



ENTREPRENEURSHIP SKILLS DEVELOPMENT AND GROWTH OF SMALL AND MEDIUM ENTREPRISES IN RWANDA (CASE STUDY: “CAPLAKI”) 2007-2011

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Abstract

Small and Medium Enterprises (SMEs) are important to economic growth and significantly essential to generate profit, increase sales and provide return on investment to the owners of SMEs. Therefore the SMEs growth depends to a great degree on the way entrepreneurship skills have been developed in SMEs. Entrepreneurship has been considered the backbone of economic development. It has been well established that the level of economic growth of a region to a large extent, depends on the level of entrepreneurial activities in the region. The myth that entrepreneurs are born, no more holds good, rather it is well recognized now that the entrepreneurs can be created and nurtured through appropriate interventions in the form of entrepreneurship skills development programs. This research “Impact on entrepreneurship skills development on growth of SMEs in Rwanda” aimed at assessing how entrepreneurship skills development impacts on growth of SMEs in Rwanda, with CAPLAKI “Cooperative des Artistes Plasticiens de Kigali”, an artisan’s cooperative in Rwanda selected as a case study. The research will benefit the researcher, the community, the government and other researchers. The study adopted mixed method approach that is, qualitative and quantitative methods. The choice of using both is justified in the sense that the study has several objectives; and information relating to some of them was assessed using qualitative method, while other using quantitative methods. Basically the study was conducted in Kigali city specifically with all the 71 members of CAPLAKI Cooperative. Data were collected using structured and unstructured questionnaires. Also, secondary data were collected from various documents. The findings of the study show that on the whole, the respondents (CAPLAKI members) have limited entrepreneurship skills particularly in terms of recognising business opportunities, being innovative and communicating effectively in business transactions. In particular, a percentage of 65 admitted that they lack skills of identifying business opportunities. Similarly, a considerable percentage of the respondents (96%) lamented that their sales are decreasing because of failure to communicate with clients especially foreigners who are their potential customers. Besides, a substantial percentage of the respondents (63%) revealed that they lack innovative skills. Lack of these skills greatly affects the growth of their businesses in terms return on investment, net profit and sales turnover. Therefore, it is recommended that the cooperative should organize training for its members in entrepreneurship skills. They need to be equipped with such skills as separating money between business and household, reinvesting profits in the business, maintaining records of sales and expenses, and thinking proactively about new markets and opportunities for profits. In addition to these strategies, business to business linkages should be explored by entrepreneurs to enable SMEs join global business chain to create new market and explore business opportunities.

DEFINITION OF OPERATIONAL TERMS

Entrepreneurship ,Entrepreneurship development ,Development ,Skills, Ability to recognize opportunity, Communication skills, Innovative skills, Return on Investment, Profit

INTRODUCTION TO THE STUDY

Small and Medium Enterprises (SMEs) are important to economic growth and significantly essential to

generate profit, increase sales and provide return on investment to the owners of SMEs. In developing countries, the primary barrier to economic growth is



often not so much with a scarcity of capital, labor or land, but it is the scarcity of the dynamic entrepreneurs that can bring the markets and mechanisms that can facilitate the economic growth (United Nations Development Program, 1999). Entrepreneurial activity is the key to growth and prosperity in many countries. Entrepreneurship development is the key factor in economic development[1] (Harper, 2003).

Entrepreneurship has been considered as the backbone of economic development. It has been well established that the level of economic growth of a region to a large extent, depends on the level of entrepreneurial activities in the region. The myth that entrepreneurs are born, no more holds good, rather it is well recognized now that the entrepreneurs can be created and nurtured through appropriate interventions in the form of entrepreneurship development programs [2] (India Entrepreneurship Movement 2008).

[3] The Asian Productivity Organization (2007) in its report on Entrepreneurship development for competitive small and medium enterprises mentioned that entrepreneurship training and education is regarding knowledge-based human capital investment as a prerequisite for sustained economic growth and productivity of enterprises. A firm's competitive advantage stems from its entrepreneurial capabilities, management abilities and technical know-how and its adaptability to the internal and external business environment. Basic education and continuing investment in on-the-job, for developing entrepreneurial skills is therefore important. Entrepreneurship skills are very important to the survival and growth of SMEs. Entrepreneurial development has been conceived by successive governments as a program of activities to enhance the knowledge, skill, behavior and attitudes of individual and groups to assume the role of entrepreneurs.

Skill is knowledge demonstrated by actions or the ability to perform in a certain way. Skills are acquired through training and education [4] (Perks & Smith, 2006). Education and training create circumstances in which a person can acquire and apply the skill that will help him/her achieve the objective of the business. Skills development can be achieved through training and education [5] (Erasmus, 2005). The difference between education

and training is that education prepares the individual for life while training prepares him or her to perform specific tasks. In this study, the focus was on skills development through training. [6] Landzani (2004) argues that changing circumstances require that small business managers/owners receive regular training in order to reduce failure rates, increase profits and achieve growth. This is necessary because most small business owners start their businesses without appropriate training.

Many SMEs in Rwanda suffer from lack of technical and business skills. SMEs themselves identify a variety of skills gaps in areas including ICT, technical and industrial knowledge, finance, accounting and management. There is also limited innovation and competitiveness in the SME sector caused by a lack of technical and managerial skill. The unstructured environment in which SMEs operate and their inability to be open to new or innovative ideas presents a major challenge to the development of the SME sector [7] (Ministry of Finance and Economic Planning, 2010).

[8] The Private Sector Federation-PSF (2008), surveyed 2100 SMEs operating in Rwanda, and found out that entrepreneurial culture is a major priority needed for SMEs in terms of building human capacity and supporting potential growth. SMEs often have limited abilities to develop their entrepreneurship skills to take advantage of local economies of scale in terms of reputation, increase in the volume of sales and increase in the number of customers. They also often lack the ability to gather and process market information outside of what is immediately relevant to their current business due to lack of technical knowledge and training on how to make use of this information. [8] Rwanda Vision 2020 and Economic Development & Poverty Reduction Strategy (2007) indicated that entrepreneurship skills of entrepreneurs in Rwanda are not yet up to the required standard. Businesses are more likely to succeed if their owners have sufficient entrepreneurial skills.

1.1. STATEMENT OF THE PROBLEM

The SME sector, including formal and informal businesses, comprises 98% of the businesses in Rwanda and 41% of all private sector employment (SME Policy, 2010). A survey on capacity needs of the Small and Medium Enterprises (SMEs) among 21



districts of Rwanda carried out by Private Sector Federation (PSF) in 2008, indicated that about 80 percent of businesses lack entrepreneurship skills. And this is greatly affecting their growth not only on the local market but also in the region. This shows that they are not taking advantage of potential business opportunities and being innovative into their business activities at all, almost SMEs duplicate business ideas until the market is saturated with copycat enterprises. Furthermore, most of SMEs in Rwanda do not have the ability of communicating effectively with their customers.

Looking at all these inefficiencies in SMEs in Rwanda, and if no effort is made by improving on their entrepreneurship skills, this situation is likely to worsen with the participation in the East African Community. Concerns have been raised about the distinction which appears to exist between entrepreneurship skills development and growth of SMEs. In the light of the above, this study therefore intended to examine the impact of entrepreneurship skills development on SMEs growth with a case study of **Caplaki (Coopérative des Artistes Plasticiens de Kigali)**; with members selling handicrafts and African wears.

OBJECTIVES OF THE STUDY

The general objective of this research was to examine the impact of entrepreneurship skills development on the growth of SMEs in Rwanda. Specifically, the study was guided by the following objectives:

- i. To ascertain the ways SMEs recognize available opportunities for their business growth.
- ii. To assess the impact of communication skills on SMEs growth in Rwanda,
- iii. To evaluate the effect of innovative skills on SMEs growth in Rwanda.
- iv. To examine the barriers to SMEs growth in Rwanda between 2007 and 2011.

RATIONALE OF THE STUDY

The research will be beneficial to the community, the government and to other researchers in many ways. First it will enable one to gain more knowledge on entrepreneurship skills development and growth of Small and Medium Enterprises in Rwanda, it will also assist enable the community get information on how to improve skills so as to grow their SME

businesses in the best way possible. The government may also find the findings useful and informative in developing strategies and programs that will help its citizens willing to go for entrepreneurship to improve on their skills and expand their businesses. The finding may also form a basis for future researchers who may be interested in this line of study.

SCOPE OF THE STUDY

As far as the subject matter is concerned, the research covered entrepreneurship skill development and the growth of SMEs in Rwanda using Caplaki as the case study. The study considered the time (period) of five years that is from January 2007 to December 2011 because this is the period when serious capacity development started being institutionalized. This study also focused on SMEs involved in handicrafts and specifically Caplaki.

LITERATURE REVIEW

CONCEPTS ON ENTREPRENEURSHIP SKILLS DEVELOPMENT

Entrepreneur: The word “Entrepreneur” is derived from the French verb ‘entreprendre’. This means ‘to undertake’. The word entrepreneur means one who takes the risk of starting a new organization or introducing a new idea, product or service to society. [9] (Hisrich and Peters, 2002). [10] Hornby (2006) also defined an entrepreneur as a person who makes money by starting or running businesses, especially when this involves taking financial risks. however to [11] Shane and Venkataraman (2010), an entrepreneur, is “one who undertakes innovations, finances and displays business in an effort to transform innovations into economic goods”. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity.

Entrepreneurship Development: [12]Abianga (2010) defined development as the act or process of growth, progress and improvement within a physical setting. [13] Hornby (2006) similarly defined development as the gradual growth of something so that it becomes more advanced and stronger. this varies slightly from what United Nations Development Program [14] (UNDP Report 1999) defined entrepreneurship development; as referring to the process of enhancing entrepreneurial skills and knowledge through structured training and institution building programs.



Entrepreneurship development aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development.

[15] Scudder (2011) argued that to hold land, labor, capital, and organization as the four factors of production, and considered entrepreneurship as the driving factor that brings these four factors together. The characteristics of a successful entrepreneur include: thorough understanding of the industry, good leadership skills, foresight on demand and supply changes and the willingness to act on such risky foresights.

Schumpeter's innovation theory of entrepreneurship cited by [16] Scudder (2011) explains that an entrepreneur is one having three major characteristics: innovation, foresight, and creativity. Entrepreneurship takes place when the entrepreneur creates a new product, introduces a new way to make a product, discovers a new market for a product, finds a new source of raw material, finds new way of making things or organization. Schumpeter's innovation theory however ignores the entrepreneur's risk taking ability and organizational skills, and place undue importance on innovation. The Schumpeterian model of the theory of entrepreneurship turns to the enhancement of profits made possible by innovation, which in turn stimulates imitation that finally brings the flow of innovator's profits to an end. The model views the innovator as a driven individual whose hand is forced by the pursuit of profit and also focuses upon two relationships: first, the effect of innovation upon profits; secondly, the effect of innovation upon the activities of imitators.

The entrepreneur either remedies ignorance or corrects errors of the customers. His entrepreneurship model holds: the entrepreneur subconsciously discovering an opportunity to earn money by buying resources or producing a good, and selling it; Entrepreneur financing the venture by borrowing money from a capitalist; entrepreneur using the funds for his entrepreneurial venture; entrepreneur paying back the capitalist, including interest, and retaining the "pure entrepreneurial profitability."

Various authors have come up with different skills that an entrepreneur must have so that he can be able to expand his enterprise or business success, among those various traits, the researcher has chosen three which is related to the study: ability to recognize opportunity; communication skills and innovative skills.

Ability to recognize opportunity: Entrepreneurs recognize opportunities where they are and they utilize them by producing products or services that will fill the vacuum identified. Entrepreneurs often see things in a holistic sense; they can see the "big picture" when others see only the parts. One study found that successful owners of SMEs gathered more information about the business environment, and more often, than those who were less successful. This process, known as scanning the environment, allows the entrepreneur to see the entire business environment and the industry and helps to formulate the larger picture of the business activity. Entrepreneurs try their hand on opportunities that are by-pass by others; these opportunities may include: meeting the demand that is not currently met, pushing up a product that is much better than what is currently in the market, solving a problem or annoyance that consumers have [17] (Lambing & Kuehl, 2007).

they further note that there is need for Innovative skills are practically the types of skills that allow individuals to become innovative in what they do. These are usually a combination of cognitive skills such as the ability to think creatively and critically; behavioral skills such as the ability to solve problems. One of the reasons entrepreneurs are successful is that they are imaginative, innovative and can envision alternative scenarios.

INSTITUTIONS INTERVENING IN SKILLS DEVELOPMENT IN RWANDA

In terms of supervision of SMEs sector and entrepreneurship skills Programs in Rwanda, the main intervening institutions are PSF, WDA, and RDB, below is their different scope and overview.

The first institution is RDB (Rwanda Development Board), in this institution, entrepreneurship development initiatives is in each of the department because it is across cutting issue but Human Capital Institutional Department (HCID) specifically focuses on education and skills development where it requires the department to both instill an entrepreneurial mindset in the population and also train them with skills required by entrepreneurs to set up and succeed in their ventures.

They intervene in providing young men and women with business skills: This is implemented by trainings of the required attributes and challenges for starting and operating a successful enterprise, particularly a



small business. This is also done through provision of

| Size of the Enterprise | Net Capital investment Million in Rwf | Annual turnover Million in Rwf | Number of employee |
|------------------------|--|-----------------------------------|--------------------|
| Micro enterprises | Less than 0.5 | Less than 0.3 | 1 to 3 |
| Small enterprises | 0.5 to 15 | 0.3 to 12 | 4 to 30 |
| Medium enterprises | 15 to 75 | 12 to 50 | 31 to 100 |
| Large enterprises | More than 75 | More than 50 | More than 100 |

entrepreneurship education to the young men and women. The primary objective is to empower the youth with the right skills needed to improve or start their businesses (Rwanda Development Board, 2011).

Workforce Development Authority (WDA) an institutional framework that provides a strategic response to the skills development challenges facing the country across all sectors of the economy. WDA's vision is to become a regional center of excellence in workforce development .It's mission is to promote, facilitate, and guide the development and upgrading of skills and competencies of the national workforce in order to enhance competitiveness and employability .Consequently, the PSF tries to improve the skills of the SMEs [18] (Private Sector Federation, 2009).

In Rwanda, when it comes to use the popular term “SME”, it is taken to include micro enterprises as well as small and medium enterprises. Registered cooperatives may also benefit from this policy in so far as they are SMEs [19] (MINICOM, 2010). The categorization of SMEs in Rwanda is shown in the table below:

Definition of SME (Rwandan context)

A study carried out by [20] PSF (2008), estimated that there are over 72,000 SMEs operating in

Rwanda, while only 25,000 of them are formally registered. This study found out that most small enterprises in Rwanda start off as micro businesses and grew into small businesses or they are formed to supplement the income of middle to upper income households. SMEs comprise approximately 98% of the total businesses in Rwanda and account for 41% of all private sector employment. SMEs in Rwanda, the vast majority of SMEs (93.07%) work in commerce and services. This is followed by 1.86% in professional services, 1.66% in Arts & Crafts, 1.33% in industry,0.94% in financial services, 0.7% in tourism and 0.45% in agriculture and livestock.

SMES IN GLOBAL CONTEXT

There is no single definition of small business that is universally accepted. For instance, different sectors of the economy have different interpretations of the SMEs business. Although different countries define SMEs businesses differently, it is accepted practice to make use of quantitative and qualitative criteria when attempting to define small businesses [21] (Gibson and Holmes, 2001). The argument is supported by [22] Nieman, Hough, and Nieuwenhuizen, (2006) who agree that a definition based on quantitative and qualitative factors will consider the measure of size, such as number of employees, the gross assets, sales turnover as well as different types of ownership and different sectors of the economy, like manufacturing, wholesalers, retailing, mining, motor and textile industries.

Small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EC (European Commission) and are thus crucial for fostering competitiveness and employment [23] (Verheugen2005).

In the European union the most frequent upper limit designation an SME is 250 employees, but some countries can set the limit to 200, while the United States consider SMEs to include firms with fewer than 500 employees [24] (Organization For Economic Cooperation and Development, 2005).

The new definition of SME by the EU is based on categorization of Enterprises [25] (EU Commission, 1997).



Table 2: Definition of SME (EU Commission)

| Enterprise category | Annual turnover | Balance sheet total |
|---------------------|-----------------|---------------------|
| Medium-sized | <250 million | ≤50 million |
| Small | <50 million | ≤10 million |
| Micro | <10 million | ≤2 million |

Source: EU Commission

In Europe, 99.8% of private businesses are small businesses and they generate half of Europe's turnover and employ about 53% of the workforce [26] (Reijonen & Komppula, 2007).

SMEs in Thailand are defined as either small or medium using the size of SMEs based on the number of employees and the value of total fixed assets excluding land value (Pour, 2006). Hence, an enterprise is categorized as an SME if it has less than 200 employees and fixed capital with less than 200 million baht, excluding land and properties, [27] (The Office of Small and Medium Enterprises Promotion, 2007).

In South Africa, a Small Medium sized enterprise (SME) is regarded as the ones with the potential for job creation and makes a substantial contribution of 35% to Gross Domestic Product (GDP) of South Africa. Classifications of small, micro, medium and large sized enterprises comprises: Micro-firm: 0 - 9 employees; Small firm: 0 - 99 employees (includes micro); Medium firm: 50 - 249 employees; and large firm: over 250 employees. [28] (Rwigema & Venter, 2004).

MEASURING SMEs

The growth of SMEs can be measured in various ways. For much government policy research, as well as many management and economics sources, growth is measured in terms of increases in SME employment. It is this measure which has most relevance to many government policy makers since SME growth has been seen as an important way of reducing unemployment. Rather than employment growth, however, owners and managers of SMEs are usually most interested in financial performance. This can be measured by the growth of sales or turnover growth, profitability, since this focuses on the earnings of firm owners [29] (Delmar et al. 2003). There are further measures of SME growth: percentage change in employment; percentage change in firms' turnover, change in profitability. Other measures of firm growth that could be used are market share, return on capital employed, and

measures of productivity [30] (Robson and Bennett, 2000).

According to [31] Barkham, Gudgin, Hart, and Hanvey, (1996). The most common indicators are to measure absolute sales growth or employment growth during a specific period of time. Delmar, Davidson and Gartner (2003) indicated that sales and employment are the two most important indicators measuring firm's size and growth. In developing countries SMEs are usually competing with price over added value. On the other hand SMEs in developing countries have generally a lower productivity than in developed countries and because a country's productivity level is a major indicator of improved living standards, added value should be seen as one of the important indicators of growth [32] (Lind 2005).

Growth indicators applied by various scholars such as; assets, market share, physical output return on investment. [33] (Delmar et al. 2003)

Among the measurements of SMEs growth indicated by different authors, the researcher in her project will use: Return on Investment, percentage change in profit and percentage change in sales. According to [34] Horngren (2006), the return on investment (ROI) is used to gauge the profitability of the business.

When someone asks about ROI, they are really asking: What do I get back for the money ('return'). I'm being asked to spend ('investment')? What is it really worth (the "ROI"). Return on Investment is defined as a profitability measure that evaluates the performance of a business by dividing net profit by net worth.

BARRIERS SMEs GROWTH - AGLOBAL CONTEXT

Lack of innovation among entrepreneurs: innovation plays a crucial role in nowadays business. It is regarded as a key characteristic of SMEs, mainly due to the attitude of the manager. Innovative enterprises are able to respond within the bounds of the knowledge about existing products or services to changes required by the customer within their niche market. [35] (Levy and Powell 2005). The impacts of



globalization have pressured SMEs to greater demands. Innovation relies on bringing together different types of research and utilizing this knowledge to design new products, [36] (Morrison, 2006).

Lack of communication skills between the supplier and the customer: [37]Lind (2005) highlights the importance of listening to the customer requirements in order to understand their expected and perceived benefit of the product.

Asian Productivity Organization [38] (APO) (2001) highlights the lack of skilled labor as one of the most crucial obstacles for SMEs, thus, it is difficult for them to attract highly educated workers and retain skilled employees (high labor turnover) since they prefer to work for large Enterprises Scale that can offer higher salary, job security and career possibilities. According to [39] Brush, Ceru, and Blackburn (2009) marketing is another obstacle for companies to grow since many businesses confront challenges establishing effective distribution channels, communicating product features, pricing products and services in an attractive way, implementing sales and marketing efforts to win and retain customers and undertaking constant product development in order to sustain sales.

SMEs tend to have low productivity and they are weak in terms of competition which is the result of using less advanced technology, not maximizing machinery utility and not improving in technology due to the limitation of funding and most SMEs are mainly users of technology, not adaptors of technology [40] (The Office of Small and Medium Enterprises Promotion, 2007). Many managers are not aware of applying the accurate technology in their business and they do not have the ability to choose appropriate technology for their business.

According to [41]APO (2001), insufficient capital or lack of financial sources is the major obstacle for SMEs and usually entrepreneurs need to utilize personal financial sources to start up their business and to expand the operations, since the internal financial sources are normally insufficient. [42]Nichter and Goldmark (2009) claim that SMEs have difficulty in growing due to insufficient collateral, high transaction costs and incapability to deal with the complexity of formal financial institutions. According to [43] Guffey (2008), financing the firm is essential and getting access to finance plays a crucial role on firm's growth process.

For many lenders it is almost impossible to assess the risks of an investment this is mainly because of the high level of uncertainty[44] (World Bank, 2000). SMEs do not have an easy access to credit and equity finance, this is because of the weak banking institutions in the region and the absence of capital markets. The government policies have been an issue on the growth of SMEs in different countries.

The significance of SMEs within an economy emphasize the importance of having governmental policies that support SMEs; issuing regulations that help them and their ability to operate efficiently and regulations that imply low administrative costs [45] (Harvie & Lee, 2005). Laws and regulations is a big challenges that SMEs facing. The World Bank researchers argued that constrains that are facing for the growth of SMEs are complex tax systems[46] (World Bank, 2009).

THE RWANDA CONTEXT

[47] Rwanda SMEs Policies (2010) indicated that SMEs in Rwanda face many challenges, these include but not limited to: Limited technical and business skills: Many SMEs suffer from lack of technical and business skills. SMEs themselves identify a variety of skills gaps in areas including ICT, technical and industrial knowledge, finance, accounting, entrepreneurship skills and management. Many SMEs have rudimentary production facilities, low quality products and underutilize appropriate technologies. There is also limited innovation and competitiveness in the SME sector caused by a lack of technical and entrepreneurship skill.

High cost of doing business: The high cost of doing business is cited by SME owners as one of the biggest challenges. This is in terms of high energy and transport costs. In addition, SMEs in Rwanda face significant compliance burdens dealing with existing regulation. The current tax regime is both costly and difficult to comprehend.

Lack of access to finance: SMEs lack access to financial services. As evidenced by the PSF survey, financial institutions perceive SMEs as high risk and are therefore inflexible in terms of collateral and repayment terms.

Difficulty accessing market information and markets: SMEs face difficulties accessing and utilizing information regarding local, regional and international pricing, a major constraint to business planning as well as about the regulatory environment

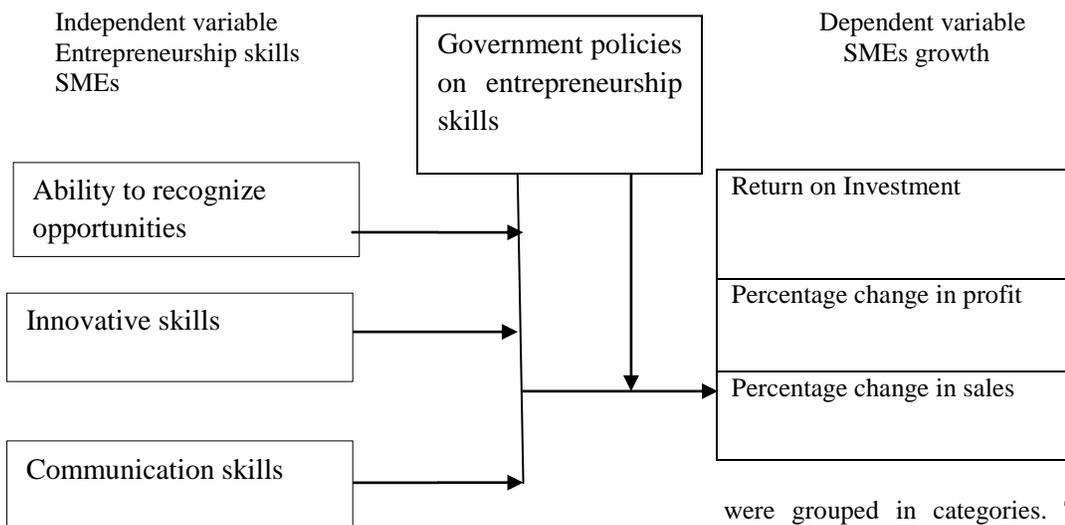


in Rwanda and regionally. SMEs have inadequate access to market information that could benefit their businesses as well as inadequate knowledge about marketing their products both nationally and internationally. Among SMEs there is poor participation in the policy making process, meaning they have little knowledge of interventions designed to assist them.

An **Enterprise's competitive advantage** is built from its entrepreneurial capabilities, abilities and technical management know-how and its adaptability

to the internal and external business environment. Basic education and continuing investment on training for developing entrepreneurial skills is therefore important. The researchers have defined entrepreneurship skills development as a work of developing people as entrepreneur through capacity building and education program for insuring their business growth. If a firm does not have the capability of selling due to lack of entrepreneurship skills it will be sold and the chance of surviving beyond his competitors.

CONCEPTUAL FRAMEWORK



To make an analysis of how entrepreneurship skill development affects the growth of SMEs, the study developed a conceptual framework given above using entrepreneurship skill development, These variables demonstrate the entrepreneurship skills that impact on SMEs development, the highlighted ones in the model include: Ability to recognize opportunities, innovative skills and communication skills. It further shows the impact on SMEs growth as result of the business done by businessmen who are well equipped with entrepreneurship skills .

METHODOLOGY OF THE STUDY

Methodology as set method and techniques that are used when studying a particular subject or a particular kind of work [48] (Du Plessis,2004). this study employed qualitative and quantitative methods. Through qualitative method, data are more in the form of words rather than numbers and these words

were grouped in categories. The researcher used qualitative method to collect data from WDA, PSF and RDB regarding barriers and measurements to SMEs growth in Rwanda. Through quantitative research, techniques and measures produce quantifiable data. The research also used a causal comparative method to explore relationship between the ability to recognize opportunities, innovative skills and communication skills in the selected SMEs.

Return on investment is a percentage change in firm's turnover/sales and percentage change in profit these attempted to show the impact on SMEs growth as result of the business done by businessmen who are well equipped with entrepreneurship skills.



[49] Kothari, (2004) postulates that a case study is usually used to make general assumptions of a larger field, by researching and observing one or a few components in the field, rather than research the whole field, it is in this light that we decided to carry out a case study. The target population is 58 members of Caplaki and 13 of their employees totalizing to 71, who work in those 58 shops(outlets). since it was a case study a census of the entire population was used. Primary data was collected from Caplaki members using questionnaires while secondary data on the other hand was gathered through documentary reviews and were collected from PSF, WDA and RGB. This secondary data was related to measuring of SMEs growth and barriers to SMEs growth in Rwanda.

In collecting data the researchers used questionnaire and documentation. A total of 71 respondents from Caplaki were asked to complete the self administered questionnaires. a pre-test of the questionnaires by delivering 10 questionnaires to 10 members of Caplaki to test the validity and reliability of questionnaires.

VALIDITY AND RELIABILITY TEST

The reliability is a measure of the degree to which a research instrument yields consistent result or data after repeated trials. The researcher used the test – retest method of assessing reliability of data. In this method the researcher selected an appropriate group of ten respondents as Caplaki members, whom questionnaire was administered. validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. The study used construct validity, which is a measure of the degree to which data obtained from an instrument meaningful and accurately reflects or represents a theoretical concept.

The researcher has adopted two theories which are Israel Kirzner theory who indicated that profitability is made possible by discovering opportunity and Joseph Schumpeter’s innovation theory of

THE FINDINGS

Figure1: Distribution of the respondents by gender

entrepreneurship his model turns to enhance profit made possible by innovation skills.

DATA ANALYSIS

The coded data was entered in Statistical Package for Social Sciences (SPSS) and then analyzed. Percentages were calculated and present the summary in a tabular form. Descriptive data were presented using charts, cross tabulation, graphs so as to help us discover the relationship between independent variables that is entrepreneurship skills development and dependent variable which is growth of SMEs in Rwanda. This discovery of relationship helped the researcher draw conclusion.

In order to determine the growth of SMEs in terms of net profit, return on investment and percentage change in sales specifically for CAPLAKI members, some formulas were used and these included:

The Return on Investment (ROI) is used to gauge the profitability of the business it evaluates the performance of a business by dividing net profit by net worth [50] (Horngren, 2006). This profitability has been measured after getting data in Caplaki regarding net profit and net worth on annual basis from 2007 to 2011 .ROI = Net profit /Net worth . The profit was measured in CAPLAKI, in order to verify if the percentage change in profit between 2007 and 2010. Written as formula the Net Profit= Total revenues –total expenses for a given accounting period. If the difference is negative, the change is a decrease and if the difference is positive, it is an increase. Written as a formula, the percent change in sales is: i.e. % change in sale= {2011 amount – 2010 amount} * 100/2010 amount.

The study used a 4 level likert scale where the measure is on the level of agreement. Strongly agree (1) Agree (2) Disagree (3), Strongly Disagree (4).

The table below indicates the mean range.

| | |
|----------------|-----------|
| Strongly Agree | 1.00-1.75 |
| Agree | 1.75-2.50 |
| Disagree | 2.50-3.25 |
| Strong Agree | 3.23-4.00 |

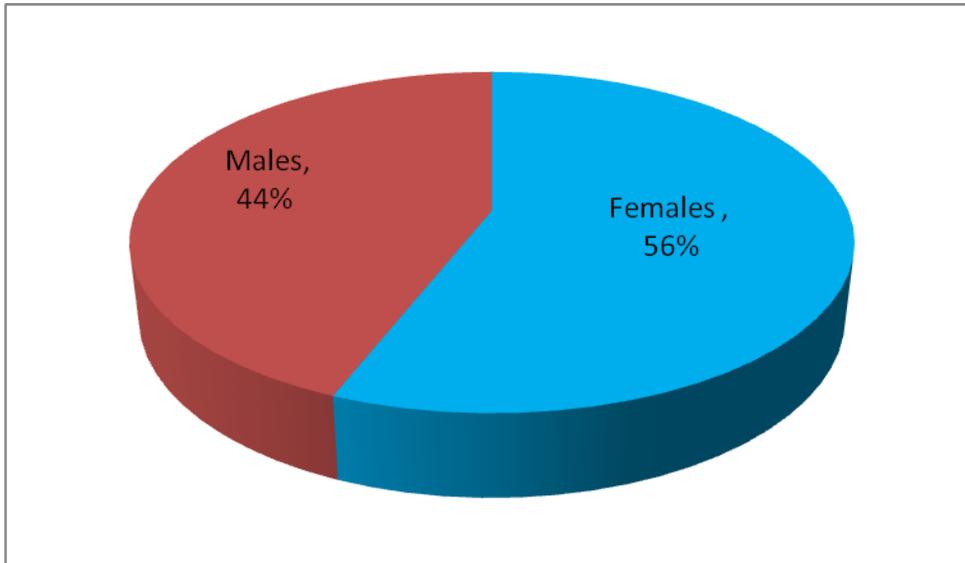
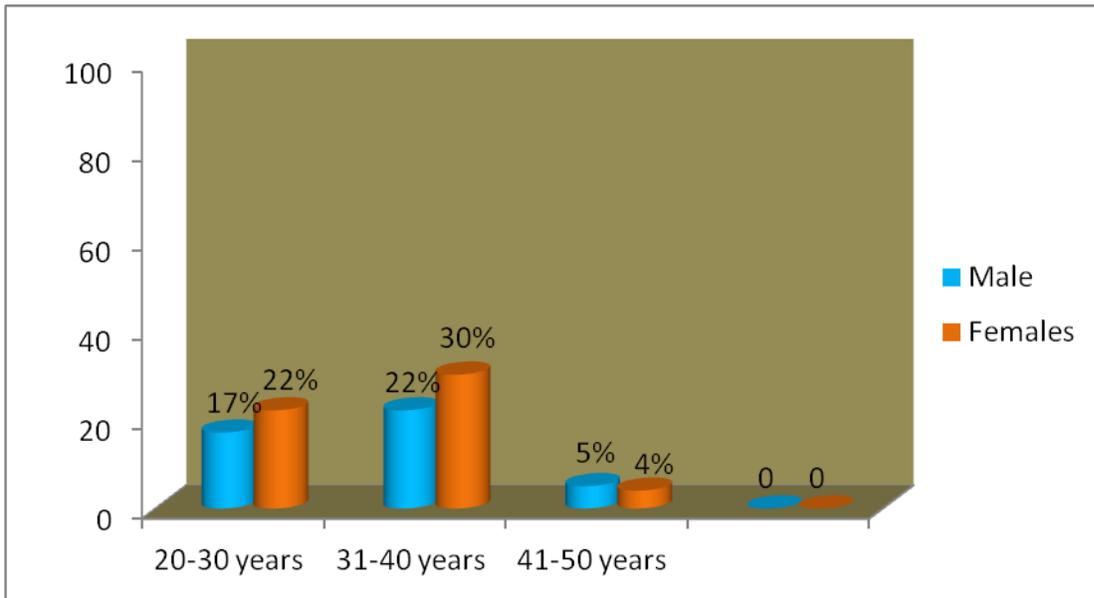


Figure 1: Distribution of the respondents by Age and Sex



source primary data 2013



Table3:

DISTRIBUTION OF THE RESPONDENTS BY GENDER AND LEVEL OF EDUCATION

| Sex | Level of education | Frequency | Percent | |
|--------|--------------------|------------|---------|-------|
| Male | Valid | Primary | 19 | 61.3 |
| | | Secondary | 11 | 35.5 |
| | | University | 1 | 3.2 |
| | | Total | 31 | 100.0 |
| Female | Valid | Primary | 23 | 57.5 |
| | | Secondary | 14 | 35.0 |
| | | University | 3 | 7.5 |
| | | Total | 40 | 100.0 |

Source: Field data, 2013

In fact, education equips people with knowledge and managerial skills, making them understand better the business dynamics, hence being able to manage business effectively. From the table 4 it is noteworthy that more than 59% of the respondents had attained primary education and that many of them happen to be male 63%.

A majority of the respondents (82%) indicated that the shops they were selling belonged to them while a small proportion (12%) were actually mere shop attendants. Regarding the duration with the organisation most of the respondents (87.5%) had been members of CAPLAKI for more than 11 years while 23% had been members of the cooperative for a period of 4-10 years.

ENTERPRENUERIAL SKILLS TRAINING

Entrepreneurial skills training is an important component with regard to business growth. Through training, entrepreneurs acquire skills and knowledge of improving their businesses. as to whether the respondents had ever been trained in entrepreneurship skills; it is evident that a substantial percentage of the

respondents (67%) had not had any training in entrepreneurship skills. Those who had received training constituted 33% and were trained in negotiation and customer care communication skills by different organizations such as PSF, RCA, MINICOM and MVK. When asked the number of training sessions they had attended, the majority (63%) indicated one session. A proportion of 37% revealed that they had been trained 2-3 times. On the whole, it is evident that members of CAPLAKI cooperative are not adequately trained in entrepreneurship skills.

In effect, entrepreneurship growth entails enhancement of entrepreneurial skills and knowledge through structured training and institution building programs (UNDP, 1999). This is consistent with Lind (2005), who argues that a successful entrepreneur should be creative, innovative and have good communication and negotiation skills and that these skills can be acquired through training. The Asian Productivity Organization (APO), (2007) in its report on Entrepreneurship development for competitive small and medium enterprises pointed out that entrepreneurship skills development positively correlates with the growth of SMEs.

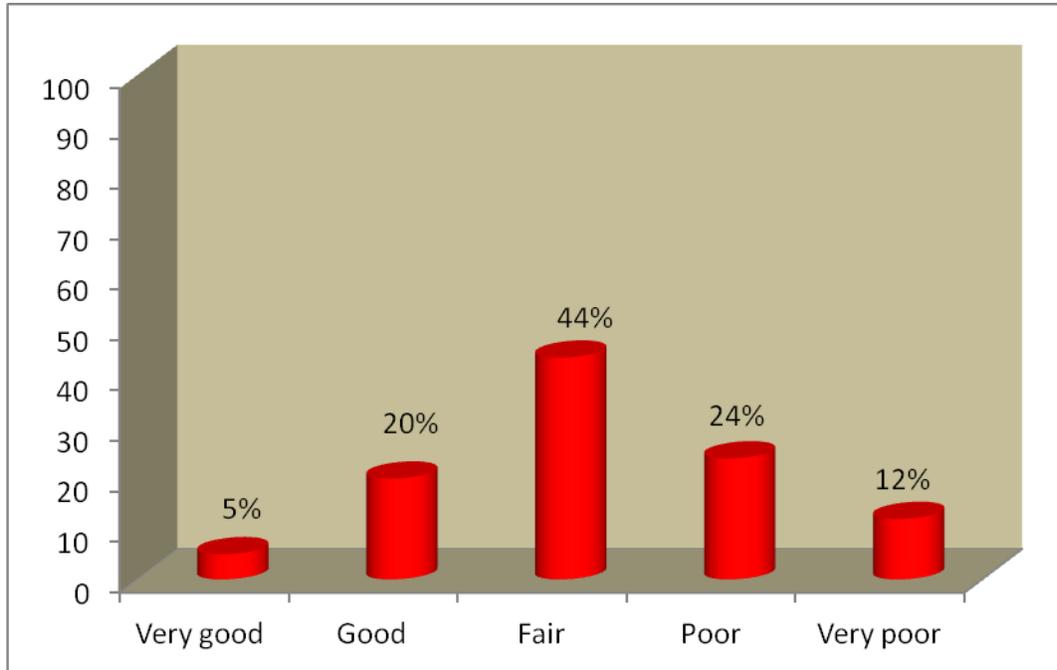


Entrepreneurship training is believed to have a positive impact on return on investment, profit, and turnover. In this study therefore, investigation into the impact of entrepreneurship training on the

businesses of CAPLAKI cooperative members who received the training.

Regarding the question "how your entrepreneurship added value to your business growth", the figure 6, displays alternative answers from the respondents.

Figure2: EXTENT TO WHICH ENTERPRENUERSHIP SKILLS ADD VALIE TO BUSINESS GROWTH



Source: Field data,2013

A proportion of 67% indicated that their entrepreneurship skills added value to their business to a very good extent, good and fairly contribute to the growth of their businesses.

SMEs RECOGNIZE AVAILABLE OPPORTUNITIES FOR THEIR BUSINESS GROWTH

Focus was mainly on identification of business opportunities and profitability. Identification of viable business opportunities in a given environment, use skills to combine and manage the factors of production (land, labor and capital) well with the aim of making profit is one of the key skills that an entrepreneur ought to possess. A ratio 35% responded in the affirmed that they recognized opportunities for business growth.

Table4. WAYS OF IDENTIFYING OPPORTUNITIES FOR BUSINESS

| | |
|--|-----|
| Gathering information concerning the business environment | 29% |
| Meeting the demand that is not currently met by your competitors | 30% |
| Developing new products ahead of your competitors | 23% |

Source: Primary data 2013

Table 5 Indicates the various aspects which the respondents indicated in regard to having ability of recognizing opportunity for increasing business profit ability.



Table 5: ABILITIES OF RECOGNIZING OPPORTUNITY FOR INCREASING PROFITABILITY

| | Frequency | Percent |
|--|-----------|--------------|
| Discovering opportunities to earn money | 10 | 14.1 |
| Buying resources or producing goods and selling them | 22 | 31.0 |
| Financing ventures by borrowing money from a bank | 7 | 9.9 |
| Using the funds for entrepreneurial venture | 24 | 33.8 |
| Paying back the interest, and retaining the "pure entrepreneurial profitability" | 8 | 11.3 |
| Total | 71 | 100.0 |

Source: Field data 2013

In response to having ability of recognizing opportunity for increasing business profit ability ,a greater majority of respondents 31% indicated that they were capable of buying resources or producing goods and selling them while 34% said that they can use the funds for entrepreneurial ventures.

IMPACT OF COMMUNICATION SKILLS ON SMEs GROWTH

Good communication skills are indispensable to successful business. The entrepreneur requires this to communicate his ideas to clients. The entrepreneur must always give the people something to feel, something to remember and something to do. Asked about language they were most comfortable using, their respond is as indicated in table 6 .

Table6: THE LANGUAGE IN WHICH RESPONDENTS CAN COMMUNICATE COMFORTABLY

| Statement | SA | A | D | SD | Average |
|---|----|----|-----|-----|------------|
| I can communicate comfortably with Customers in Kinyarwanda | 71 | 0 | 0 | 0 | 1.0 |
| I can communicate comfortably with Customers in English | 2 | 2 | 39 | 220 | 3.7 |
| I can communicate comfortably with Customers in French | 14 | 84 | 21 | 32 | 2.13 |
| I can communicate comfortably with Customers in Swahili | 10 | 30 | 105 | 44 | 2.66 |
| Average mean | | | | | 2.4 |

Source: Field data, 2012



All the respondents strongly agreed that Kinyarwanda is their most favorable medium of communication. However this affects their businesses in the sense that they fail to communicate properly with clients who speak English but do not know

Kinyarwanda. As a result they may lose such customers hence affecting sales.

Table7: TREND OF TURNOVER/SALES PER YEAR FROM 2007-2011

| Estimated sales per year , in Rwf "000,000" | Average | Number of respondents | | | | |
|---|---------|-----------------------|------|------|------|------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 |
| 5-7 | 6 | 3 | 1 | 1 | 15 | 43 |
| 5-8 | 6.5 | 4 | 2 | 2 | 46 | 21 |
| 6-8 | 7 | 2 | 3 | 45 | 4 | 3 |
| 8-12 | 10 | 12 | 50 | 10 | 2 | 2 |
| 12-16 | 14 | 48 | 11 | 7 | 3 | 1 |
| 17-20 | 18.5 | 2 | 4 | 6 | 1 | 1 |
| | Total | 71 | 71 | 71 | 71 | 71 |

Source: Field data 2013

Table 7 shows that in 2007 the sales were generally good. However, from 2008-2011 the sales reduced by averagely 2 million each year. This decline in sales is probably attributed to lack of innovative and language communication skills whereby entrepreneurs replicate each other's' enterprises. Calculation of the percentage change in sales

$$\% \text{ change in sales} = \frac{\{2011 \text{ amount} - 2010 \text{ amount}\} * 100}{6,000,000}$$

$$= \frac{2010 \text{ amount} - \{6,000,000 - 500,000\} * 100}{6,000,000} = (8.33\%)$$

EFFECTS OF INNOVATIVE SKILLS ON SMEs GROWTH

Innovation is a crucial part of the entrepreneurial process. The idea of innovation in business sense can mean more than just developing a product. It includes bringing that innovation to the market place and using it to deliver value to customers. In this study, respondents were asked whether or not they had innovation section in their businesses. A proportion of while 37% affirmed to innovative skills on SMEs growth.

Generally, SMEs in Rwanda are fond of doing same businesses with the same commodities. This is advantageous as it reduces monopoly but it is disadvantageous to entrepreneurs as it affects their sales.

Table8: WAYS IN WHICH ENTERPRENUERS ARE COMPENSATED FOR DOING BUSINESS.

| | | Frequency | Percent |
|-------|--|-----------|---------|
| Valid | Salary on a monthly basis | 13 | 18.3 |
| | When I need money, get it from my business | 58 | 81.7 |
| | Total | 71 | 100.0 |



Source: Field data 2013

According to Table 8, most of the respondents (82%) pointed out that their businesses reward them in the sense that when they need money they just pick it from their businesses. A percentage of eighteen revealed that they are compensated for doing business in form of monthly salary. These statistics seem to suggest that the respondents benefit from their businesses notwithstanding the slow growth of the businesses. However, some lack some business management skills as evidenced by the way they draw money from their businesses any time they want. Lack of proper business management especially in terms of record keeping and knowing the net profit can result into loss hence closure of the business.

BARRIERS TO SMEs GROWTH (2007-2011)

The CAPLAKI cooperative comprises of men and women with small median enterprises specializing in the production handcrafts products. In Rwanda today, small median enterprises are said to be playing a pivotal role in job creation and poverty reduction among many people. These SMEs seems to be hampered by some factors. Therefore, investigation into the factors affecting the growth of the enterprises of CAPLAKI members was one of the key aspects of focus in this study. The respondents revealed many factors that affect the growth of their businesses but emphasis was put on the most important ones which included:

Main barriers identified mentioned by the respondents :

- ❖ skills identification
- ❖ lack of awareness about benefits of training
- ❖ perception of low value of training activities
- ❖ weakness of business support institutions in the region

Training ecosystem driven by private training enterprises(tailor made training projects)

Limited role of business associations and lack of cooperation between the SMSs and training institutions

CONCLUSION

Entrepreneurship training leads to better business practices and increased revenues and profits. In this study, lack of entrepreneurship training was identified as one of the key factors that limit the

growth of SMEs of CAPLAKI members. Therefore, the cooperative should organize training for its members in entrepreneurship skills. They need to be equipped with such skills as separating money between business and household, reinvesting profits in the business, maintaining records of sales and expenses, and thinking proactively about new markets and opportunities for profitability. The implementation of these strategies seemed to have helped some of the CAPLAKI cooperative members who received adequate training in entrepreneurship skills by increasing sales.

Furthermore, the cooperative with the collaboration of institution intervening in business skills development should organize trainings in business languages such as English and Swahili for insuring better negotiation with their customers for increasing their sales.

The cooperative should organize trainings for improving innovative skills into business activities for its members; this will reduce the duplication of business ideas for insuring that the market is not saturated with copycat enterprises.

CAPLAKI in collaboration with institutions intervening in entrepreneurship skills development should sensitize financial institutions in order to facilitate the access to credit and set up mechanism that should insure those financial institutions regarding the perception of the high risk and therefore inflexible in terms of collateral and repayment terms.

KEY POLICY IMPLICATIONS

1. there is need to develop a public policy framework for the recognition of informal skills development activities
2. provide incentives for training organisations to develop special qualifications for these activities
3. prioritise productivity enhancing skills(business planning , management and technical) for both high-skilled and low skilled employees
4. encourage co- investment by businesses firms seeing training as an investment



,putting market pressure to training providers

5. use evaluation to inform entrepreneurs and policy makers about the cost - effectiveness of different training options
6. involve actors in the local training ecosystem(especially business associations, business schools) to enable tailoring in skills development
7. coordinate at the national and local levels to ensure consistency in the provision of qualifications that enhance both business growth and profitability(especially among SMEs).

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