

# The Influence of Finance Credit Markets in the Development of Manufacturing Industry in Rwanda, a Case Study of Sulfo Industries Nyarugenge District

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**Abstract:** *The purpose of this research was to assess the contribution of finance credit markets in the development of manufacturing companies and was carried out in Sulfo industries as the case study with the following objectives; to examine the effect of money markets on development of Sulfo industries and to assess the influence of stock markets on the development of Sulfo industries. The researcher reviewed both theoretical and empirical literature concerning the contribution of finance credit markets in the development of manufacturing companies. The conceptual framework showing the relationship they exist between the two variables was also done. The critical review showing the knowledge gap that this research sought to close was also expressed. For the research methodology the researcher used the descriptive design. The populations was 22 employees of Sulfo industries located in Nyarugenge sector, Nyarugenge district-Kigali city while the sample size was 22 respondents. Sampling techniques was census because of the small size. Data collection tools were questionnaires for primary data while for secondary data documentary review was done. The researcher ensured reliability and validity of the research instruments through pretesting while data presentation was done using tables and analyzed using SPSS program. The researcher found out that money markets create trade opportunities through facilitating trade opportunities, money markets create trade opportunities through facilitating meeting short term capital needs and that money markets facilitate company development through facilitating large investments. Stock markets facilitate company development through facilitating buying and selling of shares, that stock markets facilitate company development through leading to proper environment for obtaining more financial resources and that stock markets facilitate company development through promoting advertising company shares. The researcher concluded that the effect of money markets on development of Sulfo industries are that it creates trade opportunities, meeting short term capital needs, raising cash, buying and selling shares and facilitating large investments. The influence of stock markets on the development of Sulfo industries are that allows investors to sell and buy shares, proper environment for obtaining more financial resources, promoting sustainable growth of the economy and advertising company shares for development. The researcher recommended that Sulfo industries should continue participating in finance and credit markets because it is important in development and that employees of Sulfo industries should ensure that the company development is enhanced through finance and credit market participation*

**Keywords:** Finance credit markets, manufacturing industry

## 1. Introduction

Credit markets are a prototypical example of markets where the presence of asymmetric information plays an important role: Would-be borrowers have superior information on the quality of their project, or on the nature of their commitment to its success; and lenders have to design contracts taking into account their lack of information on these crucial aspects (Joshua, 2014). Credit market provide the issuers of debt securities with funds to finance their future expenditures or to balance their current needs. When a government revenue fall down and do not meet current obligations, in this case it issue a bond which will help to lift up the government revenue. According to (Bryman & Bell, 2015) a company looking for a cheap way to raise money for its future expansion or acquisition plans, and wants at the same time to retain its present control of ownership, will choose the corporate bond market for the financing it requires.

## 2. Statement of the Problem

Company development is considered vital for the survival, success and sustainability as well as improved competitiveness in the market. Manufacturing companies

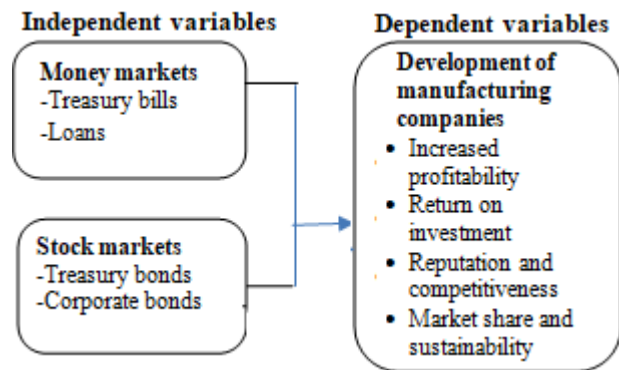
like other sectors within the industry devise different methods through which they can develop or take advantages within the business environment that can support their development, notable among the environmental opportunities for development that companies are undertaking is the availability of finance and credit market where companies believe they can be able to invest their resources and yield profits for growth. However participation of manufacturing companies in finance and credit markets is still low in Rwanda which is largely attributed to limited information on how finance credit markets contribute to the development of manufacturing companies. It is against that background that the researcher found it necessary to carry out this research on the contribution of finance credit markets on the development of manufacturing companies with reference to Sulfo Industries as the case study.

## 3. Objectives of the Study

The general objective of the study is to examine the contribution of finance credit markets on the development of manufacturing companies. Its specific objectives were to examine the effect of money markets on development of

Sulfo industries and to assess the influence of stock markets on the development of Sulfo industries.

#### 4. Conceptual Framework



#### 5. Research Methodology

- **Research Design:** The researcher used a descriptive design where issues related to employee engagement and employee performance in companies were described and analyzed.
- **Target Population:** The population of the research was 22 employees of Sulfo industries from to and middle staff
- **Sample Size:** Census was done in selecting respondents because the sample size was small.
- **Data collection instruments:**Data was collected using questionnaires for primary data while for secondary data; the researcher was documentary review
- **Data processing and analysis:** The researcher extracted data from questionnaires and present it using tables. The presented data was later analyzed and interpreted using statistical methods to determine percentages and frequencies upon which conclusion of the findings was based. The researcher used SPSS program to obtain frequencies and percentage from the views given by respondents upon which analysis and interpretation was based. The researcher used regression models to analyze the relationship between two variables. Regression analysis is a powerful statistical method that allows one to examine the relationship between two or more variables of interest.

#### 6. Summary of Research Findings

##### 6.1 The effect of money markets on development of Sulfo industries.

**Table 1:** The extent to which respondents agree that money markets create trade opportunities

Extent	Frequency	Percent
17 Strongly agree	9	41
Agree	7	32
Neither agree nor disagree	5	23
Disagree	1	4
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source: Primary data, 2018

According to table 1, respondents contacted strongly agreed that that money markets create trade opportunities(41%) while 32% of respondents said they agree and 23% of respondents said they neither agree nor disagree. 4% of respondents said they disagree. When asked to give reasons for their answers, respondents said that money markets create trade opportunities which facilitate development of companies. This led the researcher to the understanding that that money markets create trade opportunities through facilitating trade opportunities

**Table 2:** The extent to which respondents agree that money markets leads to meeting short term capital needs

Extent	Frequency	Percent
17 Strongly agree	11	50
Agree	7	32
Neither agree nor disagree	3	14
Disagree	1	4
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source: Primary data, 2018

According to table 2, respondents contacted strongly agreed that that money markets leading to meeting short term capital needs(50%) while 32% of respondents said they agree and 14% of respondents said they neither agree nor disagree. 4% of respondents said they disagree. When asked to give reasons for their answers, respondents said that money markets facilitate meeting short term capital needs. This led the researcher to the understanding that that money markets create trade opportunities through facilitating meeting short term capital needs.

**Table 3:** The extent to which respondents agree that money markets facilitate raising cash

Extent	Frequency	Percent
17 Strongly agree	14	64
Agree	5	23
Neither agree nor disagree	2	9
Disagree	1	4
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source: Primary data, 2018

According to table 4, respondents contacted strongly agreed that that money markets facilitate raising cash(64%) while 23% of respondents said they agree and 9% of respondents said they neither agree nor disagree. 4% of respondents said they disagree. When asked to give reasons for their answers, respondents said that money markets facilitate meeting raising cash. This led the researcher to the understanding that that money markets facilitate company development through facilitating raising cash

**Table 4:** The extent to which respondents agree that money markets facilitate buying and selling shares

Extent	Frequency	Percent
17 Strongly agree	13	59
Agree	6	27
Neither agree nor disagree	2	10
Disagree	1	4
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source: Primary data, 2018

According to table 4, respondents contacted strongly agreed that that money markets facilitate buying and selling shares (59%) while 27% of respondents said they agree and 10% of respondents said they neither agree nor disagree. 4% of respondents said they disagree. When asked to give reasons for their answers, respondents said that money markets facilitate buying and selling shares. This led the researcher to the understanding that that money markets facilitate company development through facilitating buying and selling shares.

**Table 5:** The extent to which respondents agree that money markets facilitate large investments

Extent	Frequency	Percent
17 Strongly agree	12	55
Agree	6	27
Neither agree nor disagree	3	14
Disagree	1	4
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source:Primary data, 2018

According to table 5, respondents contacted strongly agreed that that money markets facilitate large investments (55%) while 27% of respondents said they agree and 14% of respondents said they neither agree nor disagree. 4% of respondents said they disagree. When asked to give reasons for their answers, respondents said that money markets facilitate large investments. This led the researcher to the understanding that that money markets facilitate company development through facilitating large investments.

**6.2: The influence of stock markets on the development of Sulfo industries**

**Table 6:** The extent to which respondents agree that stock markets allows investors to sell and buy shares

Extent	Frequency	Percent
17 Strongly agree	16	73
Agree	4	19
Neither agree nor disagree	1	4
Disagree	1	4
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source: Primary data, 2018

According to table 6, respondents contacted strongly agreed that that stock markets allow investors buy and sell shares (73%) while 19% of respondents said they agree and 4% of respondents said they neither agree nor disagree. 4% of respondents said they disagree. When asked to give reasons for their answers, respondents said that stock markets help investors buy and sell shares. This led the researcher to the understanding that that stock markets facilitate company development through facilitating buying and selling of share.

**Table 7:** The extent to which respondents agree that stock markets lead to proper environment for obtaining more financial resources

Extent	Frequency	Percent
17 Strongly agree	14	63
Agree	6	27
Neither agree nor disagree	1	5
Disagree	1	5
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source:Primary data, 2018

According to table 7, respondents contacted strongly agreed that that stock markets lead to proper environment for obtaining more financial resources (63%) while 27% of respondents said they agree and 5% of respondents said they neither agree nor disagree. 5% of respondents said they disagree. When asked to give reasons for their answers, respondents said that stock markets lead to proper environment for obtaining more financial resources. This led the researcher to the understanding that that stock markets facilitate company development through leading to proper environment for obtaining more financial resources

**Table 8:** The extent to which respondents agree that stock markets promote sustainable growth of the economy

Extent	Frequency	Percent
17 Strongly agree	13	59
Agree	7	31
Neither agree nor disagree	1	5
Disagree	1	5
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source:Primary data, 2018

According to table 8, respondents contacted strongly agreed that that stock markets promote sustainable growth of the economy (59%) while 31% of respondents said they agree and 5% of respondents said they neither agree nor disagree. 5% of respondents said they disagree. When asked to give reasons for their answers, respondents said that stock markets promote sustainable growth of the economy. This led the researcher to the understanding that that stock markets facilitate company development through promote sustainable growth of the economy.

**Table 9:** The extent to which respondents agree that stock markets promote advertising company shares

Extent	Frequency	Percent
17 Strongly agree	12	55
Agree	7	32
Neither agree nor disagree	2	9
Disagree	1	4
Strongly disagree	0	0
<b>Total</b>	<b>22</b>	<b>100.0</b>

Source:Primary data, 2018

According to table 9, respondents contacted strongly agreed that that stock markets promote advertising company shares (55%) while 32% of respondents said they agree and 9% of respondents said they neither agree nor disagree. 4% of respondents said they disagree. When asked to give reasons for their answers, respondents said that stock markets promote advertising company shares. This led the researcher

to the understanding that that stock markets facilitate company development through promoting advertising company shares.

## 7. Conclusions and Recommendations

### 7.1 Conclusions

The researcher concluded that the effect of money markets on development of Sulfo industries are that it creates trade opportunities, meeting short term capital needs, raising cash, buying and selling shares and facilitating large investments. The influence of stock markets on the development of Sulfo industries are that Allows investors to sell and buy shares, proper environment for obtaining more financial resources, promoting sustainable growth of the economy and advertising company shares for development

### 7.2 Recommendations

The researcher made the following recommendations that should be put into consideration in relation to the effect of finance and credit markets on the development of manufacturing companies

- Sulfo industries should continue participating in finance and credit markets because it is important in development as money markets create trade opportunities through facilitating meeting short term capital needs and that money markets facilitate company development through facilitating large investments.
- Sulfo industries should facilitate company development through facilitating buying and selling of share.

Employees of Sulfo industries should ensure that the company development is enhanced through finance and credit market participation

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