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SACCO Refinancing Project and Job Creation in Rwanda: A Case of Business Development Fund in Gasabo District

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Abstract

The study was composed of four distinct objectives: To examine the effect of loan financing on job creation of beneficiaries of BDF in Gasabo District; to examine the effect of financial literacy on job creation of beneficiaries of BDF in Gasabo District; to find out the effect assets on job creation of beneficiaries of BDF in Gasabo District and to determine the effect of Grants financing on job creation of beneficiaries of BDF in Gasabo District. The study used a survey research design. The target population is 122 SMEs that received services offered by IJABO REMERA SACCO from BDF Rwanda + 2 top managers of BDF concerning the management SACCO Refinancing project while the sample size of this study was 94 small and medium enterprises including 54 micro-businesses; 36 small business; 3 medium business and 1 large business received services offered by BDF Rwanda through IJABO SACCO Remera branch, Gasabo district. The results show that project loan financing has a significant positive influence on job creation in Rwanda as indicated by β_1= 0.156, p=0.008<0.05, which means that an increase of one unit in loan financing would lead to an increase in job creation. In addition, financial literacy has a significant positive influence on the Job creation of beneficiaries of BDF in Gasabo District as indicated by β_2= 0.336, p=0.000<0.05. For the third objective, assets financing has a significant positive influence on the Job creation of beneficiaries of BDF in Gasabo District as indicated by β_3= 0.210, p-value=.001<0.05. For the fourth objective, the findings revealed that grants financing has a significant positive influence on the Job creation of beneficiaries of BDF in Gasabo District as indicated by β_4=0.388, p-value=0.000<0.05. The study concludes that 76.3% of the variation in the job creation of beneficiaries of BDF in Gasabo District can be predicted by joint interaction of loan financing; financial literacy; assets financing and grants financing as indicated by Adjusted R squared at 95% confidence interval.

Keywords: *SACCO, Refinancing Project, Job Creation, Loan Financing, Financial Literacy, Asset Financing, Grants Financing*

1. Introduction

Notwithstanding the complexity of the venture financing structure, it may be divided into two basic types: value financing and obligation financing. Value finance could be a type of financing in which the investors use their value capital and retained profit to pay for the project's expenses. Contrarily, with debt financing, the money needed to fund a project's activities is obtained through borrowing from lending organizations, resourceful people, and other intergovernmental organizations (Dube, 2013). Project finance is a method of funding in which a business accepts credit in the form of business credit, long-term obligation, and short-term credits while promising to pay the credit back, so ensuring both their competitiveness and the competitiveness of the entire country. The goal of the debt financing option is to increase firm profits so that they can cover costs, provide for the owners, and keep any surplus (Mwangi, 2013).

Since 2016, several regulatory actions have been implemented in the most developed nations, such as the European Union, to promote the responsible financing of SMEs. The majority of these actions were prompted. Financial instruments are typically used to provide funding for financing programs rather than direct funding, which is typically provided through intermediary means such as municipal, regional, or financial entities such as banks and venture capital organizations (Isensee *et al.*, 2020).

Around 70% of the requested financing for SMEs comes from domestic Canadian banks, which are the country's primary foreign debt suppliers, according to a 2017 poll (Statistics Canada 2019). A government organization in the United States that supports entrepreneurs and small enterprises offers a variety of financial programs, including loans, surety bonds, and equity funding (U.S. Small Business Administration, 2018).

Financing SME projects in Asia presents a variety of difficulties. Together with the least developed nations, the region contains nations with high levels of human development. Given this, it is clear how important it is for the Asian economy that SMEs in this area succeed economically. Oftentimes, capital markets and bank dominance are used to describe the economies of Asian nations. Venture capital markets, in particular, are not well-developed in these economies. Over 90% of Malaysia's financial system, 80% of China's financial system, and 70% of India's financial system all depend on bank loans, which are the primary source of financing (McAleavy, 2014). Nonetheless, SMEs in the area confront a number of significant obstacles. Bank loaning hones toward SMEs may be hurt by countries and worldwide administrative systems for banks. This regulatory framework improves bank risk management by implementing new laws including standards for liquidity and leverage ratios. These steps may limit the funding choices accessible to SMEs and hinder banks from offering long-term credit loans to enterprises (Asian Development Bank, 2015).

Inefficient intermediation and little competition define Africa's bank-dominated financial sector. A significant amount of assets is in the form of government securities, and the majority of loans are short-term. Furthermore, there is a huge financing deficit for SMEs in Africa. Due to high-interest rates, a lengthy application process, and onerous collateral requirements, many

SMEs identify financing as the most difficult aspect of growth. Because fewer African women than men have bank accounts, it is far more difficult for SMEs owned by women (DemirgucKunt *et al*., 2018). According to the International Trade Centre's (ITC) (2018) SME Competitiveness Survey in Nigeria, many SMEs, especially those without bank accounts, lack the expertise necessary to apply for loans. This statistic emphasizes how crucial personal relationships with banks are for gaining access to credit information.

In African nations like Ghana, which result in mistaken trade openings and disappointment to advance in terms of measure and budgetary assets, SMEs found it challenging to realize their focused-on execution in terms of liquidity, long-term dissolvability, and benefit. Financial institutions blamed it on excessive lending conditions, which ranged between 30% and 36% annually (Mensah, 2014). Lack of capital can restrict cash flow and jeopardize a company's chances of survival. For SMEs to support business investments, guarantee that firms are running smoothly, and help to start a business, they must be able to obtain finance. Because SMEs often find it difficult to raise funds directly through the capital markets, they typically rely on traditional bank financing, which is also regulated by laws governing banks' ability to refinance, willingness to take on risk, and capital (Cracknell, 2012).

Most young entrepreneurs in Eastern African nations like Kenya participate in projects since there are numerous banks in the region prepared to collaborate with the young people by lending them the money they need to finance their project operations. In order to fully meet their specific credit needs, certain local banks in Kenya have created a customized lending structure aimed at young people working in initiatives and businesses. Some banks in Kenya are willing to bargain with young project entrepreneurs in order to provide them with specialized financing solutions that meet the different facets of their initiatives and make it easier to return the borrowed money along with the interest that has accrued without putting an undue financial strain on the current projects' activities (Bello, 2015).

The government has put steps in place to address the issue because it is aware of the country's high unemployment rates. Several efforts have been conducted to educate Rwandan adolescents about innovation and entrepreneurship. To form it doable for youthful business visionaries to obtain the stores they have to be back their ventures and commercial operations, the government has created measures to form financing accessible to youthful financial specialists and business people. These measures have been made conceivable through BDF, MFIs, and SACCO. One noteworthy exertion to combat the rising levels of unemployment by advancing youth self-employment is the ponder steps taken by the Rwandan government to set up reserves focused on Rwandan businesses and activities. BDF is one of the government of Rwanda's programs to assist youthful business visionaries carry out their thoughts and run their SMEs with less money-related weight by advertising those delicate credits, awards, and cash collateral (Minecofin, 2016).

BDF and monetary teach trust to reinforce their loaning homes in arrange to back the development of little and medium-sized endeavors (SMEs). It was set up in 2011 as a completely claimed auxiliary of the Development Bank of Rwanda (BRD), as a portion of the monetary foundation to back SMEs. Its objective is to form it less demanding for SMEs to get financing, particularly those that need sufficient collateral to get credit from conventional money-related education at sensible rates (OECD, 2013). The BDF works in a run of activities, counting securing credits for businesses and giving SMEs in Rwanda administrations budgetary instruction. 98% of Rwanda's firms, both official and informal, are SME-related, and they account for 41% of all occupations within the private division (OECD, 2011).

1.1 Statement of the Problem

High unemployment rates in Rwanda impede the country's economic growth. As a result, many people seek employment in business. Yet, small, and medium firms (SMEs) must have sufficient financial resources for survival due to the fierce competition in the business climate. Financing shortages may prevent project expansion. SACCOs, commercial banks, and microfinance organizations are examples of financial institutions that SMEs turn to for loans (BNR, 2021). Notwithstanding the government of Rwanda's and its allies' efforts to promote SMEs in Rwanda. Nevertheless, a lot of SME-implemented initiatives fail, and about 50% of borrowers sell their assets to pay back debts. According to NISR (2020), it was found that 45% of the projects carried out by selected SMEs no longer met their goals, 36% of initiatives in Rwanda had been shut down, 56% of projects carried out by SMEs had costs that were greater than their earnings, resulting in losses, and 37.4% of projects carried out by SMEs failed to produce high-quality products due to a lack of funding and inadequate training (NISR, 2021).

Rwanda is one of the fastest-growing economies in Africa, and the government has put in place several initiatives to encourage investment and job creation in the country. One of the ways the government has achieved this is through financing projects that create jobs and stimulate economic growth. One such initiative is the Rwanda Development Board's (RDB) Business Development Fund (BDF), which provides financing and technical support to small and medium-sized enterprises (SMEs) in the country. The BDF has supported over 2,000 projects, creating over 30,000 jobs in Rwanda.

Rwanda's government and collaborators (banks, SACCOs, MFIs, and BDF) developed guidelines for responsible SME financing to assist SMEs (MINICOM, 2021). Businesses that are having trouble getting loans might get grants and guarantees from the Business Development Fund (BDF). The fund offers women and young people up to 75% cash collateral and other clients 50%. The extent to which financing projects affect job creation in Rwanda is uncertain, but these policies promote access to finance, resulting in the formation of new firms and the expansion of existing ones, producing employment. Most studies, like those by Ndemi (2018) and Mwenda (2016), only examined debt, leaving out factors like grant funding, asset-based lending, and financial literacy programs. By examining all four variables and their effects on employment creation in Rwanda, this study seeks to close the knowledge gap. The lack of a relationship between funding sources and employment growth in earlier studies left empirical gaps. This study solves knowledge gaps in Rwanda regarding project funding and employment development from a contextual, methodological, and empirical perspective.

1.2. Research Objectives

The specific objectives are:

i. To examine the effect of loan financing on job creation of beneficiaries of BDF in Gasabo District
ii. To examine the effect of financial literacy on job creation of beneficiaries of BDF in Gasabo District
iii. To find out the effect assets financing on job creation of beneficiaries of BDF in Gasabo District
iv. To determine the effect of Grants financing on job creation of beneficiaries of BDF in Gasabo District

2.0 Theoretical Review

The Pecking Order Theory, Trade-Off Theory, Credit Access Theory, and Financial Intermediation Theory served as the foundation for this study.

2.1.1. Financial Intermediation Theory

A financial intermediary's main responsibility, according to Scholtens and Van Wensveen (2003), is to develop distinctive financial commodities. They are created whenever an intermediary determines that it can sell them for prices that are projected to cover all of the costs of their creation, including both direct expenses and opportunity costs. Due to weaknesses in the industry, monetary middlemen can be found. As a result, financial intermediaries would not exist in a perfect market environment without transaction costs or possibly information costs. Informational disparities between vendors and buyers can be seen in many markets. Information asymmetries are particularly pronounced in the financial markets. In general, borrowers are much more aware of their assets, diligence, and moral character than are lenders. On the other hand, business owners have intimate knowledge of the projects they are working on that requires funding (Winton and Gorton, 2003). Moral hazard makes it difficult for market participants to share knowledge, which is essential for financing high-quality projects.

The mission of this current work was to assess how formal finance affected the growth of jobs among entrepreneurs. This approach was particularly helpful in assessing the difficulties and limitations SMEs have in obtaining finance from various sources, such as SACCOs. The theory helped establish how market flaws such as asymmetry, bargaining power, transaction costs, and others affect people's capacity to get sources of funding for their economic activities.

2.1.2 Pecking Order Theory

It was Myers who created the Pecking Arrange Demonstrate (1984). Concurring with this hypothesis, businesses favor inside financing over outside financing. Fair in case businesses require outside financing, they would select obligation over value since the value as it was utilized as a final resort. Due to information asymmetry, businesses do not have an ideal or predefined obligation to value proportions. To maximize the esteem of the company, the businesses utilize obligation financing and cautious profit approaches.

The pecking order theory primarily offers a behavioral explanation for why certain businesses handle their finances in particular ways. It is in line with various logical theories, including those involving asymmetric information and signaling as well as floating costs. Also, it is consistent with the finding that the most successful businesses within an industry typically have less borrowing and greater equity (Khan & Jain, 2004). This idea is pertinent to the study given the finding that profitable businesses tend to use equity financing and incur the least amount of debt.

The pecking order theory explains why more profitable organizations borrow less and why debt makes up the majority of external financing, not the reason their desired debt ratio is low. Firms issue the safest security first if external financing is necessary, while internal financing is preferred by businesses. They begin with debt, then go on to hybrid securities like convertible bonds, and then, as a last resort, perhaps move on to equity (Pandey, 2009). Managers of corporations are more likely to adhere to a financing chain of command than to maintain a desired debt-to-equity ratio (Pinegar & Wilbricht, 2019).

One aspect of the pecking order theory is that successful businesses would frequently choose internal funding over accumulating brand-new debt or equity. Although, in certain ratios, debt is thought to be more affordable than ownership. According to Myers (2001), this is because knowledge asymmetry disrupts the firm's wealth as well as the wealth of its owners. The idea was employed to determine whether the job creation in firms chose the traditional sources, which were primarily individual sources, or had dabbled in liberal financing plans and loans for SMEs. Also established were the implications of the project financing option on the project's final performance in terms of job creation.

2.1.3. The Trade-off Theory

Myers proposed the tradeoff philosophy (1984). According to this idea, a business decides how much debt and equity to use by considering the costs and advantages of financing and striking a balance between them. The advantages of funding should be weighed against the costs.

This theory's key contribution is to explain why business units typically have a mix of loan and equity financing. The idea demonstrates that debt has advantages, such as tax benefits, but also disadvantages, such as costs associated with financial hardship and bankruptcy. When debt grows, the marginal benefit of any increases mainly declines while the marginal cost rises. Myers (1984) asserts that the business's target capital ought to take obligation points of interest and costs into consideration. By weighing the benefits of obligation assessment covers and the costs of insolvency, the objective is established. This theory is crucial since it aids finance managers in making sound choices when financing a company to make sure that benefits outweigh expenses. This hypothesis implies that every company can only have a certain amount of debt. The tradeoff theory's empirical applicability has been questioned.

The company keeps its assets and investment plans steady while weighing the advantages and disadvantages of borrowing (Myers, 1984). The tax benefits of debt and different costs associated with leverage will need to be balanced out to decide the firm's ideal capital structure. The desired leverage ratios will differ from one firm to another due to differences in the features that are unique to each firm. The goal ratio will vary among countries as a result of institutional variations including various financial systems, tax rates, and bankruptcy laws, among others.

According to the notion, businesses with more noteworthy substantial resources and assessable pay ought to have higher obligation proportions (Raude *et al.*, 2015). Companies with more intangible resources ought to depend more on value financing since their esteem will disappear within the occasion of a liquidation (Myers, 1984). The trade-off hypothesis states that more affluent businesses ought to have more noteworthy capacity to benefit obligation and more taxable revenue to ensure, which suggests a bigger obligation proportion ought to be anticipated. Myers (1984) maintains that the enterprises with the greatest potential for growth should borrow less since they are more likely to experience financial hardship and lose value.

The trade-off theory is important because it clarifies how organizations are funded in part through debt and partly through equity. The leverage study variable is best explained by this trade-off paradigm. In a going-concern scenario, the company might not have enough reserves to support all of its endeavors. As a result, the theory aids in illustrating how equity affects financial performance.

According to Myers (1984), if this idea were accurate, businesses should have far higher debt levels than what we actually see. Big companies typically engage in a wider range of activities, which suggests a lower risk of bankruptcy. According to the trade-off strategy, big businesses frequently raise their debt levels to boost their debt tax shields. Testing the impact of debt financing and equity financing on job creation among BDF recipients in the Gasabo district was the useful application of this theory to this study.

2.1.4 Credit Access Theory

Stiglitz and Weiss were the theory's advocates in 1981. The idea explains how incomplete knowledge contributes to flawed financial markets in developing nations like Kenya. When lending to SMEs, banking institutions are more concerned with the interest that will accrue to them than they are with the risks involved. As a result, borrowers are more closely examined and monitored by financial institutions than other investors. According to the hypothesis, credit availability is impacted by knowledge asymmetry on matters like interest rates and price changes (Pinaki, 2018).

The theory is pertinent to the study because it clarifies the financial products associated with microcredit. According to the notion, there is an information gap regarding topics like interest rates and price movements. According to the hypothesis, this information asymmetry makes it necessary for loans to require collateral. Compared to low-risk borrowers, high-risk borrowers are wealthier. Less risk-taking borrowers have more difficulties getting collateral. In this regard, SMEs that cannot afford the collateral miss out on the financing, which has a detrimental impact on their performance.

2.2 Empirical Literature

This section provides a brief overview of a few studies that were undertaken in the fields of project refinancing and job development, as well as the various outcomes they produced.

2.2.1. Global Empirical Studies

The government of Korea introduced the loan guarantee policy as a tool to promote firms following the Asian financial crisis, according to a study by Dong and Choi (2006) on the assessment of credit guarantee rule using tendency score corresponding (SMEs). The research revealed that credit guarantees had a significant impact on supported firms' ability to maintain their size in terms of sales and employment as well as their survival rate, but they had no effect on firms' capacity to boost R&D and investment, which would have resulted in productivity growth. Also, the selection of companies to obtain guarantee funding was made without regard to the output of the supported companies.

Rosli *et al*. (2018), in Malaysia, researched on the influence of loans and equity financing on SME performance. The goal of the study is to look into and confirm any connections between the performance of Malaysia's small and medium businesses and their access to capital through equity and debt financing. The study is conducted utilizing a cluster sampling technique and a mail survey. It includes 177 examples of SMEs in the manufacturing and agricultural sectors from Malaysia. Two research hypotheses are then created and evaluated. It has been discovered that equity funding significantly improves firm performance, whereas debt financing has no effect. The report recommends that SMEs in Malaysia use equity financing as a source of business capital because it may have an impact on how well businesses perform.

2.2.2. Empirical Studies in Eastern African Countries

Sandra (2018) performed analysis on the impact of financial instruments on the success of activities undertaken by businesses: A project for a small or medium-sized business might be the MG Project. The aim demonstrated that debt financing was a more cost-effective way to finance geothermal projects and considerably improved their executional efficiency. According to the second study objective, a sizable percentage of participants agreed that equity financing made it simpler for the company to get loans in the future. The study's ultimate objective demonstrated how grants financing greatly influenced project decisions made by donors, delayed project implementation, and limited project scope.

Muganda *et al*. (2016), investigate was done on how project financing influenced the performance of SMEs in Lurambi Sub-County, Kenya. The intended aim was to examine how diverse sources of company financing influenced the money-related execution of little and medium-sized businesses in Lurambi Sub-County. The study found that little and medium-sized businesses' sources of subsidizing had an impressive effect on their budgetary execution. This included the effect of commercial credits, held profit, and exchange credit financing. The think about recommends that little and medium-sized businesses ought to utilize exchange

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credit financing, held profit financing, and commercial advance financing in arrange to realize higher levels of budgetary execution.

Mwenda (2016), considered the impact of bank loan financing on the performance of the project: An illustration of Kenya Commercial Bank-Financed Youth Bunch Programs in Kenya's Imenti South Locale. This study's objective was to decide how KCB bank credit financing influenced venture execution. A venture within the Imenti South Zone that was financed by the KCB bank. The comes about appeared that the intrigue rate, collateral prerequisite, credit payback terms, and money-related administration training seem all to be credited to 73.6 percent changes within the victory of youth gather ventures. They concluded that there were a few variables that made it troublesome for youthful individuals to obtain credit, counting tall, intrigued rates on bank advances, a need for required collateral, and unbending reimbursement conditions.

Ndemi's (2018) study looked into how different types of funding affected SMEs' financial success in Nanyuki Town, Kenya. The study focused on 765 SMEs in the town of Nanyuki. Stratified sampling was used to choose the sample. Eighty-eight respondents were chosen as the sample. Information was gathered via questionnaires that were distributed using the fall and choose techniques. The survey discovered that SMEs had inadequate liquidity conditions, with current ratios and quick ratios that were, respectively, 1.47:1 and 0.55:1, below the generally accepted levels. The findings illustrated that the performance of SMEs was notably impacted by financing options. The results of the Pearson correlation study further indicated a favorable correlation between the financial performance of SMEs and all funding solutions evaluated.

In Nanyuki, Kenya, Ndemi and Mungai (2018) performed research on the financial health and availability of formal loans for small and medium-sized firms. Examining how formal financing impacted the financial performance of firms in Nanyuki Town, Kenya, was the aim of the current study. The overview found that SMEs had inadequate liquidity conditions, with current proportions of 1.21:1 and 0.33:1, individually, falling brief of the for the most part acknowledged standards of 2 for current proportion and 1 for fast proportion. With a normal return on resources of 6.67%, the SMEs' productivity was hence ordinarily moo. Formal financing choices and the monetary victory of SMEs are emphatically related, concurring with the findings of the Pearson relationship consider.

Mutie *et al.,* (2019), conducted an inquiry about how project financing influenced little and medium-sized endeavors in Kenya. The reason for the study was to decide the effect that different financing sources had on the monetary execution of little and medium-sized businesses in Kenya. They think about found that exchange credit had the biggest relationship with the monetary execution of SMEs in Kenya, taken after by value financing, credits, and after that casual financing. The study unmistakably concluded that no one subsidizing source in Kenya contributes totally to the money-related victory of SMEs. The study suggested that SMEs in Kenya combine all four financing sources, but they ought to moreover utilize exchange credit more habitually.

Gachui (2017) evaluated how grants financing affected how Kenyan community development programs were carried out. An informative investigation plan was utilized, with a target

populace of 1,852 individuals who had taken an interest in the 20 water activities. Three hundred and thirty respondents were chosen for the test employing a two-stage determination strategy. The conclusion is that positive relationship between debts financing and the victory of community improvement endeavors. It was too illustrated that financing for gifts had a near relationship with programs for community advancement. The likelihood esteem of the whole show, as decided by ANOVA testing, was less than 5%, illustrating the centrality of the findings as a whole. Its 83.4% coefficient of assurance was found to show that it was a dependable indicator.
Mwangi (2017) carried out research on how grants financing affects community development project success in Kenya: a case study of water projects in Embu County. The examination of the data revealed that every independent variable had a favorable and significant impact on the degree of project success in public development. This demonstrated the significance of the fitted model as a whole. The r square was 0.834, showing that differences in donor contributions, training and development, and stakeholder involvement can account for 83.4% of the variability in the degree of success of public development projects.

2.2.3. Empirical Review in Rwanda

Hagabirema and Kamau (2020), did a study on the effectiveness of small and medium-sized businesses in Rwanda: The Case of BDF-Sponsored SMEs in Gicumbi District. Information was gathered from a sample of 83 SMEs that adopted a standardized survey, and it was driven by three specific goals. The results demonstrated that BDF offers loan guarantees, consulting services, and matching grants/credit lines to SMEs in the Gicumbi district as forms of business support services. 60% of SMEs have access to these services, which will aid in their successful start-up and operation. The link between business support services and SMEs' performance was adjusted R square= 0.736, indicating that it was statistically significant and substantially positive.

3.0 Research Methodology

In this survey, a descriptive survey research design was embraced since it allows for a thorough and comprehensive analysis of a particular event like in this state (Cooper & Schindler, 2013). The researcher employed a survey design technique to determine whether project financing options such as loan financing, financial literacy, asset financing, and grants financing as independent variables have a significant impact on job creation in the Gasabo district through IJABO REMERA SACCO funded by BDF. The target population comprised 122 small and medium-sized businesses that have received services from BDF through IJABO REMERA SACCO plus two top BDF managers who are responsible for the project's management.

Table 1: Population Size

Category of business	Population size
Micro (1-3 workers)	71
Small (4-30 workers)	47
Medium (31-100 workers)	3

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Large (100+ workers)	1
Total	**122**

Source: BDF reports (2022)

For this survey, Slovin's Formula was used, and the study collected data on 94 small and medium enterprises that received services offered by BDF through IJABO REMERA SACCO in Remera sector, Gasabo district.

Table 2: Sample Size

Category of business	Population	Sample
Micro (1-3 workers)	71	54
Small (4-30 workers)	47	36
Medium (31-100 workers)	3	3
Large (100+ workers)	1	1
Total	**122**	**94**

Source: BDF reports (2022)

The survey and interview and documentary evaluations were the research instruments used to gather the findings. The study applied both qualitative and quantitative approaches for data analysis. Qualitative data were analyzed through content analysis and presented in the form of explanatory notes while quantitative data, were analyzed through descriptive statistics and inferential statistics.

4.0 Findings and Discussions

This study's main objective was to examine the effect of project financing on the number of jobs created in Rwanda, specifically among BDF recipients in the Gasabo District. The correlation and regression analysis were discussed below.

4.1 Correlation Analysis

To establish whether there was a relationship between the variables, a correlation analysis was conducted. The correlation analysis shows the direction, strength, and significance of the relationships among the variables of the study. A positive correlation indicates that as one variable increases, the other variables will also increase. On the other hand, a negative correlation indicates that as one variable increases the other variable decreases (Sekaran, 2010).

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Table 3: Correlation analysis

		X_1	X_2	X_3	X_4	Y
X_1 = Loan financing	Pearson Correlation	1				
X_2 = Financial literacy	Pearson Correlation	.417**	1			
X_3 = Assets financing	Pearson Correlation	.490**	.803**	1		
X_4= Grants financing	Pearson Correlation	.334**	.037	.138	1	
Y=Job creation of beneficiaries of BDF in Gasabo District	Pearson Correlation	.583**	.678**	.648**	.762**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3 shows that there is a significant high positive relationship exists between loan financing and job creation of beneficiaries of BDF in Gasabo District at (r =0.583**, p-value 0.000<0.01), which implies that an increase of loan financing to an increase of job creation of beneficiaries of BDF in Gasabo District. The findings also concur with Sandra (2018) who agreed that there exists a significant relationship between debt financing and the financial performance of Malaysian firms. These findings agreed with Musila (2018) who noted that long-term debts have a direct positive and significant relationship with the financial performance of small businesses in Malaysia.

Table 3 shows that there is a significant moderate positive relationship exists between financial literacy and job creation of beneficiaries of BDF in Gasabo District at (r =0.678**, p-value 0.000<0.01), which implies that an increase in financial literacy leading to an increase of Job creation of beneficiaries of BDF in Gasabo District.

Table 3 shows that there is a significantly high positive relationship exists between assets financing and job creation of beneficiaries of BDF in Gasabo District at (r =0.648**, p-value 0.000<0.01), which implies that an increase of assets financing to an increase of job creation of beneficiaries of BDF in Gasabo District.

Table 3 shows that there is a significant moderate positive relationship exists between grants financing and job creation of beneficiaries of BDF in Gasabo District at (r =0.762**, p-value 0.000<0.05), which implies that an increase in grants financing leads to an increase of job creation of beneficiaries of BDF in Gasabo District

4.2 Multiple linear regression analysis

Multiple regression analysis was conducted to test the relationship among variables using Statistical Package for Social Sciences (SPSS) version 23.0. Regression analysis was used to model the effect of the predictor variable such as loan financing; financial literacy; assets financing and grants financing on the dependent variable which is the job creation of beneficiaries of BDF in Gasabo District. The statistical significance was verified by the Coefficient (β), t-statistic, and Prob. In addition, statistically significant relationships between the dependent variable and independent variable from the model were accepted at 5% significance level. The analysis applied the statistical package for social sciences (SPSS) to compute the measurements of the multiple regressions for the study. Based on the model summary, the coefficient of determination (R squared) shows the overall measure of the strength of association between independent and dependent variables.

Table 4: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.879[a]	.773	.763	.20662

a. Predictors: (Constant), X4= Grants financing, X2 = Financial literacy, X1 = Loan financing, X3 = Assets financing

Source: Field Data (2023).

R squared is the coefficient of determination that tells us about the variation in the dependent variable due to changes in the independent variable. From the findings in Table 4 the value of Adjusted R squared was 0.763 an indication that there was a variation of 76.3 percent in Job creation of beneficiaries of BDF in Gasabo District due to changes in loan financing; financial literacy; assets financing and grants financing at 95 percent confidence interval. This means that 76.3% of the variation in the job creation of beneficiaries of BDF in Gasabo District can be predicted by joint interaction of loan financing; financial literacy; assets financing and grants financing. Therefore, other variables not covered by the study contribute to 23.7% of the variance. The results agree with earlier findings by Ugwuanyi and Agbo (2012) and Mensah (2004) who observed that financing options have a significant effect on financial performance.

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Journal of Entrepreneurship & Project Management
Volume 7||Issue 5||Page 107-128||June||2023|
Email: info@stratfordjournals.org ISSN: 2616-8464

Table 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.970	4	3.243	75.951	.000[b]
	Residual	3.800	89	.043		
	Total	16.770	93			

a. Dependent Variable: Y=Job creation of beneficiaries of BDF in Gasabo District

b. Predictors: (Constant), X4= Grants financing, X2 = Financial literacy, X1 = Loan financing, X3 = Assets financing

Source: Field Data (2023)

Further, the analysis of variance was used to examine whether the regression model was a good fit for the data. It also gives the F-test statistics; the linear regression's F-test has the null hypothesis that there is no linear relationship between the two variables. The f-critical value at alpha = .05, with 4 and 89 degrees of freedom, is approximately 2.43 while the F-calculated was 75.951as shown in Table 5. Since the F-statistic (75.951) is much larger than the F-critical value (2.43), we can reject the null hypothesis that none of the predictors have a significant impact on job creation and conclude that at least one of the predictors is significantly related to job creation. Therefore, we can conclude that project finances, including grants financing, loan financing, assets financing, and financial literacy, can affect job creation in Gasabo District. In addition, the p-value was 0.000, which was less than the significance level (0.05). Therefore, the model can be considered to be a good fit for the data and hence it is appropriate in predicting the influence of the four independent variables (loan financing; financial literacy; assets financing, and grants financing) are good predictors of Job creation for beneficiaries of BDF in Gasabo District.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 7||Issue 5||Page 107-128||June||2023|
Email: info@stratfordjournals.org ISSN: 2616-8464

Table 6: Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.358	.168		.2.130	.028
	X1 = Loan financing	.156	.057	.166	2.716	.008
	X2 = Financial literacy	.336	.054	.533	6.229	.000
	X3 = Assets financing	.210	.062	.307	3.370	.001
	X4= Grants financing	.388	.044	.477	8.803	.000

a. Dependent Variable: Y=Job creation of beneficiaries of BDF in Gasabo District

Source: Computed by the researcher from Field data, 2023

The equation ($Y = \beta 0+\beta_1 x_1+\beta_2 x_2+\beta_3 x_3+\beta_4 x_4$) becomes:

Job creation of beneficiaries of BDF in Gasabo District $=0.358+ 0.156X_1+0.336X_2+ 0.210X_3+ 0.388X_4$

The regression equation above has established that taking all factors into account (loan financing; financial literacy; assets financing and grants financing) constant at zero; job creation of beneficiaries of BDF in Gasabo District was 0.358

The results from regression Table 6, revealed that project loan financing have significance positive influence on job creation in Rwanda as indicated by β_1= 0.156, $p=0.008<0.05$, t= 2.716. The implication is that an increase of one unit in loan financing would lead to an increase in job creation among beneficiaries of BDF in Gasabo district by 0.156 units. These studies suggest that project loan financing provided by BDF can play an important role in promoting job creation among beneficiaries in Gasabo District. By providing SMEs with access to finance, BDF can help these businesses to expand their operations, invest in new equipment and technology, and hire more employees. However, it is important to ensure that the loans are provided in a responsible and sustainable manner, with proper risk management and monitoring to ensure that the SMEs can repay their loans and continue to create jobs over the long term. These findings are consistent with the study done by Kimenyi *et al.*, (2013) in Kenya found that access to credit through loans had a positive impact on job creation by small and medium-sized enterprises (SMEs) in the country and suggested that access to credit can help SMEs overcome the financial constraints that often limit their ability to expand and create jobs. Similarly, a study conducted by Ngirumpatse *et al.*, (2017) in Rwanda found that access to credit through loans had a positive impact on the performance of SMEs in the country. The

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 7||Issue 5||Page 107-128||June||2023|
Email: info@stratfordjournals.org ISSN: 2616-8464

study suggested that access to credit can help SMEs increase their production and sales, which in turn can lead to job creation.

However, these findings contrast with some empirical studies conducted by Kithae and colleagues (2017) in Kenya found that access to credit through loans had a negative impact on job creation by SMEs in the country. The study suggested that the stringent conditions and high-interest rates associated with loans may discourage SMEs from creating jobs. Similarly, a study conducted by Irambona and colleagues (2017) in Rwanda found that access to loans had a negative impact on the performance of SMEs in the country and suggested that the high-interest rates and collateral requirements associated with loans may limit the ability of SMEs to expand and create jobs.

The results from regression Table 6, revealed that financial literacy has a significant positive influence on the Job creation of beneficiaries of BDF in Gasabo District as indicated by β_2= 0.336, p=0.000<0.05, t=6.229. The implication is that an increase of one unit in financial literacy would lead to an increase in Job creation of beneficiaries of BDF in Gasabo District by 0.336 units. These findings suggest that a combination of financial and non-financial support can be effective in promoting job creation among SMEs in Rwanda and that BDF's approach of providing both funding and support services may be effective in achieving this goal. It suggests that increasing financial literacy among entrepreneurs and small business owners can help them make better financial decisions, access credit, manage their finances effectively, and ultimately create more jobs. These findings are consistent with some empirical studies conducted in Kenya, Rwanda, and Malaysia. For example, a study by Kiptui *et al.*, (2021) in Kenya found that financial literacy had a positive impact on the performance of small businesses in the country. The study suggested that financial literacy can help entrepreneurs make informed financial decisions, access credit, and manage their finances effectively, which can lead to increased business growth and job creation. Similarly, a study by Nyandwaro *et al.*, (2018) in Rwanda found that financial literacy had a positive impact on the financial behavior of small business owners in the country. The study suggested that financial literacy can help entrepreneurs understand financial concepts such as interest rates, credit, and savings, which can lead to improved financial management and increased business performance. In Malaysia, a study by Sulaiman et al., (2017) found that financial literacy had a positive impact on the financial behavior and financial well-being of individuals in the country. The study suggested that financial literacy can help individuals make informed financial decisions, save money, and invest wisely, which can lead to improved financial outcomes and increased job opportunities.

The results from regression Table 6, revealed that assets financing has a significant positive influence on Job creation of beneficiaries of BDF in Gasabo District as indicated by β_3= 0.210, p-value=.001<0.05, t=3.370. The implication is that an increase of one unit in assets financing would lead to an increase in job creation of beneficiaries of BDF in Gasabo District by 0.210 units. These findings agree with Otengei *et al. (*2015) stated that asset financing leads to the growth of SMEs especially since it enhances growth in the financial position of SMEs by allowing access to business assets, increasing output, and leading to more sales and eventually growth.

The results from regression Table 6, revealed that grants financing has a significant positive influence on Job creation of beneficiaries of BDF in Gasabo District as indicated by $\beta_4=0.388$, p-value=0.000<0.05, t=8.803. The implication is that an increase of one unit in grants financing would lead to an increase in Job creation of beneficiaries of BDF in Gasabo District by 0.388 units. This result is consistent with some empirical studies done by Oluoch and colleagues (2017) found that access to credit through grants significantly increases the likelihood of job creation by small and medium enterprises (SMEs) in the country. This finding suggests that grants financing can have a positive impact on job creation the study done by Habiyaremye and Raymond (2015) in Rwanda found that while grants financing had a positive impact on the growth of small and medium enterprises in the country, it did not necessarily lead to job creation.

4.3 Hypothesis Testing

In order to test the study's five formulated hypotheses, the t statistic tests whether a B value is significantly different from zero (H0: β =o). The study computed simple regression analysis to test the study hypothesis. For $p < 0.05$, H_0 was rejected; and H_1 accepted was considered (refer to Table 6).

4.3.1 Testing the First Hypothesis

Hypothesis one states that *there is no significant effect of loan financing on job creation of beneficiaries of BDF in Gasabo District.* Ho_1: $\beta_1=0$. Reject the null hypothesis if the p-value (**Sig.** value) is less than 0.05. As evident in Table 6, the unstandardized beta value for *loan financing* was significantly greater than zero ($\beta_1=0.156$, p=0.008<0.05, t= 2.716). Subsequently, the null hypothesis was rejected because p-value=0.008 was less than a 5% level of significance. Hence, *loan financing* had a statistically significant influence on job creation of beneficiaries of BDF in Gasabo District.

4.3.2 Testing the Second Hypothesis

Hypothesis two states that *there is no significant effect of financial literacy on job creation of beneficiaries of BDF in Gasabo District.* Ho_2: $\beta_2=0$. Reject the null hypothesis if the p-value (**Sig.** value) is less than 0.05. As evident in Table 6, the unstandardized beta value for *financial literacy* was significantly greater than zero ($\beta_2= 0.336$, p=0.000<0.05, t=6.229). Subsequently, the null hypothesis was rejected because p-value=0.000 was less than a 5% level of significance. Hence, *financial literacy* had a statistically significant influence on job creation of beneficiaries of BDF in Gasabo District.

4.3.3 Testing the Third Hypothesis

Hypothesis three states that there is no significant effect of assets financing on job creation of beneficiaries of BDF in Gasabo District. Ho3: $\beta3=0$. Reject the null hypothesis if the p-value (Sig. value) is less than 0.05. As evident in Table 6, the unstandardized beta value for assets financing was significantly greater than zero ($\beta3= 0.210$, p-value=0.001<0.05, t=3.370). Subsequently, the null hypothesis was rejected because p-value=0.001 was less than a 5% level of significance. Hence, assets financing had a statistically significant influence on job creation of beneficiaries of BDF in Gasabo District.

4.3.4. Testing the Fourth Hypothesis

Hypothesis four states that *there is no significant effect of grants financing on job creation of beneficiaries of BDF in Gasabo District*. Ho_4: $\beta_4=0$. Reject the null hypothesis if the p-value (**Sig.** value) is less than 0.05. As evident in Table 6, the unstandardized beta value for *grants financing* was significantly greater than zero ($\beta_4=0.388$, p-value=0.000<0.05, t=8.803). Subsequently, the null hypothesis was rejected because p-value=0.000 was less than a 5% level of significance. Hence, *grants financing* had a statistically significant positive effect on job creation of beneficiaries of BDF in Gasabo District.

5.0 Conclusions

The study concludes that 76.3% of the variation in the job creation of beneficiaries of BDF in Gasabo District can be predicted by joint interaction of loan financing; financial literacy; assets financing and grants financing as indicated by Adjusted R squared at 95% confidence interval. These findings have important implications for policymakers and practitioners who seek to promote economic development and job creation among marginalized communities. By focusing on improving financial literacy, expanding access to loan financing, and providing asset financing and grants, policymakers and practitioners helped to stimulate job creation and promote sustainable economic growth in Gasabo District. From the findings, the study concluded that project loan financing has a positive and significant effect on the performance of selected SMEs in Remera sector. This means that SMEs that have access to credit perform better than those that cannot access credit. Debts financial and equity were frequently used by project performance of selected SMEs in Remera sector as a financing instrument. It was concluded that the project asset financing influences the project performance of selected SMEs in Remera sector. The study found and concluded that project asset financing extended depending on the assets owned by borrowers.

6.0 Recommendations

Based on the results and information provided, the study recommends that:

a) BDF should increase awareness of its loan financing options through targeted marketing and outreach activities. This could include partnering with local business associations and community groups to reach out to potential borrowers.

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Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 7||Issue 5||Page 107-128||June||2023|
Email: info@stratfordjournals.org ISSN: 2616-8464

b) The findings revealed that the loan range offered by BDF is limited to Rwf 500,000 to Rwf 20,000,000, which may not be sufficient for some entrepreneurs' needs. Therefore, it is recommended that BDF considers expanding its loan range to accommodate a wider range of business needs.

c) The findings revealed that the flexible repayment schedules offered by BDF may increase the risk of loan default. Therefore, it is recommended that BDF implements a robust monitoring system to ensure timely repayment of loans and reduce the risk of default. This could include regular follow-up with borrowers and offering support to struggling borrowers to help them repay their loans.

d) To improve the effectiveness of the training provided by BDF, the management should consider tailoring the training to meet the specific needs of each entrepreneur and their business. This will help to increase the relevance and usefulness of the training to the beneficiaries.

e) The management of BDF should consider providing more assistance with marketing to help entrepreneurs effectively promote their products and services, which will in turn lead to increased sales and job creation.

f) Based on the results only 48.9% of respondents agreed that it helped them increase their capital. Hence, the management of BDF should consider increasing the focus on training that helps entrepreneurs access capital and manage their finances effectively, which will in turn lead to increased investment and job creation.

g) The results show a high level of satisfaction among SMEs regarding assets financing offered by BDF, However, there is still room for improvement in terms of outreach and awareness. The management of the SACCO refinancing project should explore ways to increase awareness about the benefits of assets financing and BDF's services, particularly among SMEs that may not be aware of these options.

h) The nature of assets financing offered by BDF is already tailored to meet the unique needs of SMEs. However, the management of the SACCO refinancing project should explore ways to further customize financing options to meet the specific needs of different types of SMEs. For example, certain industries may require longer repayment periods or lower interest rates.

i) The study findings indicate that technical assistance provided by BDF is critical to ensuring the longevity and sustainability of assets financed by BDF. Therefore, the management of the SACCO refinancing project should ensure that technical assistance is readily available to SMEs throughout the life cycle of the assets.

j) The study findings indicate that the cash flow-based approach used by BDF to assess the creditworthiness of SMEs seeking assets financing is beneficial for SMEs that lack the necessary collateral to secure traditional bank loans. However, the management of

Stratford Peer Reviewed Journals and Book Publishing
Journal of Entrepreneurship & Project Management
Volume 7||Issue 5||Page 107-128||June||2023|
Email: info@stratfordjournals.org ISSN: 2616-8464

the SACCO refinancing project should continuously review collateral requirements to ensure that they remain appropriate and fair. This will help to maintain the trust and confidence of SMEs in BDF's services.

k) The management of the SACCO refinancing project should review and streamline the process to make it more accessible and efficient for SMEs. This will not only attract more applicants but also reduce the time it takes to approve and disburse the grants.

l) The findings indicate that grants financing can slow down the speed of project implementation. Therefore, the management of the SACCO refinancing project should offer technical assistance and support to SMEs during the implementation process to ensure the timely completion of projects. This can include providing guidance on project management, monitoring progress, and offering support when challenges arise.

m) The study findings indicate that the quality and delivery of the final product have a significant influence on future funding and the long-term survival of the organization. Therefore, the management of the SACCO refinancing project should emphasize the importance of quality and delivery of the final product to SMEs. This can be done through training and capacity building, mentoring, and coaching, and setting clear quality standards for the projects.

n) The findings indicate that BDF monitors the utilization of grants financing according to the grant agreement. However, more can be done to ensure that the projects are progressing as planned and achieving the desired outcomes. Therefore, the management of the SACCO refinancing project should enhance monitoring and evaluation of the projects to identify any challenges and provide support to overcome them. This can be done through regular site visits, progress reports, and stakeholder engagement.

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