

**ACCESS TO FINANCE AND GROWTH OF SMEs IN RWANDA
A CASE STUDY OF SELECTED SMEs OF KICUKIRO DISTRICT**

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ABSTRACT

SMEs are the backbone of the economic growth and development of most economies in developing countries. They occupy a large part of the private sector and contribute at a large extent to the level of employment. It is therefore of paramount interest for the government and other stakeholders to stimulate SMEs growth in order to sustain the private sector. The investigation of the factors of SMEs growth has been the concern of many scholars. Access to finance has been identified as an important factor of SMEs growth while lack of access to finance constitutes the main barrier to growth. This study “access to finance and growth of SMES in Rwanda” investigates the effect access to finance on growth of SMEs in Rwanda. The growth was measured by growth in annual turnover, net assets and employees. The objectives of this study were to analyze the effect of access to finance on SMEs growth in Rwanda, to analyze the extent to which credit access contributes to SMEs growth, to analyze the level of access to finance of selected SMEs and to examine barriers and factors of SMEs growth. This research is very important because it is the first one to analyze the effect of access to finance on growth of SMEs selected from all economic sectors in Rwanda. It has therefore benefited the researcher, the government of Rwanda, owners of SMEs, and other researchers in this field of study. The study employed a survey on 267 selected SMEs of Kicukiro District which have received at least once any form of bank credit during 2009-2013. Primary data were collected through questionnaires administered to owners and/or managers of those SMEs. Secondary data were collected from SMEs financial statements and other books of records. The data analysis employed both descriptive and inferential statistics with the help Statistical Package for Social Sciences (SPSS17) and excel. In descriptive analysis, the researcher employed frequencies and percentage while in inferential statistics the chi square test was used to test the relationship between access to finance and SMEs growth. It was found access to finance has a significant effect on SMEs growth in Rwanda, for some SMEs the level of access to finance is inadequate while a smaller proportion has a sufficient level of access to finance. It was mentioned that credit access contributes to growth of SMEs at a very good extent in terms of increase in annual turnover, increase in Net assets and increase in employees. The barriers of SMEs growth mentioned by respondents were high cost of doing business, high interest rate, inadequate availability of debt financing and incapacity to deal with financial institutions. It was recommended for the government to introduce public financial institutions specialized in financing SMEs and to put in place clear national development objectives for SMEs sector like strengthening government guarantee schemes, investment advisory services. Banks would reduce loan application requirements and interest rate. Owners of SMEs were advised to upgrade their level of education and improve the level of technology employed.