.1 Dependant variables

The dependant variable in this study is “entrepreneurship development”. Entrepreneurship development as highlighted by various scholars in the theory of entrepreneurship development is identified through total entrepreneurial activities present, entrepreneurship opportunity available, entrepreneurship necessity among people and shutdown due to lack of impetus to entrepreneurship. Favorable environmental conditions will always lead to the entrepreneurship development and its sustainability.

3.5.2 Independent variables

The independent variables in this study are entrepreneurial conditions necessary for boosting entrepreneurship development. In this study they have been categorized in to five dimensions namely:

Government Policies and Procedures

Governments can influence the market mechanisms and make them functional by removing barriers that create market imperfections and administrative rigidities. They can also create an "enterprise culture" that induces firms to take reasonable risks and seek profits, for instance through promotion of public investment to facilitate young entrepreneurs. All these are done through legal and institutional framework.

Socio-economic Conditions

Entrepreneurship cannot develop if most members of the society view it with suspicion. A positive attitude of the society towards entrepreneurship and a widespread public support for entrepreneurial activities are both needed if people are to be motivated to start new ventures. Social factors may also be as crucial as availability of loans, technical assistance, physical facilities, and supply of required information.

The presence of experienced entrepreneurs and successful entrepreneurial role models in any community, country or region conveys a message to the potential entrepreneurs that business is an attractive career option, and the reverse is true.

Various economic factors have also played a considerable role in entrepreneurship development. These economic factors are such as proportion of small firms in the population of firms, extent of economic growth, and diversity of economic activities.

Various studies have proved that the greater the percentage of small firms in growing sectors, the greater the number of jobs created by small firms in the industries operating in those sectors (Phillips, 1993), (Spencer W. Jennifer and Gomez Caroline, 2000).

Porter Michele also states that factors such as high sophistication of buyers, strong distribution channels, and intense rivalry among existing firms provide an opportunity for entrepreneurs to pursue innovation (Porter M., 1990).

Entrepreneurial and Business Skills

A low level of technical and business skills could prevent motivated entrepreneurs from starting a new venture (Davidsson, 1991). As stated by Davidsson, unless entrepreneurs are well equipped with technical and business skills, they may not be able to overcome various problems they encounter at different stages of their business development.

Financial Support to Businesses

Generally, entrepreneurs require financial assistance to spread the start-up risk, to build up start-up capital, and to finance growth and expansion of his/her business. Though experience and some researchers have shown that availability of financial resources appears to be a major predictor of entrepreneurship development, many lenders seem to be unwilling to invest in high-risk projects or tend to withhold support until the firm has been established successfully (Pennings, 1982). According to Pennings, in most LDCs and emerging market economies, only a few venture capital companies and commercial banks are available and alternative sources of financing such as Microfinance Institutions (MFIs) and SACCOs are almost non-existent.

Non-Financial Support to Businesses

Apart from financial services, public investment is very crucial in terms of non-financial support to business or entrepreneurship development. These support services in which entrepreneurs need most assistance are for instance: availability of conducive investment infrastructures, conducting market studies, preparing business plans, and easiness in getting loans.

Activities which help entrepreneurs to carry out their networking with an aim of developing entrepreneurship are also paramount. The forms of network include trade fairs, entrepreneurial fairs, business trips, business competition, associations and clubs. Through networks, entrepreneurs can gain support and motivation, examples and role models, expert opinion, advice and counseling, business information, business opportunities and resources.

Through public investment, certain infrastructural elements seem to make substantial impact on the environment which facilitates entrepreneurship development. These elements include the existence of good roads, universities, high institution of learning and research, research and development programs, a well-educated and technically skilled labor force, then modern transport and communication facilities that provide easy access to suppliers and customers.

To be specific, the entrepreneurial environmental conditions discussed in this study entail:

1. Government Policies and Program
2. Financial Support
3. Education and Training
4. Market Openness
5. Research and Development
6. Commercial and Professional Infrastructure
7. Cultural and Social Norms
8. Macro Economic Climate
9. Access to Physical Infrastructure

3.5.3 Assumptions

The openness of respondents in giving the required information and data plus the availability of enough documentation regarding the entrepreneurship evolution and development in Rwanda were highly assumed by the researcher during his study.

Another assumption was that the information discovered during this research can be useful for lessons for economic development, if at all, it can be generalized to other countries or situations.

Finally, the research assumed that this study will be able to satisfactorily answer his research questions using this approach and from his data set.

3.5.4 Limitations

The researcher came across some limitations during his research. Some of them were:

- (i) The research was carried out during rainy season where most of respondents were busy cultivating in their firms, thus getting them to respond to the questions was a bit difficult.
- (ii) The information given was very limited and not conclusive as most of respondents were not convinced to reveal such information like their salaries, any bad thing concerning Mayange MVP, etc.
- (iii) The information obtained was again not conclusive as research was limited to one country and one area for development.
- (iv) The research was limited on one way of encouraging entrepreneurship which is public investment forgetting other ways like favourable environmental conditions, removing cultural barriers, etc.
- (v) The research based on small amount of data where few respondents were interviewed.
- (vi) When looking for secondary data, the researcher was again limited by availability of tangible and uniform literature concerning entrepreneurship in Rwanda.

3.5.5 Research propositions

The research propositions were based on descriptive studies and theories advanced by various scholars and researchers, the major ones being:

- Public investment is crucial for entrepreneurship development but is no independent factor for fostering entrepreneurship development in Mayange MVP.
- The barriers and challenges of developing entrepreneurship experienced by Mayange MVP are due to lack of favorable environmental conditions such inadequate financial support, inaccessibility to credit facilities, non available ready market for the products produced, limited technical knowledge and business management skills.

3.6 RESEARCH METHODOLOGY

Research methodology is theoretically explained by various scholars in different but complementary ways. According to Clarke (2000), research methodology is the study of

research methods, whereas research method is about the manner in which a specific research project is undertaken.

Since this research provides a contextual analysis of the problems encountered while developing entrepreneurship thereby making us understanding the whole paradox, it looks as if the research is a bit subjective in nature. The researcher however applied the case study methodology to carry out his research. The case study selected is a perfect match to his research topic as it has experienced a lot of public investment since 2007, with an aim of eradicating the existing poverty through entrepreneurship development and sustainability.

The research methodology used during sample selection is a convenience sampling, which is one of the methods of non probability sampling where members are selected from the population in a nonrandom manner. Six well established cooperatives were selected from the sample of twenty cooperatives operating in Mayange MVP because the researcher wanted to get unbiased answers from experienced entrepreneurs during his interview. Five entrepreneurs from each cooperative which brought the sample number to a total of 30 people were selected.

Out of five people selected, one was the president and another, the secretary of the cooperative. This was done because, the two were expected to be well versed with all information regarding entrepreneurship being carried out in their cooperatives. The remaining three people were simple cooperative members. This was done in order to avoid getting biased answers from the leaders of the cooperatives. Again, out of five people from each cooperative, at least two were women with respect to gender balance.

Both qualitative and descriptive statistics were used in order to avoid the study to be too much subjective during the analysis. Finally, the researcher used statistical tables, graphs and pie charts to interpret the data with an aim of making it simple for any reader.

3.6.1 Qualitative methods

The qualitative approach as expressed by Mertens (2005:229), is a research method which involves collection and use of empirical data on personal experience, introspection, life story, interviews, cultural texts and productions.

Basing on the nature of his research and the literature reviewed, the researcher found it necessary to use the qualitative approach. As stated by Earl Babbie J. M (2003:270) the qualitative approach primary goal is to describe and to understand rather than explaining human behavior.

The researcher preferred this methodology because his research sought to find out the persisting challenges being faced in developing entrepreneurship through public investment. The research therefore is based on the personal feelings and experience of the respondent as well as the researcher's observations, which can only be done through a qualitative approach.

3.6.2 Target population and sampling methods

During this study, there was specific population targeted and sampling method applied in order to enable a successful research.

3.6.2.1 Target Population

Regarding Mertens (2005) definition of population, it is the group to whom the researcher wants to apply the results of the research. In line with this definition, during his research, the researcher used cooperative members in Mayange MVP as his target population.

3.6.2.2 Sampling Methods

Sampling refers to the method used in selecting a given number of people or things from a population. It is further stated that the strategy used in selecting the sample does influence the quality of data and hence the research outcomes Mertens (2005: 307). A convenience sampling method, which is one of the methods of non probability sampling where members are selected from the population in a nonrandom manner was preferred and used by the researcher. This was due to the fact that, the method would give the answers which were close to the research expectations.

3.6.3 Data Collection Instrument and Sources

The data for this study was collected from different sources at Mayange MVP. The primary data was collected by use of semi-structured questionnaire which consisted 86 multiple choice questions to be answered by entrepreneurs through interview.

The researcher carried out his survey by use of meetings through Mayange MVP entrepreneurs who are even the key persons for his research. This is because these people feel better to be met with handling them the questionnaire rather than handling it over to them, as they needed further clarifications about the questions. The sample was therefore restricted to the beneficiaries of the project who are the entrepreneurs.

3.6.3.1 The Questionnaire Design

The questionnaire consists of two parts. Part one sought general information about the respondents, project, age, marital status, address, qualification, legal status, time the business started and how they collaborate with MVP and other projects. The second part concentrated on measuring the entrepreneurship development in relation to public investment. The two parts of questionnaire were to be filled by the entrepreneurs in Mayange MVP. This type of questionnaires was selected by the researcher in order to allow respondents to give full information, allow flexibility and get common impression.

3.6.4 Data analysis Methods

All data collected in the field was edited to ensure completeness, accuracy and consistency. For instance, the data was organized first using statistical tables so as to allow meaningful interpretation at the time of analysis.

After organizing, editing and coding of the data, it was thus analyzed through Microsoft excel by use of tables, graphs and pie charts, in a simplified way so as to meet the specific needs and requirements of this research. The data was finally statistically analyzed by the use of statistical tools of data and analysis in terms of percentages and rankings.

3.7 CONCLUSION

In Chapter 3, the founding theory for this study has been discussed; the research propositions stated and the conceptual framework appropriate for the study designed by the researcher. The chapter also reviews the sampling method used, the data collection and analysis instruments which were used.

CHAPTER 4: DATA COLLECTION, ANALYSIS, FINDINGS AND

DISCUSSION

4.1 INTRODUCTION

Mayange MVP was started in the year 2006 with an aim of eradicating poverty as one of the millennium development goals by promoting entrepreneurship and ensuring its sustainability. Mayange MVP currently has more than 20 cooperatives engaged in animal husbandry, agriculture and food processing, art and crafts, small scale industries, etc.

The government and several development partners like UNDP are dedicated to enhance the environmental conditions through; improving the physical infrastructure like roads, government policies and programs, capacity building, ready market and financial conditions. Amidst such efforts, many of the entrepreneurs' growth and sustainability is still threatened by unfavorable environmental conditions.

In light to this, the main objective of this study is to identify the challenges and barriers that hinder entrepreneurship development through public investment.

This chapter analyses the data collected and states the findings respectively to the research questions below:

4. How crucial is public investment in fostering entrepreneurship development in Mayange MVP?
5. What are entrepreneurial activities in Mayange MVP?
6. What are the prevailing environmental conditions, challenges and barriers of entrepreneurship development in Mayange MVP?

This chapter therefore documented the data as gathered from the questionnaires submitted and existing project internal documentation. Findings from this research have been analyzed and discussed as below. The tables below are consistent with the data analyzed relating to the objectives as defined in the thesis. The extraction of informative data was done under the framework of responding to the objectives of the study.

4.2. DATA COLLECTION AND ANALYSIS

4.2.1. Public investment a crucial factor in fostering entrepreneurship development in Mayange MVP

The study assessed the level of public investment in Mayange MVP in relation to entrepreneurial growth in the sector and the benefits accrued to public investment as manifested through the attitude towards entrepreneurship by the entrepreneurs interviewed.

Table 4. 1 Public investment in relation to entrepreneurial growth

Year	2006	2007	2008	2009	2010
Targeted number of entrepreneurs by the Mayange MVP	2441	2489	2539	2590	2671
Number of registered entrepreneurs in Mayange by the program MVP	757	797	939	984	1097
Level of public investment in Mayange MVP (Million Rwf)	131	152	174	199	297

Source: Primary data

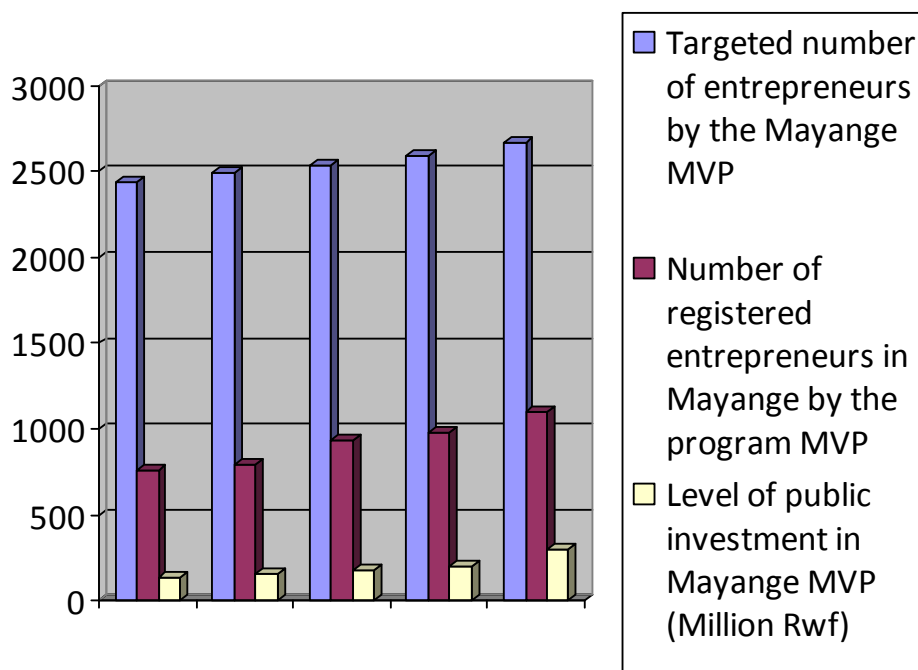


Fig 4. 1 Public investment in relation to entrepreneurial growth

Source: Primary data

From the figure above (page 40), it can be deduced that the level of public investment is directly proportional to entrepreneurial growth. Between the year 2006 and 2010 entrepreneurs grew by 44.9% and public investment grew by 126%. However it can also be noted that the targets for entrepreneurial growth intended by the program was not attained may be due to other limiting factors.

Additional to the public investments highlighted above, the Millennium Village Project in Mayange has instituted programs aimed at fostering entrepreneurship as per below table 4.2. However despite of these efforts, the program still fell short of its entrepreneurship development targets.

Entrepreneurs interviewed further highlighted the achievements attained as a result of engaging in entrepreneurial activities. This among many factors was made possible by the increasing level of public investment; achievements are as outlined in table 4.3.

4.2.1.1 Major Areas of support in Mayange MVP

Table 4. 2 Mayange MVP support

Nature of support	Solicited opinion	Percentage
Children education	7	6.3
Adult education	9	8.1
Medical support	9	8.1
Physical infrastructure	28	25.2
Advocacy	30	27.1
Training	28	25.2
Total	111	100

Source: Primary data

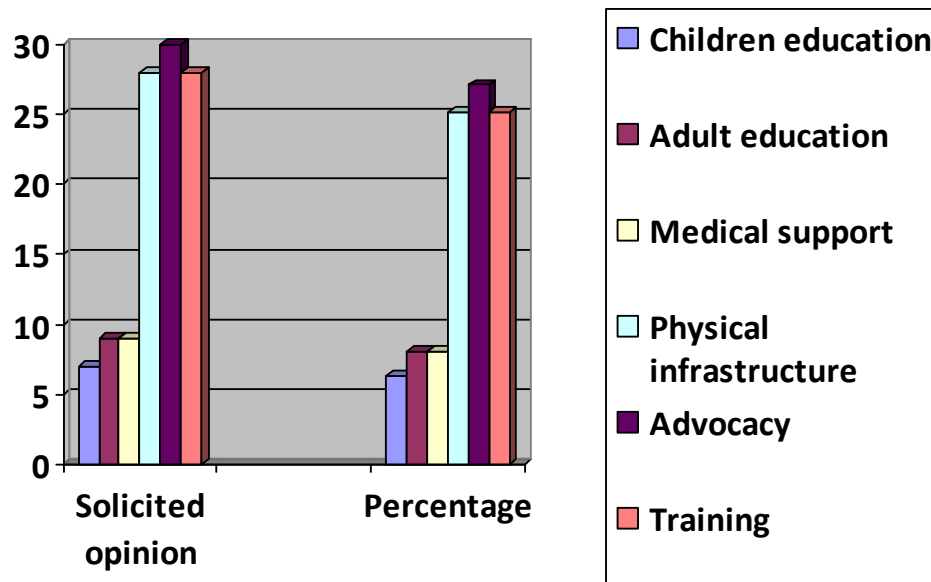


Fig 4. 2 Mayange MVP support

Source: Primary data

Mayange MVP has provided support to various entrepreneurial activities such as education, medical support, physical infrastructure, advocacy and training in entrepreneurial activities as indicated in the figure 4.2 above.

However, a big component of Mayange MVP expenditure goes on advocacy which constitutes 27.1% and physical infrastructure and training which both constitute 25.2% of the total support. This indicates that Mayange MVP considers partnership a key ingredient for sustainable entrepreneurship development coupled with capacity building initiatives.

Table 4. 3Major achievements from entrepreneurial activities

Achievements	Solicited opinion	Percentage
Good housing	15	17.3
School fees	15	17.3
Health insurance	21	22
Asset acquisition	21	22
Income increment	5	5.2
Increased marketing	1	1
Improved standard of living	14	15.2
Total	92	100

Source: Primary data

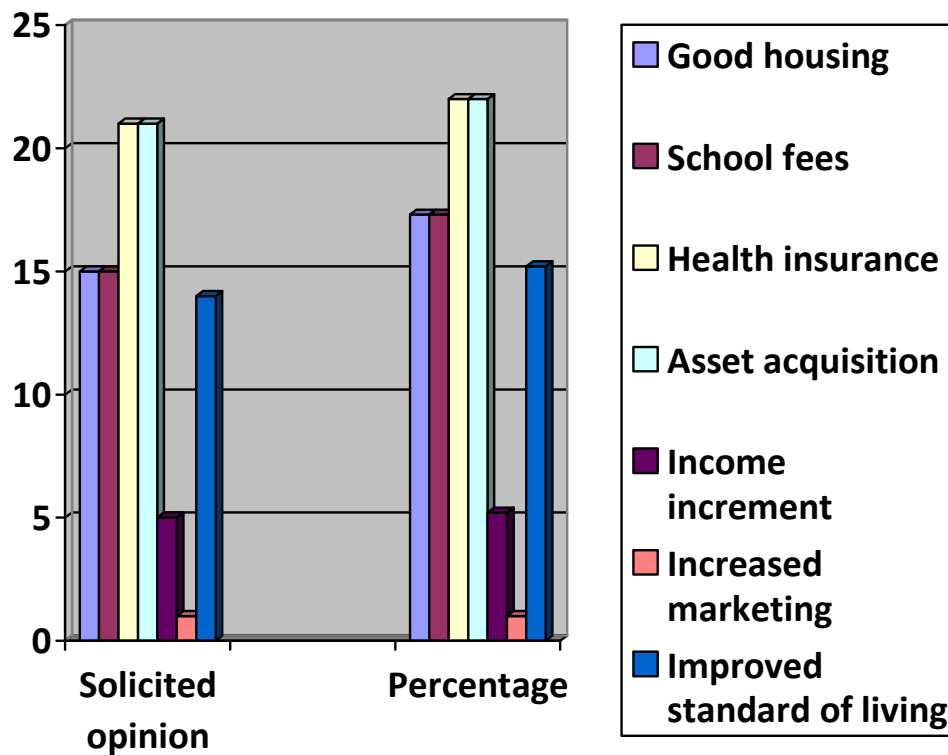


Fig 4. 3 Major achievements from entrepreneurial activities
 Source: Primary data

The above table and graph indicate major achievements were mainly five with assets acquisition and health insurance coming first with 22%, school fees and good housing come next with 17.3% and improved standard of living which constitutes 15.2%.

4.2.2 Entrepreneurial activities in Mayange Millennium Village Project (MVP)

Data analysis indicates spread of entrepreneurial activities across four sectors namely: animal husbandry, agriculture and food processing, arts and crafts and lastly small scale industries. Further analysis indicates that 70% of entrepreneurs are women. The level of education of entrepreneurs in Mayange MVP is limited to primary level constituting 60%. Most of entrepreneurs are engaged in carrying out most of their activities themselves thereby limiting the number of staff employed as it was discovered that cooperative employ at maximum 4 employees with preference being carrying out the work themselves. On average, the entrepreneurial activities have been in existence for a little over a year. Below are the details of the findings.

Table 4. 4 Spread of entrepreneurship activities

Type of activity	Number of cooperatives	Percentage
Agriculture & food processing	1	17
Animal husbandry	2	33
Art & crafts	1	17
Small scale industries	2	33
Total	6	100

Source: Primary data

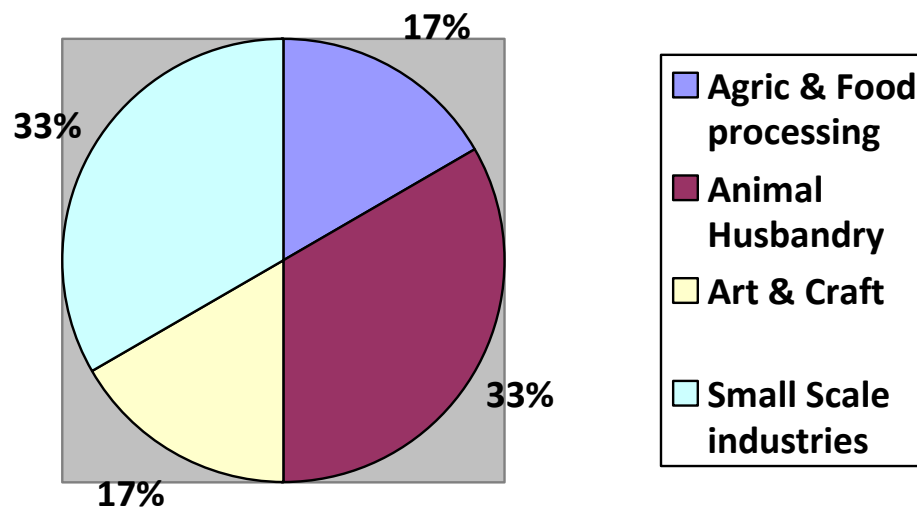


Fig 4. 4 Spread of entrepreneurship activities

Source: Primary data

The table and the figure above indicate that entrepreneurial activities mostly engaged in animal husbandry and small scale industries such as knitting, small cyber cafes, energy saving stoves, etc which constitutes 33% of the sampled population. The other entrepreneurial activities include agriculture & food processing, then arts & crafts which constitutes only 17% of the sampled population.

These findings indicate the fact that the existing conditions in Mayange such as low levels of education, limited access to credit, minimal capital, developing technology influence the nature and size of entrepreneurial activities .

Table 4. 5 Gender distribution

Gender	Number	Percentage
Male	9	30
Female	21	70
Total	30	100

Source: Primary data

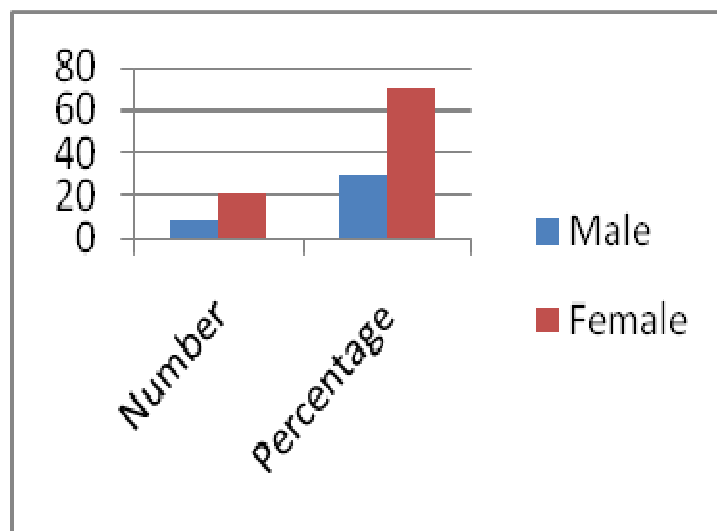


Fig 4. 5 Gender distribution;

Source: Primary data

Of the six cooperatives in which the study population was 30 members, 21 were female representing 70% of population sampled as indicated above. This finding supplements existing literature that highlights women in Rwanda are bread winners of their families and are highly involved in small scale entrepreneurial activities.

Table 4. 6 Age distribution

Age bracket	Number	Percentage
18 – 30	6	20
31 – 45	19	63
46 – 60	3	10
60 and above	2	7
Total	30	100

Source: Primary data

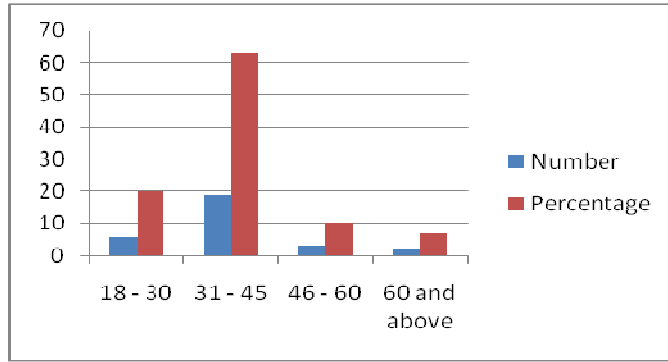


Fig 4. 6 Age distribution

Source: Primary data

As indicated above, of the same study population, 63% of the members were in the age group 31 – 45 years, 20% 18- 30 years, 10% 46 – 60 years and 7% were above 60 years. This indicates that the studied population is active and ambitious and ability to take on risks is limited as people grow older.

Table 4. 7 Education level distribution

Education level	Number	Percentage
Pre-primary	3	10
Primary	18	60
Secondary	2	7
Vocational	7	23
University	0	0
Total	30	100

Source: Primary data

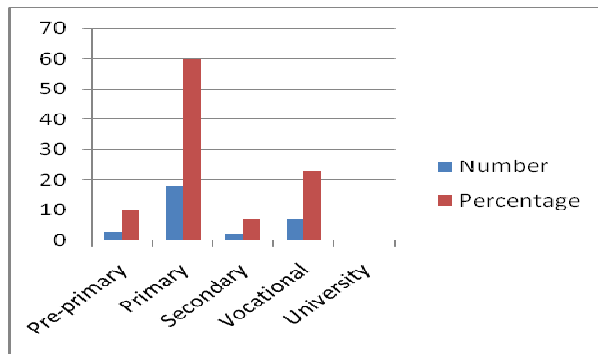


Fig 4. 7 Education level distribution

Source: Primary data

With respect to education level, 60% of our study population only completed primary level, 23% completed vocational training and 7% completed secondary education with non completing university education as clearly illustrated above. This implies the studied population is under educated and this limits their ability to maximize the opportunities available to them and subsequently limits their creativity.

Table 4. 8 Level of registration

Level of registration	Number of cooperatives	Percentage
Sector level	0	0
District	2	33
National	4	67
Total	6	100

Source: Primary data

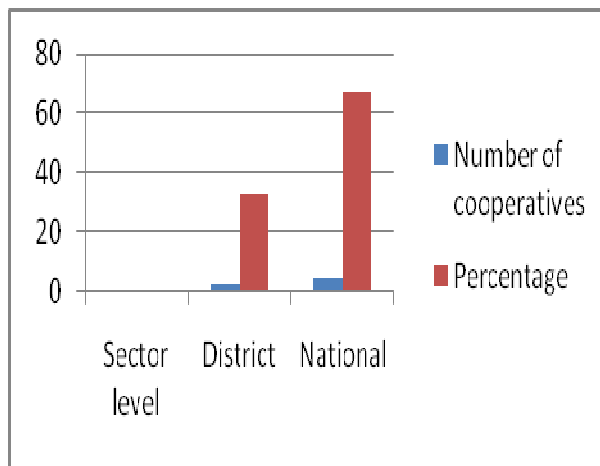


Fig 4. 8 Level of registration

Source: Primary data

The study's findings show that, of the population sampled, four of the six cooperatives are registered at national level and 2 are registered at district level. This indicates satisfactory willingness of entrepreneurs to be accountable to one another. It also indicates the willingness of entrepreneurs to market themselves to larger markets.

Table 4. 9Employees’ statistics

Range of number of staff employed	Number of cooperatives	Percentage
01 - 03	2	33
04 – 06	4	67
Total	6	100

Source: Primary data

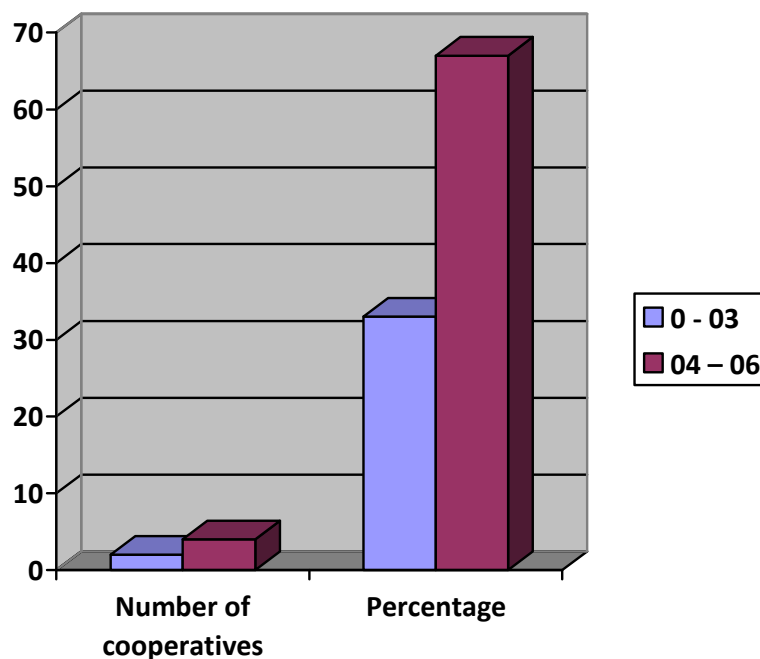


Fig 4. 9 Employees’ statistics

Source: Primary data

As indicated above, of the six cooperatives, 2 employ between 0 and 3 staff and the remaining 4 employ between 4 and 6 staff who are cooperative members themselves. Even though some members claimed to be doing the work themselves, during the analysis, such members were regarded as staff. This indicates that the level of business in Mayange MVP is still very small with majority of the members carrying out the day to day operations themselves.

Table 4. 10 Salary distribution

Salary range/Month	Number of staff	Percentage %
5,000 – 24,000	7	43.8
25,000 – 44,000	4	25
45,000 – 64,000	4	25
55,000 – 84,000	1	6.2
Total	16	100

Source: Primary data

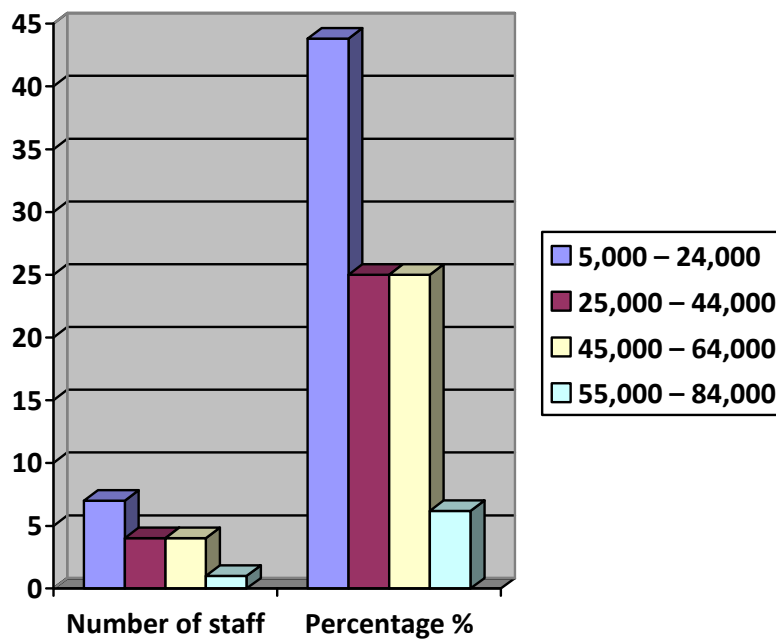


Fig 4. 10 Salary distribution

Source: Primary data

The above table and figure illustrate that, of the 16 employees, 43% are within salary bracket between 5,000 and 24,000 francs per month, 25% are between 25,000 and 44,000 francs per month, 25% are between 45,000 and 64,000 francs month and finally 6.2% are between 65,000 and 84,000 per month. This is a clear indication that level of business activity is very low with the majority hardly earning more than 24,000 francs.

Table 4. 11 Period of operation

Period of operation	Number of Cooperatives
<1 year	0
1 year	1
2 years	2
3 years	3
> 3years	0

Source: Primary data

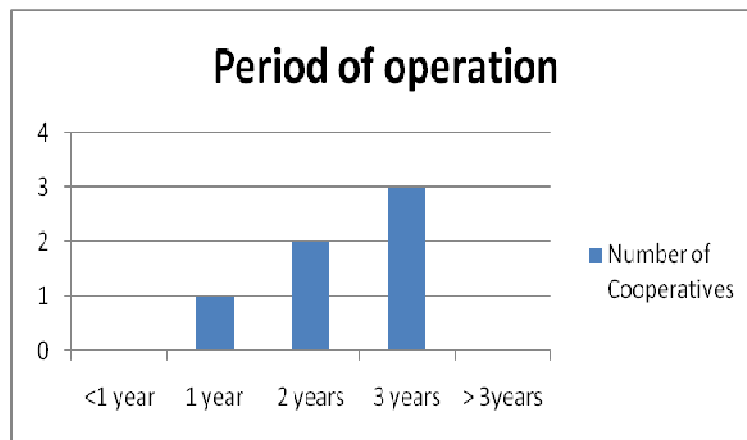


Fig 4. 11 Period of operation

Source: Primary data

Of the sampled cooperative population, 3 have been operational for 3 years, 2 have been operational for 2 years, and 1 has been operational for a year. This implies that the business activities are at infancy level in Mayange MVP and therefore need suitable environment conditions to foster their growth and sustainability over time.

4.2.3. Prevailing environmental conditions, challenges and barriers to entrepreneurship development in Mayange Millennium Project (MVP)

As illustrated in the table 4.12 below, the study assessed the motivations as to why the respondents chose to become entrepreneurs. Five parameters were assessed as follows: To increase wealth, to be self reliant, to develop people and the area around, and to gain new skill or all as mentioned above.

Table 4. 12 Why should one be an entrepreneur

Why should one be an entrepreneur	Opinions solicited	Percentage
To increase his/her wealth	22	30.6
To be self reliant	13	18.1
To develop the people and the area around	18	25
To gain new skills	11	15.2
All mentioned above	8	11.1
Total	72	100

Source: Primary data

In analysis of the findings to the motivation behind entrepreneurship, it is evident that many of them are motivated to create wealth for themselves, carrying 30.6% of the solicited opinions. This is a commendable approach for sustainable poverty eradication.

The conditions that have created an environment for the above awareness of entrepreneurship can be categorized into two categories: (i) the ability of Mayange millennium village project itself to offer solutions to entrepreneurs' problems and (ii) other external social economic factors as detailed below in table 4.11:

Table 4. 13 Solutions to entrepreneurial problems by Mayange MVP

Solutions to entrepreneurial problems by Mayange MVP	Number of opinions solicited	Percentage (%)
None	0	0
Some of them	21	70
Many of them	4	13
All of them	0	0
I have no answer	5	17
Total	30	100

Source: Primary data

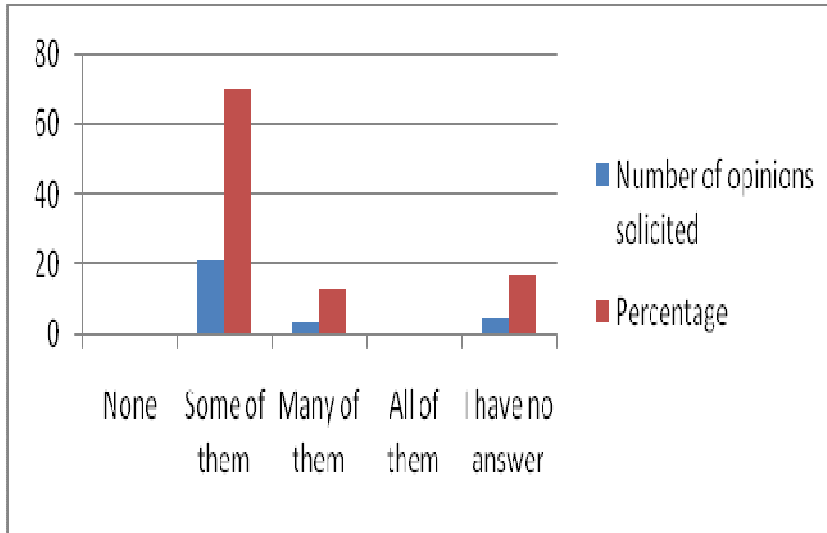


Fig 4. 12 Solutions to entrepreneurial problems by Mayange MVP

Source: Primary data

From the findings as indicated above, it is reflected that Mayange Project has initiatives in place to address the challenges faced by the entrepreneurs, although not all these challenges are solved satisfactorily. It is also important to observe that 5 of the sampled population were not willing to express the opinion on how many of these challenges are addressed.

In analysis of such a finding, it is admirable that there are initiatives in place dedicated to solving such challenges however not all are addressed thus need for more effort to boost entrepreneurship in Mayange.

4.2.3.1 Factors favoring entrepreneurship development

Under the category of social economic factors, nine parameters that include: proper government policies and programmes, financial support from government and development partners, education and training, research and development, cultural and social norms, access to physical infrastructure, market research and openness, commercial and professional infrastructure then macro economic climate were assessed and below (page 53) are the findings:

Table 4. 14 Factors favouring entrepreneurship development

Factors that have favoured entrepreneurship development	Number of opinions	Percentage
Government Policies and Programmes	18	13.6
Financial support	30	22.8
Education and training	35	26.6
Research and Development	14	10.6
Cultural and Social Norms	2	1.5
Access to Physical Infrastructure	25	18.9
Market research and openness	4	3
Commercial and Professional Infrastructure	3	2.2
Macro Economic Climate	1	0.8
Total	132	100

Source: Primary data

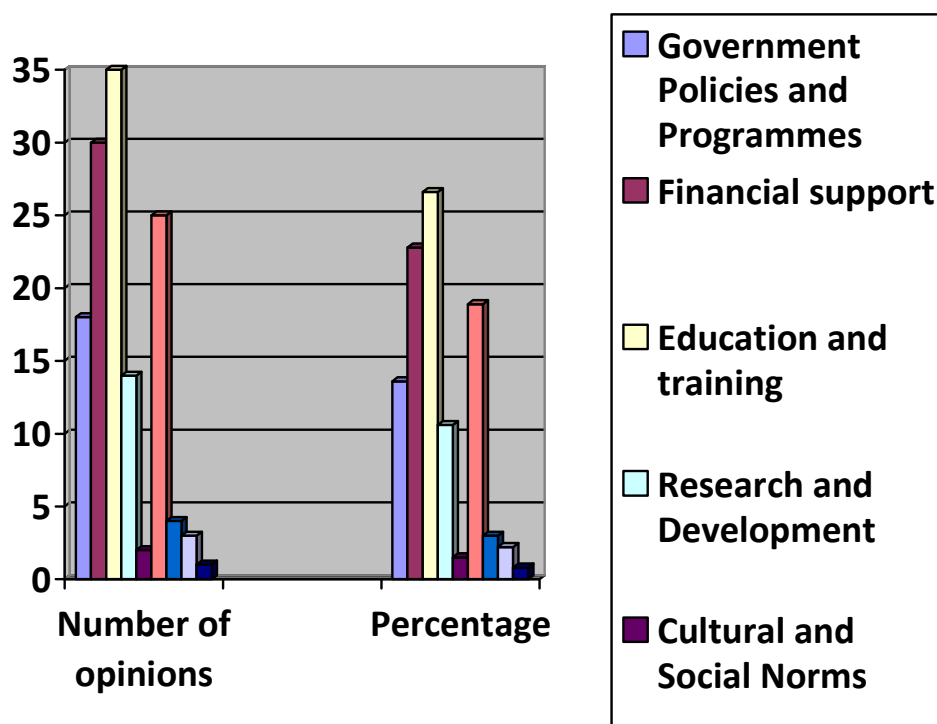


Fig 4. 13 Factor favouring entrepreneurship development

Source: Primary data

According to the results indicated above, there are five significant social economic factors that have favored entrepreneurship development in Mayange MVP namely: Education and training which constitutes 26.6% of the total solicited opinions, financial support with 22.8%, access to physical infrastructure with 18.9%, favorable government policies and programs with 13.6% and then research and development with 10.6%. All this ensures sustainable and favourable conditions that can foster entrepreneurship development.

Nevertheless in existence of such favorable factors, there are still gaps that continue to hinder business activity and therefore necessitate more effort.

4.2.3.2 Challenges and barriers hindering entrepreneurship development and sustainability in Mayange (MVP)

Data analysis of targets for entrepreneurial growth by the MVP in relation to the achieved targets indicates an average achievement rate of 35.78% as per table 4.16. This indicates that there are other limiting factors inhibiting entrepreneurial growth in Mayange MVP as illustrated in table 4.17

Table 4. 15 Mayange MVP support

Year	2006	2007	2008	2009	2010
Targeted number of entrepreneurs by the Mayange MVP	2441	2489	2539	2590	2671
Number of registered entrepreneurs in Mayange by the program MVP	757	797	939	984	1097
Percentage (%) of the achieved targets in relation to planned targets.	31	32	36.9	37.9	41.1

Source: Primary data

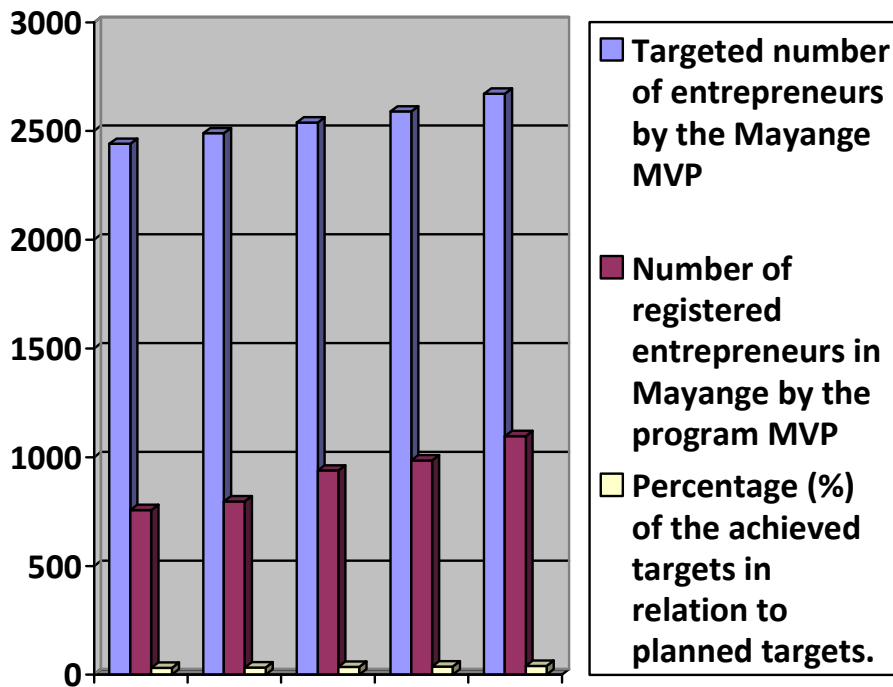


Fig 4. 14 Mayange MVP Support

Source: Primary data

The above table and figure indicate the difference between targeted entrepreneurial growth and achieved growth for the program. Even though there was consistent growth of entrepreneurship in Mayange as evidenced by the number of entrepreneurs registered by the program from 2006 – 2010, the program consistently fell short of its targeted entrepreneurial growth objectives.

From the study therefore, the following challenges were identified as highlighted in the table 4.16 below:

Table 4. 16 Challenges and Barriers of entrepreneurship

Challenges and barriers	Solicited opinions	Percentage
Lack of financial support for entrepreneurship development	28	20.6%
Unfavourable government policies and programmes	27	19.9%
Primitive Cultural where entrepreneurs fear taking credit risk	23	16.9%
Poor Physical Infrastructure i.e roads, electricity & water, hospitals, schools, communication, etc, prohibit a lot entrepreneurship development.	23	16.9%
Lack of Market research and openness for our product.	15	11%
Absence of Research and Development in entrepreneurship field	7	5.2%
Lack of proper training in entrepreneurial activities	6	4.4%
Culture of dependence where people wait simply for donations	4	2.9%
Kind of education offered which does not equip us with entrepreneurial skills	1	0.7%
Rwandese are simply lazy, they hate being creative and hardworking	2	1.5%
A lot of corruption among the project coordinators discourage our initiatives	0	0%
Lack of history of entrepreneurship within the area and Rwanda at large where best practices and success stories can be learnt	0	0%
Absence of Commercial and Professional Infrastructure i.e banks, MFIs, SACCOs, consultancy firms, etc to boost our initiatives	0	0%
Unfavourable Macro Economic Climate	0	0%
Total	136	100

Source: Primary data

4.2.3.3 Major challenges and barriers

In reference to the table above, 4.17 Mayange MVP has a couple of challenges hindering entrepreneurship. However considering the gravity or the high frequency of particular challenges, this study further identified the major challenges hindering entrepreneurship for priority consideration.

Further this study identified the possible solution to these main challenges and barriers as solicited by the sampled population. Among these include:

❖ **Lack of financial support yet entrepreneurship cannot flourish in poor environment with 20.6%.**

- The entrepreneurs identified the above challenge as their biggest constraint. The significance of this is that the entrepreneurs have the mind set for the entrepreneurship development but lack an enabling financing environment a key prerequisite for entrepreneurship development.
- Another finding is that entrepreneurs in Mayange have weak self financing capabilities which are a critical hindrance to entrepreneurship development.
- Another finding is the entrepreneurs assessed lack assets that would collateralized enable them access credit to finance entrepreneurship projects.

❖ **Unfavorable government policies and programs with 19.9%.**

- The second highest constraint identified by the entrepreneurs studied, is Unfavourable government policies and programs. Yet very clearly government has massively invested in infrastructure and other social investments. The significance of this is that there is a gap between government perception of what is being done and what the entrepreneurs think about it, meaning there is a misalignment of policy as regards what can best develop entrepreneurship in Mayange MVP.

❖ **Primitive entrepreneurial culture where entrepreneurs fear taking credit risks with 16.9%.**

- From the above challenge, the entrepreneurs identified that lack of willingness to take financial risk hampers entrepreneurship development.
- This also indicates that the studied population is contented with their limited achievements and is not willing to collateralize them for a better tomorrow.
- This also indicates that the studied population has a dependence syndrome, yet entrepreneurship is all about interdependence.

❖ **Poor physical infrastructure thereby prohibiting entrepreneurship development with 16.9%.**

- Despite of government investing in infrastructure in Mayange, the entrepreneurs are discontented meaning either of the following:

- a) The infrastructure exists but it does not meet the entrepreneurs' needs and expectations.
- b) The infrastructure is limited.
- c) The infrastructure exists but it was poorly done.
- d) The infrastructure exists but the entrepreneurs do not have the capacity to productively utilize them.
- e) Infrastructures only address a portion of their needs.

❖ **Lack of market research and openness for Rwandan products with 11%.**

- The above challenge indicates that the market is not responsive to local products.
- It may also indicate that the local products are of low quality thereby making them noncompetitive.

It may also indicate a lack of creativity among the entrepreneurs, a key ingredient for good entrepreneurs.

- It may also indicate the lack of access to finance for good entrepreneurship opportunities.
- It may also indicate a lack of a structured approach as to how goods and services are marketed.

From the above challenges it is indicative that the challenges are macro and micro in nature, and a need to contextualize solutions or interventions is key in addressing these challenges and barriers.

CHAPTER 5: CONCLUSION, RECOMMENDATIONS AND FUTURE RESEARCH

This chapter will present the analysis of the collected data, draw conclusions and give recommendations based on findings gathered in chapter 4. The chapter will also highlight weaknesses realized during the study as well as strengths. It will finally give an insight of possible future research in short, medium and long term.

5.1 CONCLUSION

The government of Rwanda and development partners such as UNDP have invested a lot of funds and effort in entrepreneurship development as it is regarded as one of the tools for sustainable development which can lead to MDGs. Despite all this effort, in Rwanda, entrepreneurship is still moving at a very low pace within the region as compared to Uganda whose total entrepreneurial activities (TEA) have been ranked number one basing on the GEM report (2003). The researcher after seeing that no study has been taken to reveal why this is so, he decided to take this case study of Mayange MVP, being one of the areas which is not showing rapid and sustainable entrepreneurship growth despite all the public investment carried out, yet entrepreneurship development and sustainability is one of the major objectives for millennium village projects.

This research was conducted through questionnaires and interviews with beneficiaries. Results were processed, coded, analyzed and finally interpreted. The conclusion was finally drawn from the findings according to the objectives of the study.

The conclusions to this study shall be illustrated in reference to the study objectives:

- (i) One of the study objective was to establish whether public investment is a crucial component but not an isolated factor to fostering entrepreneurship development.
 - ✓ From the findings we discover that public investment is a pre-requisite for fostering entrepreneurial growth but cannot in isolation provide an enabling environment for sustainable entrepreneurial growth.

- (ii) Another study objective was to define the nature of entrepreneurial activities in Mayange MVP. In consideration of the findings, the conclusion on this is:
 - ✓ The entrepreneurial activities are spread across four sectors namely: animal husbandry, agriculture and food processing, arts and crafts and lastly small scale industries. What was concluded here by the researcher is that the nature of the

business, reflect the needs of the entrepreneurs, and this has enabled them to be able to depict the challenges and barriers they would face in the process of entrepreneurship development.

(iii) Another objective was to find out the challenges and barriers encountered by entrepreneurs in Mayange MVP thus hindering the progress of their businesses. In reference to the findings, the researcher concludes as follows:

- ✓ Entrepreneurship development in Mayange MVP is mostly affected by insufficiency in financial support, unfavorable government policies and programmes at grass root level, primitive entrepreneurial culture where entrepreneurs fear taking credit risk, still poor or insufficient physical infrastructure i.e roads, electricity & water, hospitals, schools, communication, etc and lack of market research and openness for products to mention but a few.

All these missing factors were found to be within the category of the environmental conditions favouring entrepreneurship development as illustrated in the study's conceptual framework. Lack of these environmental conditions was as a major factor hindering the progress of entrepreneurial activities in Mayange MVP to a certain extent.

5.2 RECOMMENDATIONS

Entrepreneurship development especially in LDCs calls for a concerted effort by policy makers, development partners and individual entrepreneurs to develop conducive environmental or entrepreneurial conditions for it to operate and become sustainable. Economic growth and development cannot be reached without strong private sector which also demands the presence of a sufficiently large number of competent entrepreneurs. More so, it is widely believed that small business could be “Seed beds for indigenous entrepreneurs”. The improvement in the entrepreneurship development can be enhanced by the following:

5.2.1 Government, Development Partners and Private Sector Agencies

The government first and foremost should implement the Small and Medium Enterprises (SMEs) Development Policy which was recently developed.

In collaboration with the development partners and private sector, the government should also ensure that conducive environmental conditions and sufficient resources are available for entrepreneurship development. Budgeting provisions for vocational educational and training at national and local government level should be increased and monitor its implementation on regular basis.

5.2.2 Technical and Managerial Training

In connection with the point in 5.2.1 above, in order to fulfill the respondents' request and to increase self reliance, modernization and sustainable development, integration of vocational education and training in the formal education system especially in secondary and technical schools should be accelerated. However, the informal method of teaching technical skills should also be catered for as it can influence the broad based coverage which can include other towns outside Kigali.

Besides the entrepreneurs, his workers would also be the targets of the training which supports whereby Mclelland, (1961) states that entrepreneurship can be learned. Gupta and Srinivasan, (1995) also highlights that entrepreneurship can be developed and trained to undertake ventures and be creative. This ideology is confirmed by all respondents during the interview who said that entrepreneurs are made not borne.

The informal way of training is very significant for entrepreneurship development as it enables simplified management training in the basic field of costing, stock taking and control, staff allocation, cooperative management, record keeping and customer relations. Credit repayment and the knowledge and skill of how to plan, use and manage the credit productively should be essential element on the extension advice or educational training programmes particularly that it was also identified that the studied population is risk averse and this can conclusively be judged that under-educated entrepreneurs fear taking on risks thereby limiting entrepreneurship development.

5.2.3 Entrepreneurs Promotion Campaigns

It was found from various entrepreneurs that entrepreneurial activities would be hard to implement without financial support. It was also found that the culture of savings was quite

minimal or nonexistent among entrepreneurs. The government savings mobilization strategy characterized by Umurege SACCOs strategy at sector level of administration should be supported by all the development partners and stakeholders in order to promote the culture of savings among entrepreneurs and entire population so as to reduce over dependency syndrome. Awareness campaign should also be conducted countrywide to stress the need for applying for loans, repaying them in timely manner so as to limit the reliability of entrepreneurs on financial aid.

5.2.4 Business Trips and Trade Fares

Given the importance of business trips and trade fares, and as requested by various entrepreneurs during the study, the Rwanda Private Sector Federation (PSF) in collaboration with government and development partners should organize business trips and trade fares for those who are relatively doing well so that they can gain awareness of what takes place in other places or countries. These best practices from various places might give the entrepreneurs some useful ideas which can be transferred to their fellows on return.

5.3 FURTHER RESEARCH

It has been noted that Development partners and International donors are willing and ready to support the development of entrepreneurship with an aim of accelerating the growth and sustainability of SMEs in Rwanda. However, the content of entrepreneurship development and environmental conditions leaves a lot to be desired. There is therefore a need for further research to address the following areas:

- ❖ What should be done to ensure the potentials of SMEs/Entrepreneurship as far as employment and economic development are concerned.
- ❖ The recommended strategies for uprooting the dependence syndrome and plant the entrepreneurship and borrowing culture in Rwandans.
- ❖ How to strengthen the monitoring and evaluation of public investment in Rwanda and ensuring its impact in entrepreneurship development.
- ❖ How entrepreneurship can be a tool for employment creation leading to economic growth and development in LDCs.

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Appendices

1. FORM OF QUESTIONNAIRE FOR MAYANGE MVP BENEFICIARIES

I. General Questionnaire (Identification)

1. Name:

2. Sex (**Tick the appropriate box**)

Male Female

3. Age (**Tick the appropriate box**)

Below 18

18 - 30

31 – 45

46 – 60

Above 60

4. Marital Status (**Tick the appropriate letter**)

- a) Married
- b) Single
- c) Widow
- d) Divorcee

5. Education level (**Tick the appropriate letter**)

- a) Below primary
- b) Primary

- c) Secondary
- d) Professional/Technical school
- e) University

6. Position held (**Tick the appropriate letter**)

- a) Chairman
- b) Vice chairman
- c) Secretary
- d) Director
- e) Simple member
- f) Any other (Specify)

.....
.....
.....
.....

7. If working in association/cooperative/enterprise, type of registration (**Tick the appropriate letter**)

- a) Registered at sector level
- b) Registered at district level
- c) Registered at National level

8. Number of workers employed (**fill in the given box**)

- a. Total
- b. Male
- c. Female

9. Salary per month (**fill in the given box**)

- a) Highest salary
- b) Lowest salary
- c) Average salary

10. For how long has your cooperative been operating? **(fill in the given box)**

a) Number of months

b) Number of years

11. In what ways does MVP assist you? **(Tick in the appropriate box)**

- a) Technical assistance
- b) Financial assistance
- c) Availing entrepreneurial environment
- d) All mentioned above

II. Particular Questions (To be answered by the entrepreneurs in Mayange MVP)

N.B: Use extra sheet where necessary please

II.1. General information

1. Why should one be an entrepreneur? **(Tick the appropriate answers)**

- a) To increase his/her wealth
- b) To be self reliant
- c) To develop the people and the area where he/she lives
- d) To gain new skills
- e) All mentioned above
- f) Others – **(list them in a given space)**
-
-

II.2. Major Achievements from entrepreneurial activities

1. What have you gained in your entrepreneurial activities? **(List them in a given space below)**

a).....

b).....

c).....

d).....

e).....

f).....

g).....

h).....

i).....

II.3. Major problems encountered in entrepreneurial activities

1. Which problems have you encountered in your entrepreneurial initiatives? **(List them in a given space below)**

a).....

b).....

c).....

d).....

e).....

f).....

g).....

h).....

i).....

II.3. 1. Solution to the problems

1. Does the Mayange MVP give answer to those problems? **(Tick the appropriate answer)**
- a) No
 - b) Some of them
 - c) Many of them
 - d) All of them

II.5. Entrepreneurship and other factors

1. What factors have favoured your entrepreneurship development?
- a) Proper Government Policies and Programmes
 - b) Financial support from government and development partners
 - c) Education and training offered by Mayange MVP
 - d) Research and Development held by Mayange MVP
 - e) Cultural and Social Norms which are pro entrepreneurship in Mayange Sector
 - f) Access to Physical Infrastructure
 - g) Market research and openness where everyone has access
 - h) Commercial and Professional Infrastructure

- i) Macro Economic Climate
- j) Others (**Mention them please**).....

2. What could be the challenges and barriers of your entrepreneurship development?

- a) Unfavourable government policies and programmes
- b) Lack of financial support yet entrepreneurship cannot flourish in poverty environment
- c) Kind of education offered which does not equip us with entrepreneurial skills
- d) Lack of proper training in activities which lead to entrepreneurship development
- e) Absence of Research and Development in entrepreneurship field
- f) Primitive Cultural where entrepreneurs fear taking credit risk
- g) Rwandese are simply lazy, they hate being creative and hardworking
- h) Culture of dependence, people wait for donations from government and outside world
- i) Poor Physical Infrastructure i.e roads, electricity & water, hospitals, schools, communication, etc, prohibit a lot entrepreneurship development.
- j) A lot of corruption among the project coordinators discourage our initiatives
- k) Lack of history of entrepreneurship within the area and Rwanda at large where best practices and success stories can be learnt
- l) Lack of Market research and openness for our product.
- m) Absence of Commercial and Professional Infrastructure i.e banks, MFIs, SACCOs, insurance companies, consultancy firms, etc to boost our initiatives
- n) Unfavourable Macro Economic Climate

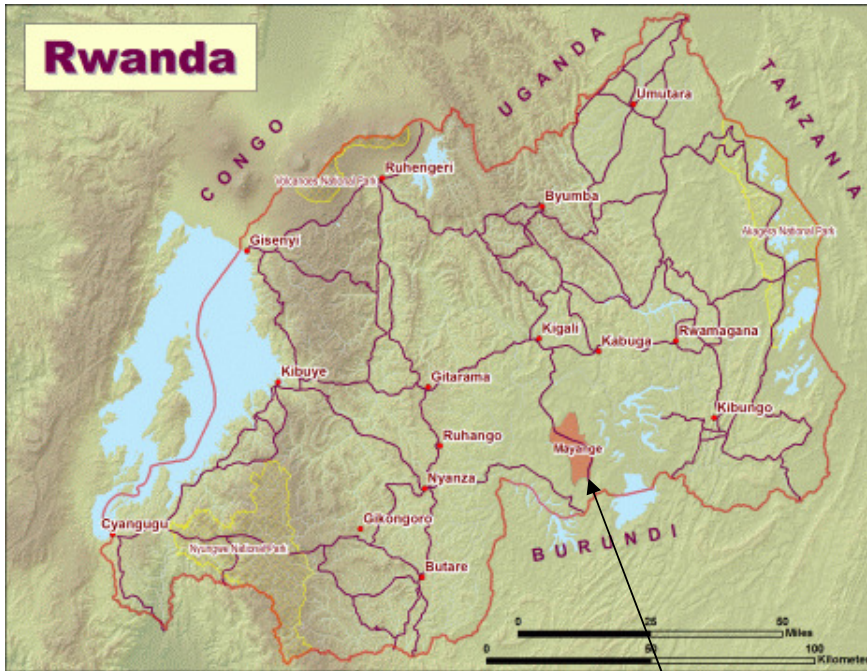
II.6. What kind of support has Mayange MVP offered you or your cooperative in order to boost entrepreneurial activities?

- a) Education for the children
- b) Adult education (functional literacy)

- c) Medical support through medical scheme
- d) Physical infrastructure like roads, water, electricity, modern communication (telephone and internet), market for our products, etc.
- e) Advocacy to both government and development partners
- f) Continuous training in entrepreneurial activities

Thank You

1. LOCATION OF MAYANGE SECTOR IN WHICH MAYANGE MVP IS FOUND ON THE MAP OF RWANDA



Source: Google Maps

Mayange Sector