

# Influence of Self Help Group Support Mechanisms on Micro Enterprise Development: Case of Self Help Groups Supported by African Evangelistic Enterprise in Rwanda, Gasabo District

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**Abstract:** *The purpose of this study was to assess the influence of Self Help Group support mechanisms on micro enterprise development. The objectives of the study were to establish the extent to which group cohesion influences microenterprise development among SHG members, to determine how group funding influences microenterprise development among SHG members and to assess the extent to which business training influences microenterprise development among SHG members. The researcher utilized a descriptive and analytical survey design. The target population were 9,980 members of SHGs supported by AEE Rwanda in Gasabo district from 2011 to 2017. The sample comprised 384 members of SHGs that had benefited from AEE support, with the sample calculated using Yamane formula of determining sample size. Stratified Random sampling was used to categorize groups and individual group members across the seven sectors in which AEE operates, while simple random sampling method was applied to identify individual group members, from whom data was collected. Data was collected using questionnaires administered by trained interviewers. Data was analyzed and presented using descriptive statistics using SPSS and Binary Logistic Regression model was used to assess the influence of SHG support mechanisms on micro enterprise development. The study established that three aspects of Group cohesion increased the likelihood of SHG members to initiate successful enterprises: Laws by three times, good relationship within SHGs by (41%) and networks with other SHGs in community by (82%). Capacity building through budgeting and loan management skills had increased the likelihood SHG members to succeed in business ventures by 2.5 times. The study recommends regular assistance for SHGs to elaborate sound Laws, strengthening working relations within SHG members and promote Networks with other Self Help Groups, consistent provision of budgeting and loan management skills, routine coaching and supervision of SHG members to enhance micro enterprise development.*

## 1. Introduction

Working in micro, small and medium enterprises (MSMEs) is the most prevalent way to make a living in low- and middle-income countries (ILO, 2015 & World Bank, 2013). Formal MSMEs employ more than one-third of the world's labor force (Kushnir et al., 2010). In most developing countries, micro enterprises and small-scale enterprises account for the more than 90 percent in terms of employment. (Selvaraj, 2016). In the present era of globalization and rapid developments, the problem of poverty remains as an important area of concern in many parts of the world. In 2000, the United Nations declared the Millennium Development Goals (MDGs) followed by Agenda 2030 also known as Transforming our world and poverty reduction has been on the top in these two United Nations' initiatives.

African Union Commission and regional blocks have Small and Medium Enterprises (SMEs) on their agenda: In 2016, the African Union Commission (AUC) began the process of validating the Small Medium Enterprise (SME) Strategy and Master Plan 2017-2021. The SME Strategy and Master Plan 2017-2021 aims, among others, at improving the continental business environment, increasing business formation, supporting formalization of growth-oriented informal enterprises and startups, increasing SMEs/Is, MSMEs and entrepreneurs' participation in regional and global value chains and promoting innovative financing. The SME

strategy's key initiatives aim at aimed at unleashing the potential of SMEs/Is and MSMEs and suggested the drivers of African economies' growth to create employment, reduce poverty and promote by ensuring that women, young people and underserved populations, including those in rural areas, benefit from economic growth.

The East African community exhibition started in 1999 the exhibition that exposes the MSEs to the vast Regional market of over 140 million people and acts as a platform availing the Micro and Small Entrepreneurs of East African Region new market for their products and bridging-up the technological gaps between them. The Government of Rwanda (GoR) has a vision to become a middle-income country. To achieve this goal, the medium term Economic Development and Poverty Reduction Strategy (EDPRS) states that it must increase an annual GDP growth rate and increase off-farm employment by promoting Small and Medium Enterprises (SMEs) and micro enterprises (MINICOM, 2010).

The total number of establishments amount to 154,236 and nearly 80 percent of them belong to only two major economic activities: Wholesale and retail trade (50.9 percent) and accommodation and food services (28.9 percent). The three districts of Kigali City have the highest percentage of establishments (7.9 percent for Nyarugenge, 8 percent for Gasabo, and 5.2 percent for Kicukiro). Those districts are followed by Rubavu and Musanze (4.3 percent each) and districts of Muhanga and Nyagatare (3.9 percent

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each). Almost all private establishments (99Percent) exclusively belong to Rwandans and 96 Percent of them are owned by individuals (sole proprietorship status). Moreover, most of all establishments employ less than 4 workers; therefore, 90 Percent of them are classified as micro establishments (NISR, 2014).

According to MINICOM (2010), the SME sector has the potential to lower Rwanda's trade imbalance. However, SMEs in Rwanda face a myriad challenge including limited access to finance, high energy costs, inadequate skills and training, low levels of societal trust as well challenges with contract enforcement.

Entrepreneurship, access to finance and business development by increasing off-farm employment, productivity and new job creation driven by the private sector are among others key priorities of EDPRS 2 to transform Rwandan economy to be a middle-income country by 2020.

To reach the poorest, Micro Finance Institutions (MFIs) introduced the microfinance delivery method Self-Help Groups (Felicia Palmkvist et al, 2015). The Self-Help Groups (SHGs) have been increasingly regarded as important instruments of development policy through micro-leasing, micro-lending and micro-savings to transform the lives of those with limited access to financial services (World Bank, 2002).

The concept of Self-Help Groups gained significance; especially after 1976, when Prof. Mohammed Yunus began experimenting with micro-credit and women SHGs. The strategy made a quiet revolution in Bangladesh in poverty eradication. There many are reasons to believe that given the necessary financial support and guidance, the Self-Help Groups (SHGs) can succeed in facilitating microenterprise development and thereby influence the employment environment and socio-economic status of their members. Microenterprises can, thus, play an important role in improving the quality of life and poverty alleviation. They can help in solving poverty and inequality, staggering unemployment, regional disparities and other socio-economic problems encountered by the society. (Dimple Tresa Abraham, 2013)

African Evangelistic Enterprise (AEE) is a local non-governmental organization which has adopted SHG approach as solution to support the vulnerable populations. in partnership with Kindernothilfe (German for "Supporting children in need"), AEE has created and supported 499 SHGs in Gasabo (Kigali city) where Self-Help Group members meet to reinforce their relations, to accessing credits and to be trained on different business skills to undertake microenterprises.

## 2. Statement of the Problem

For those aspiring to start a micro-enterprise, the capital investment though small, is difficult to mobilize particularly if they belong to the poor and marginalized sections of the society (Dimple Tresa Abraham, 2013). Self-Help Groups (SHGs) are small informal associations created for enabling

members to reap economic benefit out of mutual help, solidarity and joint responsibility. The benefits include mobilization of savings and credit facilities and pursuit of group enterprise activities. (Lina Joy, A. Prema and S. Krishnan, 2008 ). The present challenge is to induce Self Help Groups and their members to graduate into matured levels of enterprise.

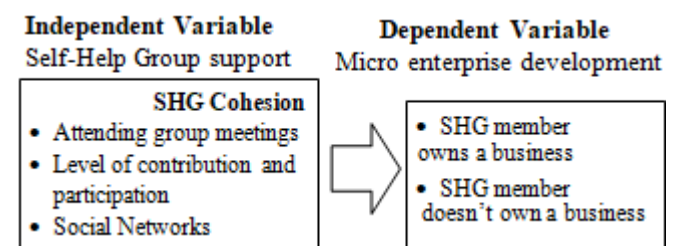
None Governmental Organizations and wider development should emphasize on graduating Self-Help Groups and encourage them start their micro enterprises through empowering group members at individual level, group level and the society level as they get money from their savings and micro credit to undertake micro entrepreneurial activities. African evangelistic Enterprise (AEE) has adopted Self Help Group approach by facilitating group members to network among themselves, to get access to credits, to receive business training and other none financial support.

AEE impact reports show significant contribution to its beneficiaries. Self Help Group members experienced increased access to financial services, ownership of assets, household decision-making power (assets, purchases, family planning), control over resources, mobility, children's education, and legal awareness (AEE-Rwanda, 2017). However, those AEE impact reports provide insufficient information and no similar research had been done on whether Self-Help Groups influence micro enterprise ventures, hence, the current study.

## 3. Objective of the Study

To establish the extent to which group cohesion influences microenterprise development among SHG members.

## 4. Conceptual Framework



## 5. Research Design

The study applied both descriptive and analytical research design, which aims at describing the relationship between Self Help groups and micro enterprise. Members of respective Self-Help groups supported by AEE Rwanda were key respondents and the study reported the findings without any attempt to manipulate them.

### 5.1 Target Population

The study population was 9,980 Self Help Group members which were supported by AEE Rwanda in Gasabo district.

### 5.2 Sampling Procedure and Sample Size

The representative sample for this study was selected from Gasabo district using proportionate stratified random sampling. The district was selected because it's a developed district and based on 2014 Rwanda establishment census it among the top of others to have higher number of economic activities. Keeping in view of the objectives of the study, with the help of the concerned persons (officers & leaders of SHGs) the researcher identified all SHGs that operates in Gasabo district.

Yamane, formula  $n = N / (1 + N * (e)^2)$  was used to get the number of SHG members that participated in this research.

Where  $n$  is the sample size,  $N$  is the population size and  $(e)$  is the level of precision. At 95% confidence level,  $p = 0.475$  which is approximately 0.5. This is because a 95%-degree confidence corresponds to  $\alpha = 0.05$ . Therefore, using the formula  $n = N / (1 + N (e)^2)$  Where  $N = 9,980$  and  $e = 0.05$ ,  $n = 9,980 / (1 + 9,980 (0.05)^2) = 384$  SHG members. For each block of the sectors of Gasabo: Ndera, Rutunga, Gikomero, Jabana, Jali, Rusororo and Bumbogo the sample size was allocated across sectors using the formula:  $n_h = (N_h / N) * n$  and samples obtained are presented in table 3.1. Where  $n_h$  is the sample size for each sector  $h$ , (e.g. Sample SHG members selected in Ndera sector).  $N_h$  is the total number of SHG members in a sector  $h$ .  $N$  is total number of SHG members in all seven sectors and  $n$  is the total samples in all seven sectors.

**Table 1: Sampling Frame**

Name of the sector	Total number of SHGs Members ( $N_h$ )	Inclusion Probability in the sample ( $N_h/N$ )	Sample SHG Members per Sector ( $n_h$ )
Ndera	1,720	0.17	66
Rutungu	1,560	0.16	60
Gikomero	1,500	0.15	58
Jabana	1,540	0.15	59
Jali	1,800	0.18	69
Rusororo	600	0.06	23
Bumbongo	1,260	0.13	49
Total	(N) 9,980		<b>384</b>
Overall sample size			

Source: AEE, 2018

### 5.3 Data Collection Instruments

Primary data from 384 members were collected using standard questionnaires. To cover all areas of interest, both open and closed ended questions were used. The information was collected orally, as reported by the respondents. Administrative data on projects that implemented SHG approach was reviewed to complete the primary data.

### 6. Data Analysis

Information gathered through the questionnaires was checked and edited for accuracy, uniformity, consistency and completeness, coded before being entered SPSS 21. This was followed by tabulation, and then descriptive statistics was used to produce frequency tables and percentages. Binary Logistic Regression model was also used and odd ratios were computed and interpreted to assess the influence of independent variables (Cohesion, funding and business training) on dependent variable (established a micro enterprise or not).

### 7. Research Findings and Discussion

**Table 2: SHGs that have established laws and regulations**

Groups that have establishes rules and regulations.	Frequency		Percent
	Yes	384	100

Source: Primary data, 2018

Table 2. Indicates that all SHGs groups sampled have established laws and regulations. This shows how SHGs supported by AEE Rwanda are well established and governed by laws elected by members.

**Table 3: Percentage of SHG members who own at least one income generating activity**

	Frequency	Percent
Yes	364	95.3
No	18	4.7
Total	382	100

Source: Primary data, 2018

On the question whether members of SHG had borrowed from their respective groups, the findings indicated that all SHG members (100 %) had borrowed from their SHGs. Out of 100 % borrowed, only 95.5% had invested their money into income generating activities.

**Table 4: Ratings of Aspects of Group Cohesion through SHG**

Statement	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
The frequency of the meeting is appropriate	14	3.6	308	80.2	55	14.3	7	1.8	0	0
I actively participate in all meetings	13	3.4	325	84.6	40	10.4	6	1.6	0	0
I follow to the established laws and regulations	24	6.3	321	83.6	37	9.6	2	0.5	0	0
We have good working relations within our SHG	39	10.2	326	84.9	17	4.4	2	0.5	0	0
I have a network with other SHG in my community	2	0.5	82	21.4	204	53.1	96	25	0	0

Source: Primary data, 2018

According to Table 4, Majority of SHG members (80.2%) agreed that the frequency of meeting is appropriate. In addition, most group members (84.6%) agreed they actively participated in group meetings all times. Moreover, majority

of respondents (83.6%) agreed that they adhered to rules and regulations as established by group members. Majority of respondents (84.9%) also agreed that they had good working relations with their respective group members. Finally, (21.

(53.1%) were undecided with the assertion. % of SHG members agreed that their SHG had established networks with other Groups in the same community though

**Table 5:** Influences of group cohesion on businesses initiated by SHG members.

Statement	Strongly Agree		Agree		Undecided		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
The frequency of the meeting influences Me to initiate a micro enterprise	99	25.8	233	60.7	47	12.2	5	1.3	0	0
To participate actively in all meetings influences Me to initiate a micro enterprise	100	26	243	63.3	40	10.4	1	0.3	0	0
Good working relations within our SHG influences Me to initiate a micro enterprise.	121	31.5	210	54.7	46	11.3	5	1.3	1	0.3
Network with other SHG in my community influences Me to initiate micro enterprise.	32	8.3	313	81.5	35	9.1	4	1	0	0

Source: Primary data, 2018

Table 5 indicates that majority (60.7%) of SHG members agreed that the frequency of group meetings influenced them start their micro enterprises, with 25.8% strongly agreeing with the statement. Moreover, majority of respondents (63.3%) agreed that their active participation in all meetings influenced them to start micro enterprises with 26% strongly agreeing with the statement. In addition, majority of SHG members (54.7%) agreed that to initiate their own micro enterprises was due to good working relations within their fellow SHG members, with 31.5% strongly agreeing with the statement. Finally, the majority (81.5%) agreed that networking with other SHG in their community influenced them to initiate their own micro enterprises. Following the results, it is evident that Group cohesion is a significant factor that influences members of SHGs to initiate and expand their micro enterprises.

relations within SHG and Networks with other Self Help Groups in the area were found to have a significant influence on SHG members to succeed in business ventures. Secondly, Group funding or any form of capital accorded to SHG members weren't found influential in running micro enterprises. Thirdly, though capacity building was found very important to the SHGs, only budgeting and loan management skills had influenced group members to succeed in their business activities.

**9. Recommendation**

Micro enterprise development through SHGs is an effective means to achieve higher participation of people in productive activities. It is important to pay adequate attention to certain aspects for better success of such small businesses. The research brought out some recommendations. Firstly, AEE should provide SHGs committees with the assistance to elaborate sound Laws, to strengthen working relations within SHG and promote Networks with other Self Help Groups in the community. AEE should also strengthen its capacity building system specifically focusing on budgeting and loan management skills Finally, AEE should establish routine coaching and supervision of SHG members who run small businesses.

**Table 6:** Binary Logistic Regression of Aspects of group cohesion and owning a business

Independent variables	(β)	Sig	Exp(β)
The frequency of the meeting is appropriate	-0.838	0.035	0.433
I participate actively in all meetings	-1.514	0.001	0.22
I follow to the established laws and regulations	1.024	0.132	2.785
We have good working relations within our SHG	0.579	0.409	1.784
I have a network with other SHG in my community	0.287	0.426	1.332
Constant	-1.544	0.629	0.213

Source: Primary data, 2018

Table 6 shows that SHG members that followed the established laws and regulations were 2.8.times more likely to succeed in business ventures. In addition, having good working relations within SHG also increased the likelihood of members to start their own business by 78.4%. A network with other Self Help Groups in the area was also found to increase the likelihood of group members to undertake micro enterprises by 33.2%.

**8. Conclusion**

Firstly, It is evident that group cohesion significantly influences Self-Help Groups' members to initiate their own micro enterprises. Among the five aspects of Group cohesion only three of them namely :SHG members that followed the established laws, having good working

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