



**ANALYSIS OF DETERMINANTS OF SMALL AND MEDIUM ENTERPRISES ON THE FINANCIAL PERFORMANCE
IN RWANDA**

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ABSTRACT

The study was about the analysis of determinants of Small and medium Enterprise on the financial performance in Rwanda, a case of Musanze District. Target population of this study was 72 owners of small and medium enterprises by using stratified and simple randomly sampling techniques, 61 respondents was selected as sample size. Data collection methods were questionnaire and documentation while data analysis methods were descriptive statistical method, correlation matrix and multiple regression models. The achievement of first objective showed the findings from SMEs of Musanze District access to finance has presented overall average of ($\bar{x} = 1.84$ and $SD = 0.874$) in stimulating the financial performance of small and medium enterprises of Musanze District; that means there is moderate mean and evidence of the existence of the fact and heterogeneity of responses. Second objective achievement confirmed that SMEs of Musanze District access to business information presented overall average of ($\bar{x} = 1.828$ and $SD = 0.874$) on financial performance of small and medium enterprises in Musanze District, there is moderate mean and evidence of the existence of the fact and heterogeneity of responses. Third objective showed the findings present the SMEs of Musanze District confirmed availability of managerial experience which represented by overall average of ($\bar{x} = 1.844$ and $SD = 0.872$) on financial performance of small and medium enterprises in Musanze District as moderate mean and evidence of the existence of the fact and heterogeneity of responses for the SMEs. Fourth objective achievement on the findings showed the SMEs of Musanze District where there is an access to infrastructure that represented by an overall average of ($\bar{x} = 1.826$ and $SD = 0.856$) on financial performance of small and medium enterprises in Musanze District. As to conclude based on the results which indicated that determinants of SMEs in Musanze District on findings showed the value of R-square in this study is 0.573 means that the proportion of financial performance is explained by the determinants of SMEs at 57.3%. Based to the findings for this study, the problem of the study was solved, the research objectives were achieved, and research questions were answered.

Key words: *Determinants, Small and Medium Enterprises, Financial performance*

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INTRODUCTION

Despite the important role played by SMEs, Rwanda's situation is unique with its relative economic reforms and political stability. Rwanda Revenue Authority Report (RRA, 2008) reported around 33% of SMEs have stopped operating. Ministry of Commerce and Trade (MINICOM, 2010) stated that the problem in Rwanda's SMEs is being less competitive vis-à-vis its regional neighbors. The infrastructure problem also includes poor state of roads, inaccessibility to land, work space, electricity and utility. Lack of allocation of suitable land to SMEs in most urban and rural areas is a major impediment to growth and development. Inaccessibility to land and lack of property rights hamper access to infrastructure and utilities by line SMEs (Dereje, 2008).

According to background information above, the problem of this research was to investigate on what are effects of access to finance on financial performance of small and medium enterprises in Musanze District; the influence of access to business information on financial performance of small and medium enterprises in Musanze District; effects of availability of managerial experience on financial performance of small and medium enterprises in Musanze District; and the effects of access to infrastructure on financial performance of small and medium enterprises in Musanze District. Generally, the study was overall the analysis of determinants of Small and medium Enterprises on the financial performance in Rwanda especially at Musanze District.

This study had four specific objectives as follows:

- To analyze the effect of access to finance on financial performance of small and medium enterprises in Musanze District,
- To analyze the influence of access to business information on financial performance of small and medium enterprises in Musanze District,
- To analyze effect of availability of managerial experience on financial performance of small and medium enterprises in Musanze District,

- To analyze effect of access to infrastructure on financial performance of small and medium enterprises in Musanze District

LITERATURE REVIEW

According to Clough (2011) study on marketing challenges and strategies for MSEs in east Africa. The research objective was to establish entrepreneurial marketing challenges faced by MSEs and the opportunities they have identified to grow their businesses. The research study employed a descriptive design. The research findings indicated that many entrepreneurs rely on local households as their main source of customers and face a lot of competition within the local area. They may feel limited in the markets they can access by their business location, available stock and finances. The findings further noted that many entrepreneurs perceive lack of finance as a hindrance to their marketing and business growth yet there is a lot that can be done with quality, price, placement and promotion within existing business resources. The study recommends that entrepreneurs need to have a clearer sense of their target customers and understanding of what motivates them to buy.

According to Kiveu & Ofafa (2013) a research on enhancing market access in Kenyan SMEs using ICT. The study objectives were to determine the various market access constraints faced by SMEs in Kenya, and to explore opportunities in ICT that SMEs in Kenya can harness to improve market access. The study was exploratory in nature. To achieve the research objectives, desk research that used secondary data was employed. The study findings indicated that ICT holds a lot of potential for enhancing market access and yet use by SMEs is limited as compared to larger enterprises. The use of ICT for marketing by SMEs still remains low despite SMEs having access to these tools. Majority of SMEs use ICT for communication, social networking and general information acquisition. There seems to be lack of awareness of the range of opportunities that ICT offers for increased market access. Limited use of ICT for marketing was also be

attributed to perceived high costs of appropriate applications, security issues and limited knowledge and skills on some ICT applications e.g. ecommerce. The study recommended the need for awareness creation for ICT use, improvement in ICT literacy levels and infrastructure, development of user friendly relevant ICT programs for SMEs. The study however did not look into how ICT would enhance the growth of SMEs and cost implications that SMEs face as they try to embrace ICT Marketing.

According to Mbugua et al. (2014) the study on the factors affecting the performance of Small and medium enterprises in Limuru Town Market of Kiambu County, Kenya. It is generally accepted that SMEs are becoming increasingly important in terms of employment, wealth creation, and the development of innovation. However, many problems encountered SMEs and as a result, many firms perform dismally and fail to grow. In addition, it is generally known and accepted that there is a high mortality rate of SMEs within the first two years. Given this high failure rate, it becomes vital to research the factors required to enable the SMEs to survive and indeed progress to the growth phase of the organizational life cycle. The study sought to establish the factors affecting the performance of small and medium enterprises (SMEs) traders at Limuru town market in Kiambu County, Kenya. The study employed a descriptive research design to achieve the objectives. The target population under study was the 965 licensed SMEs by Limuru sub-county operating in Limuru Market in 2014. The study used a questionnaire to collect the required data from a sample of 274 SMEs. The data collected was coded, quantified and analyzed quantitatively and qualitatively. Quantitative data was analyzed by the use of statistical package for social sciences (SPSS).

According to Rurangirwa (2016) the factors affecting the success of Small and Medium Enterprises in Rwanda. The study was conducted among SMEs located in Kigali. The hypothesis of the study tested if there is no significant difference in the evaluation rating of the factors that affect the

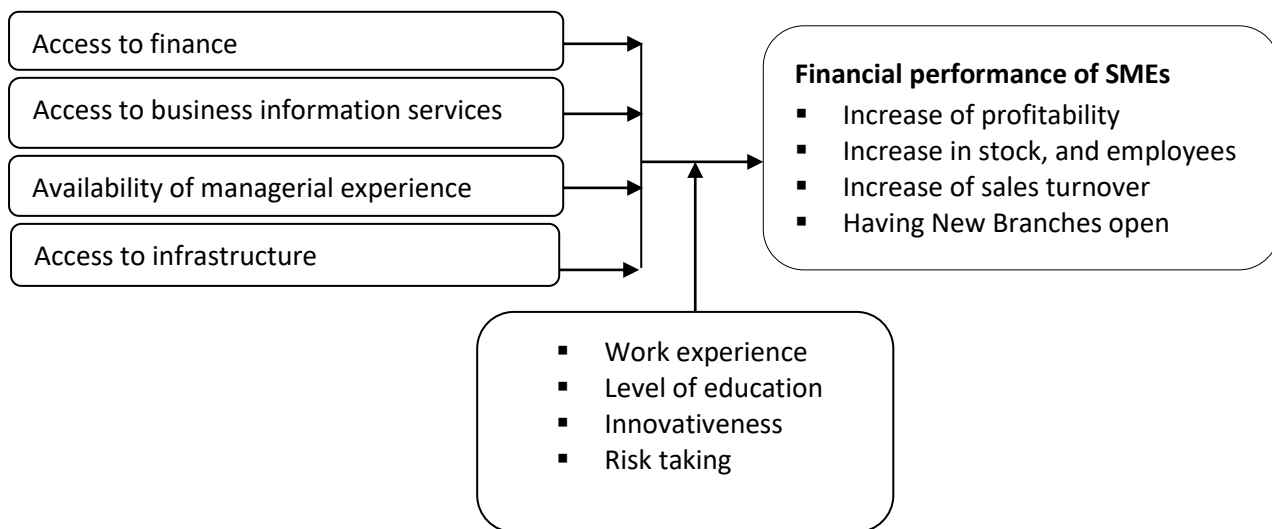
success of SMEs of respondents grouped according to the nature of business. Descriptive research that provides statistical descriptions, analysis, relations and explanation about numerical data were used. The results from this study demonstrated that the success of SMEs depends on a number of factors, being internal or external. This study demonstrated that internal factors like managerial skills, effective human resource management, production/technology, entrepreneurial skills were the most important in explaining the factors affecting SMEs success.

According to Alemu, and Dame (2016) study determinants of Micro and Small Enterprises Success: The Case of Ambo Town, Ethiopia. Over the years, some of the MSE have grown extremely large and profitable and on the other hand, many others have failed or have not been as successful as they might have been. Even if their enormous contribution to economic development and employment is undeniable, government's policy still fails to identify the determinants that are responsible for the growth and failure of MSE. So the research study was undertaken with the intension of identifying those factors responsible for success and failure. Data was collected from MSE in Ambo and the regression result shows that only Age of business, record and borrowing were seen as significant in predicting the business success with p values less than 0.01.

According to Abdul, and Dame (2015) study on the impact of entrepreneurs' characteristics on small business success at medical instruments supplies organizations in Jordan. Their study surveyed the owners and managers working at these organizations which consisted of 66 organizations. The studies main hypothesis was entrepreneurs' characteristics do not have an impact on small business success at Medical Instruments Supplies Organizations in Jordan. The study findings indicated that the entrepreneurs' characteristics have positive impact on small business success of the Medical Instruments Supplies Organizations in Jordan. The study recommended the need to

further investigate more entrepreneurs' characteristics in the future researches to include

more personal entrepreneurs' characteristics, skill, competencies, and traits of the entrepreneurs.



Independent Variable

Intervening Variables

Dependent Variable

Figure 1: Conceptual Framework

Source: researcher conceptualization (2021)

METHODOLOGY

This study adopted a quantitative approach which used questionnaires that were distributed to the respondents for collected primary information, and thereafter, analyzing data for providing the results and recommendations to the findings.

In respect of this study, target population of this study was 72 owners of micro, small and medium enterprises operating their businesses in Musanze city.

This study applied the formulation of Taro Yamane (1982) to control sample size of this study. Where:

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

n = Sample Size N = Population

e = Margin of error

$$n = \frac{72}{1 + [72 * (0.05)^2]} = 61$$

In respect of this study, stratified and simple randomly sampling technique were used to select 61 respondents from target population in various business owners of SMEs.

Data collections methods, It consisted of various instruments that used by the researcher for

gathering necessary information from respondents including questionnaire and documentary review. In this research, the questionnaires were distributed to the respondents selected from SMEs at Musanze District. Questionnaire was composed by close end questions, and the researcher expected participation rate of 100% in responding the questions. Document review was used by the researcher to obtain the information about a phenomenon. In this study, the documents targeted, were the available reports related to financial performance of SMEs in Musanze.

Cronbach's alpha test done twelve small and medium enterprises of Rubavu District at indicates that the research instrument can be able to achieve the stated objectives, the value of Cronbach's alpha was 0.927 which is greater than 0.70 which is satisfactory.

Data analysis was preceded by data cleaning. The latter was performed in SPSS IBM through the removal and harmonization of typographical errors on key variables to avoid their inconsistencies and duplication.

FINDINGS

This chapter showed the presentation of findings, analysis and interpretation on analysis of determinants of SMEs on financial performance in Rwanda especially in SMEs of Musanze District. The analysis of data used Statistical Packages for Social Sciences 21.0 version as computer software of analysis. The presented results were in accordance with research objectives.

Piloting Analysis

Table 1: Reliability

Variables	N	Cronbach's alpha	Comments
Access to finance	12	0.864	Acceptable
Access to business information services	12	0.841	Acceptable
Availability of managerial experience	12	0.948	Good
Access to infrastructure	12	0.874	Acceptable
Financial performance of SMEs	12	0.965	Good

Source: Reliability analysis results (2021)

This study had used a survey questionnaire that involved both categorical and scales measures. A strong support was achieved for the instrument with reliability alpha levels above the 0.70 threshold (Nunnally, 2007). The data was extracted from the questionnaires and entered into SPSS 21.0. To ensure the internal validity and reliability. The Cronbach's alphas were above 80%. This indicated that most items in this questionnaire had high squared multiple correlations an indication that the questionnaire passes reliability test. Cronbach's alpha above 0.70 is regarded as satisfactory and acceptable (George & Mallery, 2003). This meant that the tool was adequate in measuring how the relationship between: access to finance; access to

Table 2: Content validity

Variable	C.V
Access to finance	0.68256
Access to business information services	0.66439
Availability of managerial experience	0.74892
Access to infrastructure	0.69046
Financial performance of SMEs	0.76235

Context validity for Access to finance equal to 0.68256, Access to business information services equal to 0.66439, Availability of managerial

Pilot study was carried out to assess the reliability for instruments used in primary data collection. There were responses from 12 respondents out of the possible 61 which represented 20% of the sample and were chosen randomly.

Reliability Results

The data was extracted from the questionnaires and entered into SPSS 21.0. The Cronbach's alphas scored were extracted as shown in the table below.

business information services; availability of managerial experience; access to infrastructure and financial performance of SMEs.

Content Validity

Content validity was checked using exploratory factor analysis, which is a powerful tool for examining interrelationship between variables. In exploratory factor analysis, factor loadings range from 0 to 1, the higher the loadings the more valid an attribute in relation to the study. Bryman and Bell (2015) argued that factor loadings are evaluated as 0.32 and less is considered poor, 0.33 to 0.45 is considered as fair, 0.46 to 0.55 is considered to be good, 0.56 to 0.63 is very good and above 0.7 is excellent.

experience equal to 0.74892, Access to infrastructure equal to 0.69046 and Financial performance of SMEs equal to 0.76235. Thus, in this

study any variables whose factor loading was less than 0.5 were to be excluded from subsequent analysis and refined and replaced with more relevant content which passed the test. After analysis of piloting study indicated above, the research questionnaires were distributed to 61 respondents from Musanze District, and given two weeks of responding the questions. The findings indicated participation rate of 100.0% to fill the questionnaires. Data analysis and results were shown into three sections included by profile of respondents; descriptive results from perceptions of respondents (determinants of SMEs and its financial performance), and regression analysis

testing the relationship between variables based on conceptual framework.

Profile of Respondents

In this study, profile of respondents shows the social demographic characteristics included by the gender, age, marital status, educational level, and experiences of entrepreneur as detailed in below tables.

Gender

In this survey, gender of respondents is vital because it shows sex characteristics of respondents as table 3 shows below.

Table 3: Gender of Respondents

		Frequency	Percent
Valid	Male	33	54.1
	Female	28	45.9
	Total	61	100.0

Source: Primary data (February 2021)

Findings on table 3 showed distribution of respondents by gender that indicated that males were 54.1% of the respondents participated in this study, while females were 45.9% respondents from representatives of SMEs of Musanze District. Gender distribution is vital in this research because it gives a way to test social structures on

the living and opportunities available to different groups of men and women in SMEs.

Marital Status

Findings below showed marital status which were included by several types: single, married, widowed and etc. Table 4 details marital status situation of entrepreneurs of SMEs from Musanze that participated in this study.

Table 4: Marital Status of respondent

		Frequency	Percent
Valid	Single	28	45.9
	Married	29	47.5
	Widow (er)	4	6.6
	Total	61	100.0

Source: Primary data (February 2021)

Dispersal of respondents on the marital status were shown on table 4 confirming the single was 45.9%; married were 47.5%; while widow (er) was 6.6% of the respondents participated in the study at Musanze District.

The age distribution of survey respondents was as shown on table 5 below; majority of the respondents were adults between the ages of 31 and 40 are over-represented in this survey sample, while young adults ages 21-30 years; no children under 18 years represented in this survey at SMEs in Musanze District.

Age of Respondents

Table 5: Age of Respondents

		Frequency	Percent
Valid	21-30years	17	27.9
	31-40years	37	60.7
	41-50years	4	6.6
	>51years	3	4.9
	Total	61	100.0

Source: Primary data (February, 2021)

Findings indicated age of respondents on table 5 presented 27.9% of respondents have age between 21 and 30years; majority of 60.7% respondents have ages between 31 and 40years; the 6.6% respondents have ages between 41 and 50years while 4.9% have >51years. This indicates that SMEs

managed and owned by mature people who know what investment means in business to make profits.

Education

Findings on table 6 shows details on educational level of respondents participated in the study at Musanze District.

Table 6: Education of Respondents

		Frequency	Percent
Valid	Masters and Above	4	6.6
	Bachelor's degree	13	21.3
	Secondary level	32	52.5
	Primary level and other technical Schools	12	19.7
	Total	61	100.0

Source: Primary data (February 2021)

The results on table 6 illustrated education background of respondents which show 6.6% of the respondents have masters and above; 21.3% have bachelor's degree; majority of 52.5% have secondary level; while 19.7% respondents from representatives of SMEs have primary and VTC schools.

Findings presented below indicating a correlation matrix is a table showing correlation coefficients between variables. Each cell in the table showed the correlation between two variables. A correlation matrix is used to summarize data, as input into a more advanced analysis, and as a diagnostic for advanced analyses. Table 7 illustrated the findings for correlation matrix.

Correlation Matrix and Regression Analysis Test

Table7: Correlation Matrix

		Access to finance	Access to business information services	Availability of managerial experience	Access to infrastructure	Financial performance of SMEs
Access to finance	Pearson Correlation	1	.935**	.969**	.848**	.762**
	Sig. (2-tailed)		.000	.000	.000	.000
	N		61	61	61	61
Access to business information services	Pearson Correlation		1	.969**	.767**	.704**
	Sig. (2-tailed)			.000	.000	.000
	N			61	61	61
Availability of managerial experience	Pearson Correlation			1	.794**	.749**
	Sig. (2-tailed)				.000	.000
	N				61	61
Access to infrastructure	Pearson Correlation				1	.768**
	Sig. (2-tailed)					.000
	N					61
Financial performance of SMEs	Pearson Correlation					1
	Sig. (2-tailed)					
	N					

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

The results showed that there is a very strong correlation between Access to finance and financial performance of SMEs as Pearson correlation is 0.762 with the p-value of 0.000, which is less than both standard significance levels of 0.05 and 0.01. This indicated that, out of the considered other factors influence financial performance of SMEs, only Access to finance has significant effect on financial performance of SMEs. From the correlation Table, the results showed that there is very strong correlation between Access to business information services and financial performance of SMEs as Pearson correlation is 0.704. The p-value is 0.000, which is less than both standard significance levels of 0.05 and 0.01. This indicates that, out of the considered other determinants of financial performance, only the Access to business information services of SMEs has significant relationship with financial performance. From the correlation Table, the results show that there is very strong correlation between Availability of managerial experience and financial performance of SMEs as Pearson correlation is 0.749. The p-value is 0.000, which is less than both standard significance levels of 0.05 and 0.01. This indicated

that, out of the considered other determinants of financial performance, only Availability of managerial experience of SMEs has significant relationship with financial performance.

Table revealed that questionnaire were answered by 61 respondents, p-value is 0.000, which is less than standard significance levels of 0.05. In this research, researcher confirmed a relationship between Access to infrastructure and financial performance of SMEs. Since the Pearson Correlation value was 0.768 and it is significant, the researcher proved that there is high and positive relationship between Access to infrastructure and financial performance of SMEs. Regression analysis test which is a form of inferential statistics. The p-values help to determine whether the relationships that observed in the sample existed in the larger population.

Correlation test between access to finance and financial performance of SMEs in Musanze District

The first objective of the study was to analyze the effect of access to finance on financial performance of small and medium enterprises in Musanze District.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.762 ^a	.581	.574	.77658

a. Predictors: (Constant), Access to finance

Source: Primary data, February 2021

Table 8 showed the value of R-square in this study is 58.1% means that the proportion of financial performance (dependent variable) is explained by the independent variables (Access to finance) at 58.1%. This indicated that the model is strong, as

the independent variable highly explain the dependent variable. The adjusted R-square is used to compensate for additional variable in the model. In this case, the adjusted R-square is 57.4%.

Table 9: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49.406	1	49.406	81.922	.000 ^b
	Residual	35.582	59	.603		
	Total	84.988	60			

a. Dependent Variable: Financial performance of SMEs

b. Predictors: (Constant), Access to finance

Source: Primary data, February 2021

In this case, from the ANOVA Table 9, p-value is 0.000 which is less than the 0.05 and 0.001, set as standard significance levels. This means that researcher rejected the null hypothesis and goes by

the alternative hypothesis, which states that the independent variable affects financial performance of SMEs.

Table 10: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.278	.511		2.499	.015
	Access to finance	.306	.034	.762	9.051	.000

a. Dependent Variable: Financial performance of SMEs

$$Y = \alpha + \beta_1 X_1 + \epsilon$$

Y=Dependent variable – Financial Performance of SMEs

α =Constant

ϵ =Error

β =Coefficient of the Disbursement

X_1 = Access to finance

$$Y = 1.278 + 0.306 (\text{Access to finance}) + \epsilon$$

The regression equation showed that Financial Performance of SMEs will always depend on a constant factor of 1.278 regardless of the existence

of other determinants. The other variables explain that; every unit increase in Access to finance will increase financial performance by a factor of 0.306.

Correlation test between access to business information and financial performance of small and medium enterprises in Musanze District

Second objective analyzed the effect of access to finance on financial performance of small and medium enterprises in Musanze District

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704 ^a	.495	.487	.85262
a. Predictors: (Constant), Access to business information services				

Source: Primary data, February 2021

Table 11 showed the value of R-square in this study was 49.5% means that the proportion of financial performance (dependent variable) is explained by the independent variables (Access to business information services) at 49.5%. This indicated that

the model is moderate, as the independent variable moderately explains the dependent variable. The adjusted R-square is used to compensate for additional variable in the model. In this case, the adjusted R-square is 48.7%.

Table 12: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.097	1	42.097	57.909	.000 ^b
	Residual	42.890	59	.727		
	Total	84.988	60			
a. Dependent Variable: Financial performance of SMEs						
b. Predictors: (Constant), Access to business information services						

Source: Primary data, February 2021

In this case, from the ANOVA Table 12, p-value is 0.000 which is less than the 0.05 and 0.001, set as standard significance levels. This means that researcher rejected the null hypothesis and goes by

the alternative hypothesis, which states that the independent variable affects financial performance of SMEs.

Table 13: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.892	.656		1.359	.179
	Access to business information services	.264	.035	.704	7.610	.000
a. Dependent Variable: Financial performance of SMEs						

$$Y = \alpha + \beta_2 X_2 + \epsilon$$

Y=Dependent variable – Financial Performance of SMEs

α =Constant

ϵ =Error

β =Coefficient of the Disbursement

X_2 = Access to business information services

$Y = 0.892 + 0.264$ (Access to business information services) + ϵ

The regression equation shows that Financial Performance of SMEs will always depend on a

constant factor of 0.892 regardless of the existence of other determinants. The other variables explain that; every unit increase in Access to business information services will increase financial performance by a factor of 0.264.

Correlation between availability of managerial experience and financial performance of small and medium enterprises in Musanze District

Third objective analyzed effect of availability of managerial experience on financial performance of small and medium enterprises in Musanze District.

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.749 ^a	.561	.554	.79519
a. Predictors: (Constant), Availability of managerial experience				

Source: Primary data, February 2021

Table 14 showed the value of R-square in this study is 56.1% means that the proportion of financial performance (dependent variable) is explained by the independent variables (Availability of managerial experience) at 56.1%. This indicates that

the model is strong, as the independent variable highly explain the dependent variable. The adjusted R-square is used to compensate for additional variable in the model. In this case, the adjusted R-square is 55.4%.

Table 15: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.680	1	47.680	75.404	.000 ^b
	Residual	37.307	59	.632		
	Total	84.988	60			

a. Dependent Variable: Financial performance of SMEs

b. Predictors: (Constant), Availability of managerial experience

Source: Primary data, February 2021

In this case, from the ANOVA Table 15, p-value is 0.000 which is less than the 0.05 and 0.001, set as standard significance levels. This means that researcher rejected the null hypothesis and goes by

the alternative hypothesis, which states that the independent variable affects financial performance of SMEs.

Table 16: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.081	.555		1.949	.056
	Availability of managerial experience	.282	.032	.749	8.684	.000

a. Dependent Variable: Financial performance of SMEs

$$Y = \alpha + \beta_3 X_3 + \epsilon$$

Y=Dependent variable – Financial Performance of SMEs

α =Constant

ϵ =Error

β =Coefficient of the Disbursement

X_3 = Availability of managerial experience

$Y = 1.081 + 0.282$ (Availability of managerial experience) + ϵ

The regression equation showed that financial performance of SMEs will always depend on a

constant factor of 1.081 regardless of the existence of other determinants. The other variables explain that; every unit increase in Availability of managerial experience will increase financial performance by a factor of 0.282.

Correlation between access to infrastructure and financial performance of small and medium enterprises in Musanze District

Fourth objective analyzed effect of access to infrastructure on financial performance of small and medium enterprises in Musanze District

Table 17: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.768 ^a	.590	.583	.76886

a. Predictors: (Constant), Access to infrastructure

Source: Primary data, February 2021

Table 17 showed the value of R-square in this study is 59.0% means that the proportion of financial performance (dependent variable) is explained by the independent variables (Access to infrastructure) at 59.0%. This indicated that the model is strong, as

the independent variable highly explain the dependent variable. The adjusted R-square is used to compensate for additional variable in the model. In this case, the adjusted R-square is 58.3%.

Table 18: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	50.110	1	50.110	84.768	.000 ^b
	Residual	34.877	59	.591		
	Total	84.988	60			

a. Dependent Variable: Financial performance of SMEs

b. Predictors: (Constant), Access to infrastructure

Source: Primary data, February 2021

In this case, from the ANOVA Table 18, p-value is 0.000 which is less than the 0.05 and 0.001, set as standard significance levels. This means that researcher rejected the null hypothesis and goes by

the alternative hypothesis, which states that the independent variable affects financial performance of SMEs.

Table 19: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.929	.433		4.449	.000
	Access to infrastructure	.413	.045	.768	9.207	.000

a. Dependent Variable: Financial performance of SMEs

$$Y = \alpha + \beta_4 X_4 + \epsilon$$

Y=Dependent variable – Financial Performance of SMEs

α =Constant

ϵ =Error

β =Coefficient of the Disbursement

X_4 = Access to infrastructure

$$Y = 1.929 + 0.045 (\text{Access to infrastructure}) + \epsilon$$

The regression equation shows that financial performance of SMEs will always depend on a

constant factor of 1.929 regardless of the existence of other determinants. The other variables explain that; every unit increase in Access to infrastructure will increase financial performance by a factor of 0.045.

Relationship between determinants of SMEs and its financial performance

Lastly the study testing the exactly relationship between all the selected determinants of SMEs and its financial performance.

Table 20: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.757 ^a	.573	.566	.78393

a. Predictors: (Constant), Determinants of SMEs

Source: Primary data, February 2021

Table 20 showed the value of R-square in this study is 57.3% means that the proportion of financial performance (dependent variable) is explained by the independent variables (Determinants of SMEs) at 57.3%. This indicated that the model is strong, as

the independent variable highly explain the dependent variable. The adjusted R-square is used to compensate for additional variable in the model. In this case, the adjusted R-square is 56.6%.

Table 21: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.729	1	48.729	79.292	.000 ^b
	Residual	36.259	59	.615		
	Total	84.988	60			
a. Dependent Variable: Financial performance of SMEs						
b. Predictors: (Constant), Determinants of SMEs						

Source: Primary data, February 2021

In this case, from the ANOVA Table 21, p-value is 0.000 which is less than the 0.05 and 0.001, set as standard significance levels. This means that researcher rejected the null hypothesis and goes by

the alternative hypothesis, which states that the independent variable affects financial performance of SMEs.

Table 22: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.888	.562		1.579	.120
	Determinants of SMEs	.094	.011	.757	8.905	.000
a. Dependent Variable: Financial performance of SMEs						

$$Y = \alpha + \beta_1 X_1 + \epsilon$$

Y=Dependent variable – Financial Performance of SMEs

α =Constant

ϵ =Error

β =Coefficient of the Disbursement

X_1 = Access to finance

$$Y = 0.888 + 0.094 (\text{Determinants of SMEs}) + \epsilon$$

The regression equation shows that Financial Performance of SMEs will always depend on a constant factor of 0.888 regardless of the existence of other determinants. The other variables explain that; every unit increase in Determinants of SMEs will increase financial performance by a factor of 0.094.

CONCLUSIONS AND RECOMMENDATIONS

The study findings from analysis test showed that Pearson correlation was 0.762 with the p-value of 0.000, which is less than both standard significance levels of 0.05 and 0.01. This indicated that, out of the considered other factors influence financial performance of SMEs, only Access to finance has significant effect on financial performance of SMEs.

Findings showed that Pearson correlation was 0.704. The p-value is 0.000, which is less than both standard significance levels of 0.05 and 0.01. This indicates that, out of the considered other determinants of financial performance, only the Access to business information services of SMEs has significant relationship with financial performance.

The results showed that Pearson correlation is 0.749. The p-value is 0.000, which is less than both standard significance levels of 0.05 and 0.01. This

indicated that, out of the considered other determinants of financial performance, only availability of managerial experience of SMEs has significant relationship with financial performance.

Findings revealed that questionnaire were answered by 61 respondents, p-value is 0.000, which is less than standard significance levels of 0.05. Since the Pearson Correlation value was 0.768 and it is significant, the researcher proved that there is high and positive relationship between access to infrastructure and financial performance of SMEs.

The government should start offering basic business and financial management skills as this enables the Musanze market SMEs to make informed investment decisions. This enhances their entrepreneurial skills that enables them to recognize and exploit the available business opportunities.

The study found out that the government policy and regulations has a moderating effect on the performance of SMEs at Musanze Market; therefore, it recommended that government should move in quickly to create policies that favor the growth and expansion of SMEs. This will save the businesses from the challenges they face when trying to access financing from mainstream commercial banks.

Suggestions to further studies

This research only covered micro and small enterprises Musanze Market. However, there are other enterprises that are medium and large firms

in the other town. Researchers are encouraged to research on them.

In future, other SMEs in other towns should be involved to enable the researcher to make adequate conclusions.

In future, a research should be instituted to establish the challenges and the possible solutions. In future, a comparison should be done between the financial performance of SMEs that have received microcredit and the ones that have not received the financing.

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