

**MICROFINANCE SERVICES AND WOMEN'S SMALL AND MEDIUM  
ENTERPRISES GROWTH IN RUSIZI DISTRICT  
A CASE OF RIM MICROFINANCE Ltd**

**BUMBALI MACHIAVEL, (MBA),**

Kibogora Polytechnic "KP"  
PO Box 50 Nyamasheke, Rwanda  
Website: [www.kp.ac.rw](http://www.kp.ac.rw)

**MUSANGANIRE INNOCENT, (MA),**

Kibogora Polytechnic "KP"  
PO Box 50 Nyamasheke, Rwanda  
Website: [www.kp.ac.rw](http://www.kp.ac.rw)

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**ABSTRACT**

This research reports the microfinance and women's small and medium enterprises growth in Rusizi District, a case of RIM Ltd. This study was aimed to assess the contributions of Microfinance on the women's small and medium enterprises growth in Rusizi District. The specific objectives were: To determine Microfinance services offered by RIM Ltd to Women SME owners in Rusizi District; To analyze the contribution of microfinance on Women's SMEs growth in Rusizi District; To examine the challenges facing the business growth of women SMEs owners in Rusizi District. In carrying out this study, the literatures related to microfinance and women's small and medium enterprises were reviewed to consolidate data findings. A case study approach was followed at RIM Ltd Rusizi branch, where data were collected and analyzed by use of both quantitative and qualitative approaches. The simple random sampling technique allowed us to choose from a population of 417 (clients and employees from RIM Ltd) a sample of 81 respondents to meet the purpose of the study. The data were collected through questionnaires and interview guide. The collected data were analyzed using Statistical Package of Social Sciences (SPSS). The results obtained from the study showed that microfinance services have a positive contribution on the business growth of women Small and Medium Enterprises, and its sustainability. On one side, the loan facilities provided by microfinance lead to increase in working capital reported by 59.3% of respondents, and an increased profitability (28.4%) thus, the business growth of the enterprises. On another hand, the advisory services and managerial skills offered by RIM Ltd to women SMEs owners are playing a considerable role on enterprises to be successful in achieving their goals (reported by 9.8%). Limited capital was the major challenge that hinders women' SMEs from growing as reported by 79% of all respondents. Consequently, it is concluded that Microfinance institutions have a positive effect on the women' Small and Medium Enterprises growth in Rusizi district. The researchers came up with the following recommendations: Women SMEs owners should apply for loans from RIM Ltd so as to constitute capital for their enterprise growth; MFIs should provide training for women SMEs owners to improve their skills and competitiveness to the market; MFIs should also adjust their interest rate and give affordable Credits to its women clients for starting the business.

**Keywords:** Microfinance services, small and medium enterprises and growth.

## 1.0 INTRODUCTION

Microfinance has existed for a century and even longer in the world, mostly in Asia, as reflected in modern history, where formal lending and borrowing stretches for several thousand years for example the Microfinance practices in the 18th and 19th centuries through the Irish Funds in Ireland (Jonathan, 1989).

According to Idowu (2010), inadequate financing is the major constraints to rapid development of small and micro enterprises sector. Accessing finance has been a potential key for SMEs to fight against poverty and build productive capacity, to compete to create job opportunity and alleviation of poverty among poor people. Moreover, without financing, SMEs cannot compete favorable and alleviate poverty.

In the past three decades, African development community was in excitement of breakthrough of poverty climate as the solution to poverty eradication in the continent through provision of tinny micro credit to poor communities especially women to foster income-generating projects that will in the end lead to financial growth in the community (Rutashobya & Olomi, 1999). South Africa's experience after lapse of time as the country was experiencing an escape from the appalling legacy of apartheid a priority was made to ensure that micro credit to be extended to the poor to be liberated from poverty, exclusion, and deprivation.

Microfinance in East Africa with particular focus on schemes for women engaged in the production and processing of agribusiness such as coffee in Uganda and Kenya explains the role and importance of microfinance for financial growth of women in SMEs businesses. Emphasis and reviews in the current trends explains reasons for the limited coverage by micro credit of women hence suggestions were made policy makers to increase accessibility of micro credit to foster, financial growth of women in SMEs businesses (Omunuk, 2008).

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

Community's performance towards poverty eradication, has occupied a prominent place and the parties to the community especially women must be part of this fight if economic hindrances of poverty are to be eradicated from societies because women are the backbone of the society. Micro finance is the solution as a driving element towards financial growth of women partaking on form of business, most especially women in Rwanda as per the case study.

According to Anyawu (2003), the inability of the SMEs to meet the standard of the formal financial institutions for loan consideration in Rwanda provides a platform for informal institutions to attempt to fill the gap usually based on informal social networks.

Thus, the recent poverty eradication program in Rwanda is focused on sustainable development through small business development, as the Government of Rwanda focus on much interest placed on the development of the private sector, being the pillar of poverty eradication at all levels in the society (RDB, 2014).

The Rwandan economy is based on the largely rain fed agricultural production of small, semi subsistence and increasingly fragmented farms with large involvement of women, the micro-credit projects spearheaded the Rwandan government is focused on the improvement of communities' livelihoods. This is to be achieved by contributing to effective poverty reduction and complimentary economic development activities for sustainable financial empowerment especially through small and medium businesses.

Hence the overall objective is to provide a venue for income-generating activities small and medium businesses through a rotating microfinance scheme which is aimed at creating and engaging women in income generating activities to foster their financial stability (MINICOM,2010).

It is upon the above background that the researchers would like to examine the extent to which microfinance services in Rusizi district have contributed to the business growth of women Small and medium enterprises.

## 2.0 PROBLEM STATEMENT

Though there is improved access to credit by SMEs overtime in Africa, SMEs have continued to suffer financial challenges. For this, existing research indicates that 50% of the SMEs operate in a financial deficit and some of the SME owners are still uncomfortable with such credit extended to them, (Auren & Krassowska, 2004).

The SMEs have registered a low return on capital employed, low net profit margin and kept a small capital size and some of them fail to run their daily operations because they do not have the capacity to maintain adequate liquidity levels Chowdhury (2002). As such, the relationship between the MFIs and SME keeps on deteriorating due to failure to fulfill their loan obligations O'Brien (2007). This could be due to the stringent credit terms to include interest rates, collateral securities, and loan repayment schedules among others that seem to frustrate businesses financially.

Rwandan Government supported the establishment of Microfinance Institutions as a way of providing financial accessibility to all Rwandans who cannot afford big loans from the banking institutions especially the Rwandan women with a representation of 54% of the total population.

Rwandan SMEs make up approximately 98% of the total business and account for 41% of all private sector employments where women are headed for 42% of enterprises in the country and they comprise 58% of the enterprises in the informal sector, which accounts for the 30% of the GDP (MINECOFIN, 2008).

Despite microfinance contribution to the economy, women in Rwanda, like those around the world, continue to experience many problems in their businesses which have led to a

different mix of constraints including financial credit accessibility, limited share of contracts, access to trade and procurement guidelines and regulations and limited knowledge about financial services and businesses (RDB report 2014).

This research work has been carried out in order to analyze the actual contribution of microfinance to the growth of women small and medium enterprises in Rusizi district and for this purpose RIM Ltd was selected.

### 3.0 OBJECTIVES OF THE STUDY

The study was guided by the following specific objectives:

1. To determine Microfinance services offered by RIM Ltd to Women SME owners in Rusizi District.
2. To analyze the contribution of microfinance on business growth of Women SMEs owners in Rusizi District.
3. To examine the challenges facing the business growth of women SMEs owners in Rusizi District.

### 4.0 RESEARCH QUESTIONS

The study aimed to provide answers to the following questions:

1. What are the services offered by RIM Microfinance Ltd to women SMEs owners in Rusizi district?
2. What are challenges faced by women SMEs owners that hinder their business growth?
3. What is the contribution of microfinance on business growth of Women SME's owners in Rusizi District?

### 5.0 LITERATURE REVIEW

#### 5.1 Definition of key terms

To proceed with literature review, the key terms were defined in the following passage.

##### 1. Microfinance service

Ledgerwood (1998) stated that the term microfinance service refers to the provision of financial services to low-income clients. The clients are often identified as traders, street vendors, small farmers, service providers (hairdressers, rickshaw drivers), and artisans and small producers, such as blacksmiths and tailors. She points out that many such clients have a stable source of income since they have multiple sources of income.

Robinson (2001) led us to know that the term microfinance service refers to the small-scale financial services (primarily credit and savings) provided to people who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and

tools; and to other individuals and groups at the local levels of developing countries, both rural and urban.

## 2. Growth

The term growth in this context can be defined as an increase in size or other objects that can be quantified or a process of changes or improvements (Penrose, 1995). The firm size is the result of firm growth over a period of time and it should be noted that firm growth is a process while firm size is a state (Penrose, 1995). The growth of a firm can be determined by supply of capital, labor and appropriate management and opportunities for investments that are profitable. The determining factor for a firm's growth is the availability of resources to the firm (Ghoshal, Halm and Moran, 2002).

Business growth is the improvement of some part of the success of an enterprise. Business growth takes place in raising revenue as well as cutting overhead. When a business begins to sell more products or generate more service income, the business brings in more money and is considered to be growing. When a business sells more, it is sometimes able to get a better price for its goods, which reduces overhead. When overhead is reduced, businesses pass on savings to the customers and attract more sales (Babajide 2012).

## 3. Small and Medium Enterprises (SMES).

L. Vaughan Gary (1981) stated that different nations tend to have a different definition of small-scale enterprises. In the United States of America, small and medium enterprises administration defined small enterprises as manufactures with about 1500 employees.

According to Michael Todaro, 1992:124; defined a small and medium enterprises as one in which the investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or hire purchase does not exceed a set standard per country.

According to Cerrito Samuel et Al (1990), a small enterprise in Africa, is commonly known as a local restaurant, television repair shops, beauty shops employ fewer than 25 people.

According to MMINICOM (2010), In Rwanda, Small and Medium enterprise is defined as informal and formal businesses employing up to four people.

## 5.2 Overview to Microfinance Institutions

Microfinance, according to Otero (1999) is "the provision of financial services to low-income poor and very poor self-employed people". This section consists of discussing the various services provided by microfinance institutions and their contributions to the growth of small business enterprises.

### 1. Services provided by Microfinance intuitions (MFIs)

As stated by Ledgerwood (1999), the services provided by Microfinance Institutions can be categorized into four broad different categories:

The first is financial intermediation, which consists of the provision of financial products, and services such as savings, credit, insurance, credit cards, and payment systems should not require ongoing subsidies.

The second is Social intermediation, the process of building human and social capital needed by sustainable financial intermediation for the poor. Subsidies should be eliminated but social intermediation may require subsidies for a longer period than financial intermediation.

The third is enterprise development services or non-financial services that assist micro entrepreneurs include skills development, business training, marketing and technology services, and subsector analysis.

The fourth consist of Social services or non-financial services that focus on advancing the welfare of micro entrepreneurs and this include education, health, nutrition, and literacy training.

Among these services as added by Ledgerwood (1999) the major ones are savings and credit. That is why the following sub-sections concerns the discussion of savings and credits as the major services provided by microfinance insitutions and their contributions to the growth of small business enterprises.

## **2. Saving and Growth of Small Business Entrepreses**

Savings can be defined as the sacrificing of current consumption to increase the availability of resources for future consumption. It can also be defined as the part of a member's income that has not been spent but rather stored for future use or invested in Income Generating Activities (IGA) so that it can earn more income in the future. It is a sacrifice because it teaches people to lower today's expenses and to withhold valuable resource for future needs instead of consuming immediately. It also teaches people to think on starting a new business or expanding existing ones (Murekezi, 2007).

According to MINECOFIN (2008), saving for the future is one of the ways that people can improve on their livelihood. Savings products can broadly be classified into three namely; Compulsory savings products, Voluntary savings products, and Contractual savings products:

Generally, savings minimizes risks because the members keep their savings safe from theft; and contribute to the growth of Small Business Enterprises by allowing the entrepreneurs to deposit small, variable amounts frequently and access larger sums in the short, medium, or long term that would enable them to expand their current businesses. According to Olivares and Santos (2009) "there is no place that net saving can go but to finance investment". If you save it, and it gets into the hands of a bank, then unless some other household borrows it the bank will lend it out, and it will be spent on business investment.

## **3. Credit and Growth of Small Business Entrepreses**

According to Logemann (2012), Credit is the trust, which allows one party to provide resources to another party where that second party, does not reimburse the first party immediately, but instead arranges to either repay or return those resources later. The

resources provided may be financial, or they may consist of goods or services. Credit encompasses any form of deferred payment. Credit is extended by a creditor, also known as a lender, to a debtor, also known as a borrower.

Credit service is one of the most important services provided by microfinance institution. Loans are structured based on client demand, capabilities of the provider, and risk management requirement (to ensure repayment). According to Churchill (2011), the core components of a loan are size, term, repayment terms, lending methodology, collateral or security and pricing.

**Table 1: Classification of Business Enterprises**

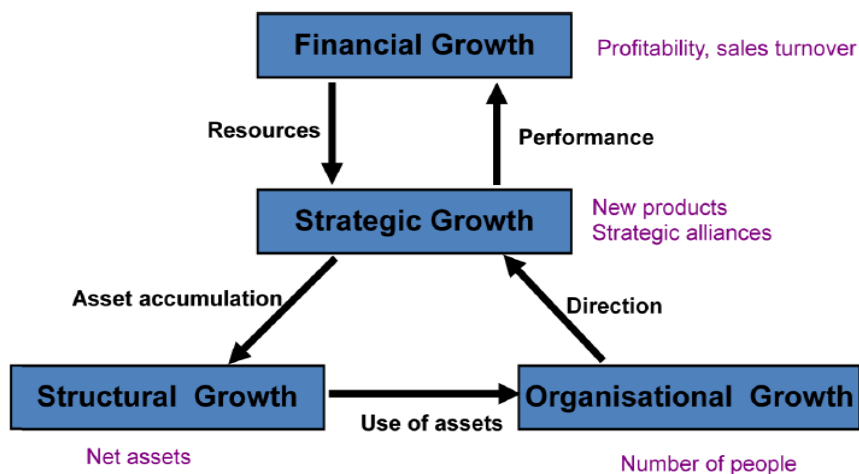
Size of the enterprise	Net capital investment (million RWF)	Annual turn over (million RWF)	Number of employees
micro enterprise	Less than 0.5	Less than 0.3	1 to 3
<b>Small enterprise</b>	<b>0.5 to 15</b>	<b>0.3 to 12</b>	<b>4 to 30</b>
Medium enterprise	15 to 75	12 to 50	31 to 100
Large enterprise	More than 75	More than 50	More than 100

Source: MINICOM (2010)

Types of Business Growth

According to Wickham, as cited by Carter and Jones (2006), business growth can be one or all financial, strategic, structural, and organizational development (see figure2).

**Figure 1: Types of Business Growth**



Source: Carter and Jones (2006)

Furthermore, the decision to adopt a particular strategy will also depend on the different factors affecting the firm's growth.

### **5.3 Measurement of Business Growth**

According to Storey (1994), growth and success of a business can be measured on many different variables which also include annual turnover, profit and employment growth. Barkham (1996) revealed that some of the most common ways to measure a firm's size are according to its revenue, profits, human and physical capital.

Davidsson (1989) argues that growth in small firms is affected by many factors. Some of these factors are external to the firm, and some are internal, but both affect the firm's ability and willingness to grow.

For Rasmussen (2009), enterprise growths are measured by way of typical employment growth, survival, profitability, exports, foreign direct investment, level of employment, compensation, innovation, creativity and productivity.

### **5.4 Challenges faced by Small Business Enterprises**

Small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is undercapitalization. This is often a result of poor planning rather than economic conditions - it is common rule of thumb that the entrepreneur should have access to a sum of money at least equal to the projected revenue for the first year of business in addition to his anticipated expenses.

For example, if the prospective owner thinks that he will generate \$100,000 in revenues in the first year with \$150,000 in start-up expenses, then he should have no less than \$250,000 available. Failure to provide this level of funding for the company could leave the owner liable for all of the company's debt should he end up in bankruptcy court, under the theory of undercapitalization (Edmiston, 2010).

In addition to ensuring that the business has enough capital, the small business owner must also be mindful of contribution margin (sales minus variable costs). To break even, the business must be able to reach a level of sales where the contribution margin equals fixed costs. When they first start out, many small business owners underpriced their products to a point where even at their maximum capacity, it would be impossible to break even. Cost controls or price increases often resolve this problem. In the United States, some of the largest concerns of small business owners are insurance costs (such as liability and health), rising energy costs, taxes and tax compliance.

According to the study carried out by Kakooza (2006) it was reported that once businesses are established, they confront competition from other businesses in either similar or related businesses. As towns expand, the number of entrepreneurs also increases. Therefore, the success of one business often comes at the expense of another. This necessitates advertising and price reductions to attract more customers, which in turn lead to a potential reduction of profitability.



Lack of capital is another impediment to businesses in their early stages. As indicated by Kakooza (2006) the loans provided by microfinance institutions are small, with a short repayment period and high interest rates and factors that have discouraged banks from lending to SBEs include poorly compiled records and accounts; low levels of technical and management skills; outdated technologies; lack of professionalism and networking; lack of collateral; lack of market outlets due to poor quality and non-standardized products; poor linkages and limited knowledge of business opportunities.

Finally, this literature is concerned with microfinance services and the business growth of women Small and Medium Enterprises (SMEs) in order to meet the objectives of the current study. As discussed here above, the large number of earlier and recent studies investigating the contributions of Microfinance on the growth of women small and medium enterprises has revealed that there exists a positive contribution of microfinance to the business growth of women SMEs. The literature used in this thesis covers a wide range of time, highly relevant and useful for addressing the objectives of this study.

## **6.0 RESEARCH METHODOLOGY**

### **6.1 Research approaches**

#### **1. Qualitative approach**

Qualitative research design is based on the individual's experience. The reason for qualitative research design in this research is about understanding the multiple realities of microfinance and business growth of women's small and medium enterprises from the RIM Rusizi branch point of view; ii. Overcome some of the precincts connected with quantitative approaches which underlie the business growth of SMEs at RIM; and iii. Collect data that are very detailed and informative.

#### **2. Quantitative approach**

The researchers used a quantitative approach to assess the effect of microfinance, as well as its relationship to the business growth of SMEs. Machin (2002) argued that a quantitative approach allows for the quantification of variables.

### **6.2 Research Design**

In this study, researchers used a descriptive case study design. According to Kumar (2005), the major aim of descriptive analysis is to explain and provide information on what is prevalent regarding a group of people, a community, a phenomenon, or a situation. In order to achieve the objective of this study by providing information on microfinance services and women's SMEs growth in the Rusizi district, this study embarked on the research mission of using quantitative and qualitative methods as to investigate a number of diverse variables to describe different services offered by microfinance, the impact they have on women's SMEs growth as well as the challenges they faced.

### **6.3 Target population**

The population under this study was composed of employees, and all women SMEs owners who have got loans from the RIM Ltd Rusizi branch, thus 417 individuals, whereby divided into 412 clients and 5 employees at RIM Ltd (RIM, Rapport annual, 2019).

## 6.4 Sampling procedures

Sample procedure is the process of selecting a number of individuals (a sample) from the population in a way that individuals are representative of a large group from which they are selected. This sample size was assumed by researchers to be representative enough of the entire population based on Slovin's formula as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Whereas:

n= Number of samples or sample size

N= Total population

e= Error tolerance (10% =0.1)

When it is not possible to study an entire population but the population is known, a smaller sample is taken from strata by purposive sampling technique. Slovin's formula allows a researcher to sample the population with the desired degree of accuracy (Stephanie, 2013). Slovin's formula is used to calculate the sample size.

With regard to the level of accuracy, we used a confidence level of 90% as suggested by Kothari (2004), this means that there are 90 chances in 100 (or 0.9 in 1) that the sample results represent the true condition of the population within a specified precision range against 10 chances in 100 (or .10 in 1) that it does not. Slovin's formula is calculated as follows:

$$n = \frac{N}{1 + N(e)^2}$$

The population size of this research is 417 clients and employees of RIM Ltd. We take a sampling error of 10%, and then the sample size was calculated as:

$$= \frac{417}{1 + 417 * (0.1)^2} = 81 \text{ respondents}$$

Therefore, the sample size was 81 respondents which include 78 clients and 3 employees of RIM Ltd.

## 6.5 Data instruments and collection process

### 1. Primary data collection

Primary data were used to provide first-hand information relating to the subject under the study. Along this process, the exercise of collecting data involved different techniques in order to get data for the research i.e. Questionnaire and interview guide.

## ➤ Questionnaire

This is an important method of data collection. Judd (1991) said that a questionnaire is justifiable in data collection mainly because; it enables the researcher to collect large amounts of data within a short time period, it also provides an opportunity for respondents to give anonymous answers. A questionnaire designed was both an open and closed-ended set of questions to be answered. The questionnaire was written in simple and clear language for the respondent to feel free while answering. In addition to that, the use of a questionnaire was considered vital to the research since it provides accurate information regarding the study.

## ➤ Interview guide

The researchers conducted face-to-face interviews with five respondents (employees of RIM Ltd) purposively selected. The interview was chosen as one of the best instruments of research due to its quick and flexible responses.

## 2. Secondary data collection

Secondary data were used to view other scholars' views on microfinance and the business growth of women SMEs in Rwanda.

## ➤ Documents Review

Bailey (1998) defines documentary study as the analysis of documents. These documents include any written materials that contain information about the phenomenon we wish to study including books, journals, and reports.

## 7.0 ANALYSIS

### 7.1 Demographic profile of Respondents

#### 1. Age distribution of respondents

The respondents are classified by their age whereby their ages ranged from 25 years to above 45 years.

**Table 2. Distribution of the respondents according to age**

Age	Frequency	Percentage
25-30	3	3.7
31-35	8	9.8
36-40	57	70.4

41-45	11	13.6
Above 45	2	2.5
<b>Total</b>	<b>81</b>	<b>100.0</b>

**Source: Primary data, December 2020**

From table two, the majority of respondents lie in the range of 36-40 years with the highest percentage equivalent to 70.4% of the total number of respondents.

The study also revealed that the second age range with the highest percentage of respondents is that ranging from 41-45 which makes 13.6% of all respondents, that range from 31 to 35 years with 9.8% of all respondents, and finally that ranging from 25 to 30 years with 2.5% of all respondents. What we can observe is that a great number of women who participated in SMEs are adults (those ranging from 36 to 40 years), the reason being that their social situation such as being head of the family being mature enough, and their stability are motivated then to carry out the management of their enterprises.

## 2. Marital status of respondents

In carrying out this study, the questionnaires have been given to all categories of respondents whereby married, single and widows have been considered to give data regarding the study.

**Table 3. Distribution of the respondents according to marital status**

Marital status	Frequency	Percentage
Married	61	75.3
Single	14	17.3
Window	6	7.4
<b>Total</b>	<b>81</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From the table three, the study revealed that married make the highest percentage with 75.3% of all respondents, followed by single with 17.3%, Finally widow with 7.4% of all respondents. The study shows that the majority of women involved in SMEs at RIM Ltd are married.

## 3. Education level of respondents

The education background under this study has been considered, to deliver the accurate information under the study.

**Table 4. Distribution of respondents according to education level**

Education level	Frequency	Percentage
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Primary	51	63.0
Secondary	11	13.6
Technical	16	19.7
University	3	3.7
<b>Total</b>	<b>81</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table four, 63% of respondents have attended primary schools; 13.6% attended secondary schools, 19.7% attended technical schools, and 3.7% attended universities. It is important to conclude that the majority of women who initiate SMEs have attended primary schools.

#### 4. The Services offered by RIM Ltd

This part identifies the services offered by RIM Ltd to its clients. Such services include: Providing loans, saving services, Advice on projects, and Money transfer services, and they are detailed below:

**Table 5. Services offered by RIM Ltd to Women SMEs owners**

Services	Frequency	Percentage
Provision of loan	62	79.0
Saving services	9	12.0
Advice on projects	5	6.0
Money transfer	2	3.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

As revealed by the study in table five, the services offered by RIM Ltd include the Provision of loans as said by 79% of all respondents, saving services as said by 12% of respondents, Advice on projects as said by 6%, and Money transfer as said by 3% of all respondents. This implies that the Provision of loans to its clients constitutes the major service offered by RIM Ltd that interest more women involved in SMEs businesses.

#### 5. Distribution of respondents according to whether they got a loan from RIM Ltd

This part highlighted the respondents' opinions on whether they have got loans to finance the operation of their businesses.

**Table 6. Respondents' opinion on whether they got loan**

Respondents' opinion	Frequency	Percentage
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Yes	78	100.0
No	0	0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table six, as revealed by the results of the study, all clients respondents (78) represented 100% have got loans to finance their enterprises.

## 6. Distribution of respondents according to the amount of loan received

This part highlights the number of loan women SMEs owners have got from RIM Ltd to finance their businesses.

**Table 7. Distribution of respondents according to the amount of loan received**

Amount	Frequency	Percentage
Less than 100,000rwf	3	4.0
Between 100,000rwf and 500,000rwf	25	32.0
More than 500,000rwf	50	64.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table seven as revealed by research, The amount of loan received by respondents women SMEs owners include: Less than 100,000rwf as said by 4% of all respondents; Between 100,000rwf and 500,000rwf said by 32% of all respondents, More than 500,000rwf as said by 64% of all respondents. What we can conclude here is that the majority of women SMEs owners have got loan amount more than 500,000rwf from RIM Ltd as reported by the majority (64%) of all respondents.

## 7. Respondents perception on source of capital to start enterprise

This part highlights where women involved in SMEs businesses have the capital to start their enterprises.

**Table 8. Source of capital to start enterprise**

Source of capital	Frequency	Percentage
My own money	62	79.0
From friends	10	13.0
From lending	6	8.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From the table eight, respondents' sources of capital to start enterprises include: their own money as said by 79% of all respondents, from friends as said by 13% of all respondents and 8% have capital from lending. Furthermore, as revealed by the study, majority of enterprises owners have started enterprises with capital of their own money, and this validate the criteria of microfinance to deliver loan to actively and experienced enterprises not for starter.

## 8. Distribution of respondents according to type of enterprise

This part identifies the type of enterprises in which

**Table 9. Type of enterprise**

Type of enterprise	Frequency	Percentage
Crops production	3	4.0
Livestock	13	17.0
Trade	60	77.0
Handcrafts	2	2.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table nine, respondents are involved in crop production enterprises as said by 4% of all respondents, Livestock as said by 17%, Trade as said by 77% of all respondents, and Handcraft as said by 2% of all respondents. As to conclude, the majority of women SMEs owners are involved in trade activities as reported by the majority (77%) of all respondents.

## 9. Respondents' opinion on the existence of differences between their businesses before and after taking a loan

This part shows the opinion of respondents about the difference of their businesses before and after taking loans.

**Table 10. Respondents' opinion on the existence of differences between their businesses before and after taking a loan**

Respondents 'opinion	Frequency	Percentage
Yes	78	100.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table ten, the study revealed that all (100%) women SMES owners businesses noticed a positive difference as a result of taking loan to finance their businesses.

## 10. Distribution of respondents according to whether their business is growing

This part shows respondents reactions about whether their businesses are growing.

**Table 11. Distribution of respondents according to whether their business is growing**

Responses	Frequency	Percentage
Yes	78	100.0
No	0	0.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table eleven, as revealed by the study, all respondents confirmed that their business is growing.

## 11. Indicators of business growth

This part shows the indicators of business growth. Such indicators include: Increase of customers, increase of profit, Increase of products, Market extension.

**Table 12. Indicators of business growth**

Indicators	Frequency	Percentage
Increase of customers	18	22.0
Increase of profit	54	67.0
Increase of products	3	4.0
Market extension	6	7.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

Table twelve shows the indicators of business growth. As revealed by the study, the indicators of business growth include an increase in customers as said by 22% of all respondents, an increase in profit as said by 67% of all respondents, an increase in products as said by 4% of all respondents, and finally Market extension was said by 7% of all respondents. Thus, an increase in profit constitutes a major indicator of business growth reported by the majority (66.6%) of all respondents.

## 12. Contributions of microfinance services to the business growth of women SMEs

This part highlights the contributions of microfinance services to the business growth of women SMEs.



**Table 13. Contributions of microfinance services to the business growth of women SMEs**

Contributions	Frequency	Percentage
Capital base increase	47	59.0
Profitability increase	22	28.0
Skills improved	2	3.0
Business growth in size	7	10.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table thirteen, the study revealed that the contributions of microfinance services include a Capital base increase as said by 59% of all respondents, Profitability increase as said by 28% of all respondents, Skills improvement as said by 3% of all respondents, and finally, Business growth in size as said by 10% of all respondents. It is important to note that capital base increase is a major contribution of microfinance services to the growth of women SMEs businesses as reported by the majority 59% of all respondents.

**13. Challenges facing women SMEs businesses from growing**

This part highlights the major challenges that hinder Women SMEs businesses from growing. Such challenges include Limited capital, High-interest rates on loans provided by microfinance, Limited knowledge in managing enterprises, and Lack of collateral.

**Table 14. Challenges facing women SMEs businesses from growing**

Challenges	Frequency	Percentage
Limited capital	62	79.0
High interest rate	8	10.0
Limited knowledge	3	4.0
Lack of collateral	5	7.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table fourteen, the challenges faced by women SMEs businesses growing include Limited capital as said by 79% of all respondents, High-interest rate on loans provided by microfinance as said by 10% of all respondents, Limited knowledge in managing enterprises as said by 4% of all respondents, and Lack of collateral as said by 7% of all respondents. What we can conclude here is that Limited capital constitutes the major challenge that hinders women SMEs from growing as reported by 79% of all respondents.

## 14. Respondents' solutions to challenges facing women SMEs businesses from growing

This part highlights the proposed solutions to challenges facing women SMEs businesses from growing. Such Solutions include Applications for loans in microfinance to increase capital, lowering interest rates on loans by microfinance, Provision of training to women SMEs owners, and Guaranty fund to support women without collateral.

**Table 15. Solutions to challenges facing women SMEs businesses from growing**

Solutions	Frequency	Percentage
Application for loan to constitute capital	67	84.0
Low interest rate	3	5.0
Provision of trainings	2	2.0
Guaranty fund	6	9.0
<b>Total</b>	<b>78</b>	<b>100.0</b>

**Source:** Primary data, December 2020

From table fifteen, the solutions to challenges facing women SMEs businesses from growing include: Application for a loan to constitute capital as said by 84% of all respondents, lowering the interest rate by microfinance as said by 5% of all respondents, Provision of training as said by 2% and Guaranty fund to support women without collateral said by 9% of all respondents. However, Application for loans in microfinance constitutes a major solution to challenges facing women SMEs business from growing as it responds to the challenge of limited capital to invest as reported by 84% of all respondents.

## 8.0 DISCUSSION OF FINDINGS

In carrying out this research project, the researcher had the following purpose: To assess the contributions of microfinance to the women's SMEs growth in Rwanda where data to meet this purpose were collected from women SMEs owners who have got loans from RIM Ltd to finance their businesses.

Findings have revealed that the majority of respondents lie in the range of 36-40 years with the highest percentage equivalent to 70.4% of the total number of respondents. The study also revealed that the second age range with the highest percentage of respondents is that ranging from 41-45 which makes 13.6% of all respondents, that range from 31 to 35 years with 9.8% of all respondents, and finally that ranging from 25 to 30 years with 2.5% of all respondents. What we can observe is that a great number of women who participated in SMEs are adults (those ranging from 36 to 40 years), the reason being that, their social situation such as being head of the family being mature enough, and their stability are motivated then to carry out the management of their enterprises.

The study revealed that married make up the highest percentage with 75.3% of all respondents, followed by single with 17.3%, and Finally widows with 7.4% of all

respondents. The study shows that the majority of women involved in SMEs at RIM Ltd are married.

Findings have revealed that 63% of respondents have attended primary schools; 13.6% attended secondary schools, 19.7% attended technical schools, and 3.7% attended universities. It is important to conclude that the majority of women who initiate SMEs have attended primary schools.

As revealed by the study, the services offered by RIM Ltd include the Provision of loans as said by 76.3% of all respondents, saving services as said by 12.3% of respondents, Advice on projects as said by 7.4%, and Money transfers as said by 3.7% of all respondents. This implies that the Provision of loans to its clients constitutes the major service offered by RIM Ltd that interest more women involved in SMEs businesses.

The study revealed that all respondents (81) represented 100% have got loans to finance their enterprises. Findings revealed that, The amount of loan received by respondents' women SMEs owners include: Less than 100,000rwf was said by 3.7% of all respondents; Between 100,000rwf and 500,000rwf said by 33.3% of all respondents, More than 500,000rwf was said by 63% of all respondents. What we can conclude here is that the majority of women SMEs owners have got loan amounts of more than 500,000rwf from RIM Ltd as reported by the majority (63%) of all respondents.

Findings have shown that respondents' sources of capital to start enterprises include: their own money as said by 77.7% of all respondents, from friends as said by 13.6% of all respondents and 8.7% have capital from lending. Furthermore, as revealed by the study, the majority of enterprise owners have started enterprises with a capital of their own money, and this validates the criteria of microfinance to deliver the loan to active and experienced enterprises, not for starters.

Findings have shown that women SMEs owners are involved in crops production enterprises as said by 4.9% of all respondents, Livestock as said by 17.3%, Trade as said by 75.3% of all respondents, and Handcraft as said by 2.4% of all respondents. As to conclude, the majority of women SMEs owners are involved in trade activities as reported by majority (75.3%) of all respondents.

The study revealed that all (100%) women SMES owners businesses noticed a positive difference as result of taking loan to finance their businesses. As revealed by the study, 96.3% of all respondents confirmed that their business is growing while, 3.7% respondents said that their businesses did not grow. As to conclude, the majority of businesses of women in SMEs are growing as confirmed by 96.3% of all respondents.

As revealed by the study, the indicators of business growth include: Increase of customers as sad by 22.2% of all respondents, increase of profit as said by 66.6% of all respondents, increase of products as said by 3.7% of all respondents, and finally Market extension was said by 7.5% of all respondents. Thus, increase of profit constitutes a major indicator of business growth reported by the majority (66.6%) of all respondents.

The results of the study have identified that, the challenges faced by women SMEs businesses from growing include: Limited capital as said by 79% of all respondents, High interest rate on loans provided by microfinance as said by 9.8% of all respondents, Limited knowledge in managing enterprises as said by 3.7% of all respondents, and Lack of collateral as said by 7.5% of all respondents. What we can conclude here is that, Limited capital constitutes the major challenge that hinders women SMEs from growing as reported by 79% of all respondents.

From the above challenges, the proposed solutions to challenges facing women SMEs businesses from growing include: Application for loan as said by 84% of all respondents, lowering interest rate by microfinance as said by 4.9% of all respondents, Provision of training as said by 2.5% and Guaranty fund to support women without collateral said by 8.6% of all respondents. However, Application for loan in microfinance constitutes a major solution to challenges facing women SMEs business from growing as it responds to the challenge of limited capital to invest as reported by 84% of all respondents.

The study revealed that the contributions of microfinance services include: Capital base increase as said by 59.3% of all respondents, Profitability increase as said by 28.4% of all respondents, Skills improved as said by 2.5% of all respondents, and finally Business growth in size as said by 9.8% of all respondents. It is important to note that capital base increase is a major contribution of microfinance services to the growth of women SMEs businesses as reported by the majority 59.3% of all respondents.

## 9.0 SUMMARY OF FINDINGS

After the analysis of data obtained on the field it is necessary to note the following points:

Findings revealed that, the services provided by RIM Ltd include: Provision of loan as said by 76.3% of all respondents, saving services as said by 12.3% of respondents, Advice on projects as said by 7.4%, and Money transfer as said by 3.7% of all respondents. This implies that Provision of loans to its clients constitutes the major service provided by RIM Ltd that interest more women involved in SMEs businesses.

The study revealed that all (100%) women SMES owners businesses noticed a positive difference as result of taking loan to finance their businesses. As revealed by the study, the majority of businesses of women in SMEs are growing as confirmed by 96.3% of all respondents. As revealed by the study, increase of profit constitutes a major indicator of business growth reported by the majority (66.6%) of all respondents.

The study indicated that, Limited capital constitutes the major challenge that hinders women SMEs from growing as reported by 79% of all respondents. From above challenges as revealed by the study, the respondents suggested Application for loan in microfinance as a major solution to challenges facing women SMEs business from growing as it responds to the challenge of limited capital to invest as reported by 84% of all respondents.

The study revealed that the contributions of microfinance services include Capital base increase as said by 59.3% of all respondents, Profitability increase as said by 28.4% of all respondents, Skills improved as said by 2.5% of all respondents, and finally Business growth

in size as said by 9.8% of all respondents. It is important to note that capital base increase is a major contribution of microfinance services to the growth of women SMEs businesses as reported by the majority 59.3% of all respondents.

## 10.0 CONCLUSION

Micro finance loan has a great impact on women SME's performance which meets the goal and strategy of microfinance establishment. SMEs have been fully recognized by Government and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership. The development of the SMEs sector therefore represents an essential element in the growth strategy of most economies and holds particular significance in the case of Rusizi district. This study met the set objectives as for the first one, As revealed by the study; Provision of loans to its clients constitutes the major service provided by RIM Ltd that interest more women involved in SMEs businesses as reported by 76% respondents. Secondly, the study indicated that, Limited capital was the major challenge that hinders women SMEs from growing as reported by 79% of all respondents. Despite the above challenge of limited capital, respondents suggested Application for loan to constitute capital for investment in microfinance as a major solution to challenges facing women SMEs business from growing as reported by 84% of all respondents. Third and the last one, the study revealed that capital base increase is a major contribution of microfinance services to the growth of women SMEs businesses as reported by the majority 59% of all respondents.

Conclusively, the results obtained from the study showed that microfinance services have a positive contribution on the business growth of women Small and Medium Enterprises, and its sustainability. On one side, the loan facilities provided by microfinance lead to increase in working capital, and an increased profitability thus, the business growth of the enterprises. On another hand, the advisory services and managerial skills offered by RIM Ltd to women SMEs owners are playing a crucial role on enterprises to be successful in achieving their goals. Consequently, it is concluded that Micro finance institutions have a positive impact on the women' Small and Medium Enterprises growth in Rwanda.

## 11.0 RECOMMENDATIONS

Depending on data processed, analyzed and interpreted, a number of recommendations have to be put forward to act as guidelines to decision makers to make right decisions, implementers and beneficiaries to understand the contributions of microfinance to the women's small and medium enterprises growth in Rwanda.

After a study conducted with 81 respondents from women SMEs owners and Employees from RIM Ltd, the researcher made the following recommendations:

Women SMEs owners should apply for loans from RIM Ltd to constitute capital for their enterprise growth.

MFI's should provide training to the women, advise them to be involved in SMEs activities and make follow up of the money borrowed utilization which will help the Women to

improve their skills and competitiveness to the market and paying back the borrowed money to the Microfinance.

MFIs should adjust their interest rate in order to maintain its women clients who can go for other banks and also MFIs should give affordable Credits to its women clients for starting the business.

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## APPENDICES

### APPENDIX 1: QUESTIONNAIRE

#### PART A. IDENTIFICATION OF RESPONDENTS

**Please choose and tick to the correct answer from the following:**



## 1. Sex of respondent:

a) Male

b) Female

## 2. Age of respondent

a) 25-30

b) 31-35

c) 36-40

d) 41-45

e) 45+

## 3. Marital status

a) Married

b) Single

c) Widow

d) Divorced

## 4. Education level

a) Primary

b) Secondary

c) University

d) Technical

## **PART B. Questions related to the objectives of the study specifically on women involved in the SMEs as unity of analysis.**

**Indications: Please respond to the following questions with your choice. Kindly tick to the correct answer.**

### 1. What are the services you get from RIM Ltd Microfinance?

a) Providing loans

b) Saving services

c) Advice on projects

d) Money transfer/ remittances

**2. Did you get any loan from the RIM Ltd?**

a) Yes

b) No

**3. If yes, what amount of loan did you receive?**

a) Less than 100 thousands

b) Between 100 and 500 thousands

c) More than 500 thousands

**4. If not from where have you got the money to start business?**

a) My ownership

b) From friends

c) From RIM Microfinance

d) Other means

**5. What type of enterprise are you involved in?**

a) Crops production

b) Livestock

c) Trade

d) Handcrafts

**6. If you compare your business before and after getting loan from RIM Ltd, is there any difference?**

Yes

No

**7. Is your business growing?**

a) Yes

b) No

**8. What are the indicators for the growth of a business?**

- a) Increase of customers
- b) Increase of profit
- c) Increase of products
- d) Market extension

**9. What are the challenges that prevent women’s small businesses from growing?**

- a) Limited capital
- b) High interest rate on loan provided by microfinance
- c) Limited knowledge in managing enterprises
- d) Lack of collateral

**10. What are the possible solutions to above-mentioned challenges?**

- a) Application for loan to increase capital
- b) Low interest rate
- c) Provision of training to women small and medium enterprises owners
- d) Guaranty fund to support women without collateral

**11. What are the contributions of saving and credit services provided by microfinance to the growth of small business enterprises?**

- a) Capital base increase
- b) Profitability increased
- c) They improve management skills
- d) Business growth in form of size

**Thank you for your collaboration.**

**APPENDIX 2: INTERVIEW GUIDE FOR THE STAFF OF RIM Ltd**

**1. What are the services provided by RIM Ltd to women SMEs owners?**

.....  
.....

**2. How do those services contribute to the growth of small businesses?**

.....  
.....

**3. What are the challenges do you face?**

.....  
.....

**4. What could be the possible solutions to above-mentioned challenges?**

.....  
.....

**5. Are small business enterprises financed growing in this district?**

.....  
.....

**6. What are the contributions of RIM Ltd to the business growth of women's Small and Medium Enterprises?**

-----Thank you for your collaboration.