

The Impact of Entrepreneurship in Economic Development Improvement: A Case Study of GOSHEN FINANCE Ltd (Rwanda)

Ellen Mushimiyimana

Beijing Jiaotong University

Department of Logistics Engineering, School of Economics & Management

Beijing, China

Mushimellen2020@gmail.com

ABSTRACT

Basing on the objectives of the study, the first objective was to assess whether GOSHEN FINANCE Ltd as a microfinance institution possesses the sufficient amount (bulk) of savings available to finance all projects creative entrepreneurs with the purpose of entrepreneurship initiative. According to the research, these entrepreneurs have met their main goal even though they hardly obtain loans because the bank requires collateral for these entrepreneurs and some of them are not able to get it. This may hamper the creativity of new business organization. Entrepreneurship improvement which is characterized by the introduction of new products, new organizations, entering of new markets that leads to increase the economic development improvement through the loan granted categorically as we have found in loan granted. After the research, it has been found that some entrepreneurs have tried to explore the available opportunities but still big numbers have not managed to do so, this is due to the insufficient training and knowledge in the fields they want to operate. It was found that entrepreneurship have not increase economic development improvement in the appropriate ways, saying that it has not met its main goal of increasing economic development as started and these entrepreneurs are recommended to create new business organizations that can at least create new products that can lead to creation of new income which income can at least increase social welfare than sharing already existing markets and income.

Keywords

Entrepreneurship, Economic Development, Self-employment

1. INTRODUCTION

The proceedings are the records of the conference. IJIREM hopes to give these conference by-products a single, high-quality appearance. To do this, we ask that authors follow some simple guidelines. In essence, we ask you to make your paper look exactly like this document. The easiest way to do this is simply to Download a template from [2] and replace the content with your own material.

2. LITERATURE REVIEW

2.1 Entrepreneurship

The term Entrepreneur was applied to business initially by the

Economist Cantillon in the 18th Century, to designate a dealer who purchases the means of production for contributing them to marketable products. Another Frenchmen, [10] expanded Cantillon's ideas and conceptualized the Entrepreneur as an organizer of business firm central to its distributive and production functions. Leading Economists of all schools have emphasized the contribution of Entrepreneurs to the development of Economies [11]. Many economists, sociologists, and psychologists have propounded different theories and also expressed their views on Entrepreneurship.

2.2 Economic Development

Economic growth can be defined as an increase in the real value of goods and services produced in the economy from one year to the next[12]. In other words, the country is aiming to have more goods and services available for sale every year. Economic growth about quantities of goods and services available while economic development is about quality of the while economic growth is aimed at increasing the volume of goods and services in monetary term economic development is aimed at the overall well-being of the citizens of a country[13]. Economic growth is, therefore, narrower than economic development. Economic development involves an improvement the availability of the basic needs, an increase in the per capital income, and an improvement in the variety of socio-economic indicators such as an increase in literacy rates, higher life expectancy, and reduction in poverty levels, improved health, more education and others[14]. What is being emphasized here is that economic development involves more than an increase in the number of goods and services but also a general improvement in people's welfare.

2.3 Entrepreneurship and Economic Growth

Entrepreneurship is based on the actualization of new ideas and creativity that lead to economic growth. This is possible by the ability of entrepreneurs to bear-risks. Some culture, beliefs, values system can as well increase the supply of entrepreneurs in a given society. Entrepreneurship creates employment opportunities, utilizes local raw materials, creates wealth and has the potential to reduce poverty in developing societies. Entrepreneurs may also discover areas of socio-economic needs and take advantage of such to the benefit of the society[15]. The Global Entrepreneurship (1999) argued that there are no countries with high levels of entrepreneurship and low levels of economic

growth. It was observed assumed that an analysis of countries over a long period of time have accumulated substantial evidence of a positive link between high rates of entrepreneurship and economic growth.

Theoretical Framework

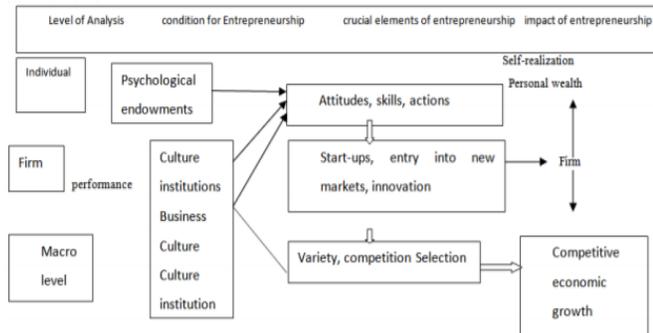


Figure 1: The wennekers and Thurik Model

Wennekers and Thurik Model

Wennekers and Thurik [16] established this model, relating entrepreneurial activity to economic growth. The model distinguishes between three levels of analysis: the individual level, the firm level, and the macro level. Entrepreneurial activity originates at the individual level and is always traceable to a single person, the entrepreneur. Entrepreneurship is, hence, induced by an individual’s attitudes or motives, skills and psychological endowments. Yet the individual entrepreneur is not undertaking entrepreneurial activities in timeless and spaces less vacuum, but is affected by the context in which he or she is acting[17]. Therefore, entrepreneurial motives and actions are influenced by cultural and institutional factors, the business environment and macroeconomic conditions [18].Entrepreneurs can learn from both their own and others’ success and failures, which enables them to improve their skills and adapt their attitudes [19].

3. METHODOLOGY

A research should use the population to collect data but resource may not be enough. Hence one has to resort to using a sample. If a sample is selected, the results from it should give an accurate picture of the total population.

Table 1: The entrepreneurs took loans to invest in a different sector from 2013-2017

Farming	5
Business	5
Others: -Construction	5
-Consultancy	5

Research techniques are practical means of obtaining or achieving a specified goal. Both the two types of data collection such primary and secondary data was collected to respond to research questions. Analysis and interpretation of the data obtained from turning data in information process of reviewing, summarizing and organizing isolated data such that they formulate a significant response to a research question. This refers to the transformation of the respondent's views into a significant (meaningful text). The data from both primary and secondary data have been collected,

analysed and interpreted by the researcher. To do this, was for having the quality information accuracy about the socio-economic development by the entrepreneurs. Supported by GOSHEN FINANCE Ltd.

4. RESULTS AND DISCUSSION

The analysis and interpretation of the findings from the data collected both primary and secondary sources. Based on the objectives of this study, the findings are discussed in relation to research questions. The researcher considered a sample size of 20 entrepreneurs selected out of 80 entrepreneurs. The findings are discussed in the selection with research questions, data analysis on the respondent from the respondents supported by GOSHEN FINANCE Ltd at Nyarugenge main branch and its manager. In data collection, 20 questionnaires have been distributed and all questionnaires were submitted back after responding.

4.1 Study Population, Sample Size, Recovered questionnaires and responses

Table 2: Summary of questionnaires responded by Entrepreneurs of GOSHEN FINANCE Ltd.

Study population	Sample size	Percentage (%)
80	20	25

Source: Primary data

Table 3: Amount of loan granted

Amount granted	Number of respondents	Percentage (%)
500,000 – 5,000,000	10	50
500,000 – 10,000,000	3	15
10,000,000 above	7	35
Total	20	100

Source: Primary data

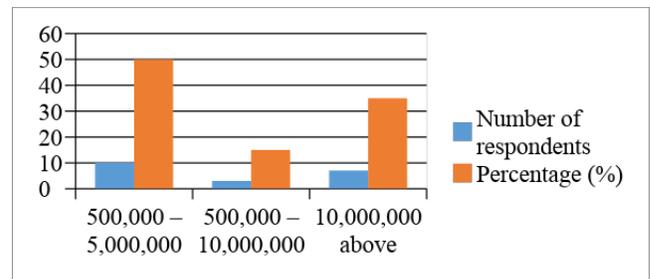


Figure 2: Amount of loans granted

According to the above table, where the researcher was inquiring the categories of the amount of loan granted among entrepreneurs 50% equivalent to 10 respondents or entrepreneurs receive the loans ranged between 500,000 – 5,000,000.This means that the financial loan is an average recording of the amount granted to entrepreneurs. When 7 entrepreneurs or 35 % are ranged between 10,000,000 and above, this is a good performance of GOSHEN FINANCE and a good business performance because the entrepreneurs are motivated by GOSHEN FINANCE of loan repayment. But GOSHEN FINANCE is needed in this category. However, the middle borrower class is lower than both extremes of borrowers. Goshen

Finance Ltd should focus more on this class in order to motivate middle-class entrepreneur to seek extra finance from them.

Table 4: Entrepreneur’s Sector of Investment

Study population	Number of respondents	Percentage %
Product business	18	90
Service business	2	10
total	20	100

Source: Primary data

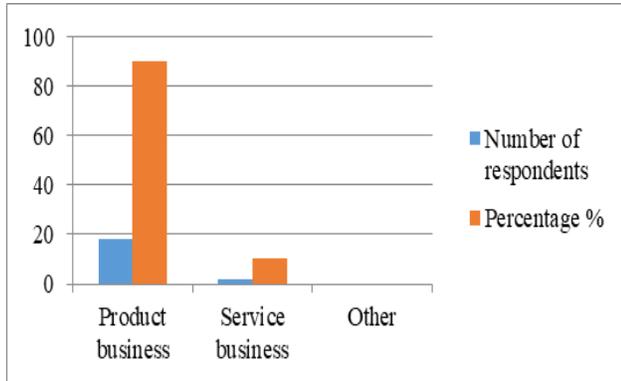


Figure 3: Entrepreneur’s Sector of Investment

From the table 4.4 shows that 90% respondents said that they have started by investing in the product business, and 10% of the respondents investing they answered that they started service business while no one invested in another sector of investment. This implies that 90% respondents must the bank’s required conditions in order to get a loan and 10% has invested in the service sector. Briefly, the greater financial loan of GOSHEN FINANCE Ltd is allocated to the entrepreneurs doing the product and low amounts are allocated in the service sector. This justified that the product consumption increase leading to the economic development increase specifically standards of living improvement and income per capital increase.

Table 5: Education Situation of Entrepreneurs before the credit

Before credit		
Options.	A number of reps.	%
Yes	3	15
No	17	85
Total	20	100

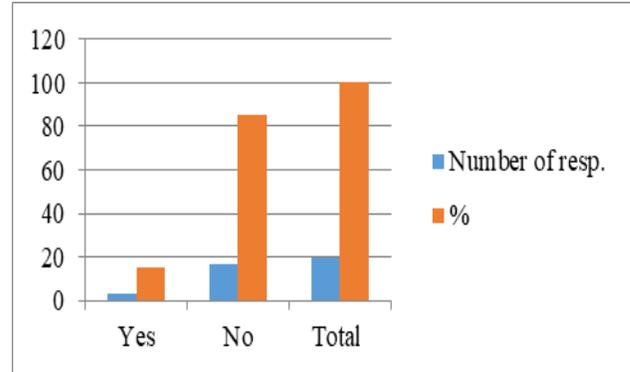


Figure 4: Education Situation of Entrepreneurs before the credit

Table 6: Education Situation of Entrepreneurs before the credit

After credit		
Study pop.	A number of reps.	%
Yes	16	80
No	4	20
total	20	100

Source: Primary data

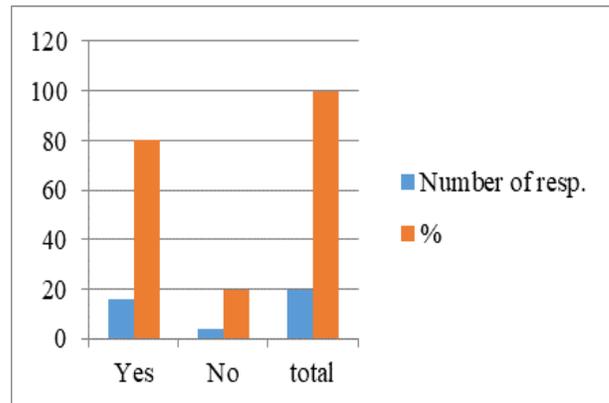


Figure 5: Education Situation of Entrepreneurs after Credit

These tables show that before obtaining credit from GOSHEN FINANCE Ltd 17 entrepreneurs 85% they were suffered from lack of financial support so they were not able to school fees to their children in the schools. Meanwhile, 3 entrepreneurs or 15% of respondents who were suffered greatly with financial situation declared before obtaining credit, and after receiving financial credit, the results showed that 4 or 20% of entrepreneurs were still in financial problems. The 3 entrepreneurs where in good financial before our interview condition with the authorities of the bank, we understand that they could not adequately use their credit and they do never fulfil the terms of repayment of the loan despite repeated advice from the bank. Generally, the credit facility to the customers to have the means to pay for their children’s school fees, given that 3 people or 15% respondents who have the capacity to pay school fees before the child credit,

the number increased to 17 or 85% of those respondents after credit.

Table 7: The Conception of starting new Business

Situation	Number of respondents	Percentage %
Very easy	3	15
Very hard	5	25
Hard	4	20
Average	8	40
total	20	100

Source: Primary data

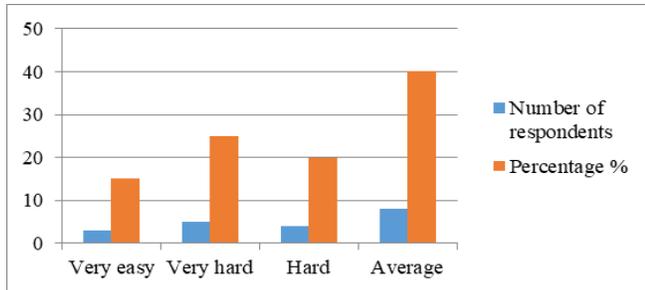


Figure 6: The Conception of starting new Business

About perception of new business starting, 40% of the respondents said that it is average to start such new business, 25% respondents accept that starting new business is very hard, 20% said that it was not difficult to start new business and 15% respondents that it was not difficult to start new business (it is easy). With the views above, it was easy to introduce a new product. They are meeting the meaning of entrepreneurship which is creative and introduces a new thing contributed to the economic development improvement adequately.

Table 8: Profit realization from the business undertaken

Option	Number of respondents	Percentage %
Yes	17	85
No	3	15
Total	20	100

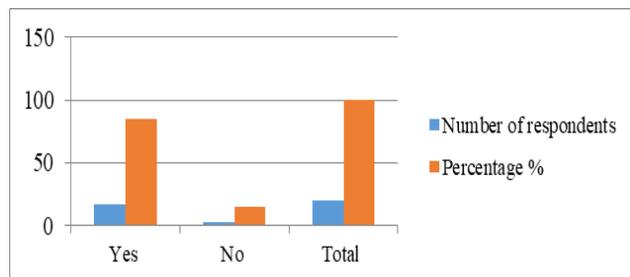


Figure 7: Profit realization from the Business undertaken

Following the table above, it shows that 85% of respondents agreed that are obtaining profit and 15% of them, denied that they are not making a profit while their income is still low even they run the business relating to the cost that they spend. It means that entrepreneurship contributed to the increase of living situation, so, an economic development improved is achieving

through the entrepreneurs supported by GOSHEN FINANCE Ltd. On the other had 70% did not accept the profit realization, to say that they don't gain while they invest so revenue is less or equal to the expenses.

Therefore, entrepreneurship contributes to poverty reduction (improvement living standard) as the after the goal.

Table 9: Living Standards Improvement

Life improvement	Number of responses	Percentage %
Paying basic needs	11	55
Expand business	5	25
Payment of loan easily	3	15
Afford the second loan	1	5
Total	20	100

Source: Primary data

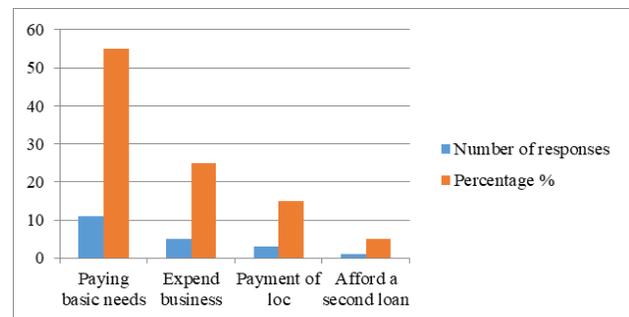


Figure 8: Living Standards Improvement

The provided to above show that entrepreneurs have greatly paid their basic needs that improved with 55% respondents, 5% of respondents have improved or expand their business to goal extend off and 3% of the respondents said that they have repaid their loan easily because of their sector of the business which going well and given more profit compared to running their cost and 1% of the respondents accuse of a second loan from GOSHEN FINANCE Ltd.

This implies that entrepreneurs have managed officially this business since a big number have improved their accessibility to the basic needs.

Therefore some of the entrepreneur's life has not improved effectively. This means that this is still a lot of to be done since a significant number of entrepreneurs are made of losses.

Table 10: Problems Encountered in Daily Business Activities

Alternative	Number of respondents	Percentage %
Lack of raw materials	2	10
Lack of funds	4	20
High taxes	3	15
High competition	8	40
Few customers	3	15
total	20	100

Source: Primary data

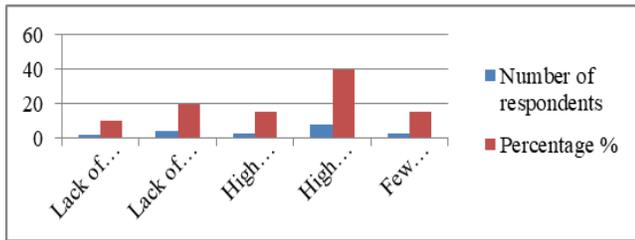


Figure 9: Problems Encountered in daily Business Activities

This table shows that 40% of respondents said that problems faced by entrepreneurs an economic development improvement are high competition and 20% of them meet the problems of lack of enough funds, 15% of respondents said that they meet the problem of high taxes the same percentage of respondents who meet with few customers barrier and 10% respondents faced with the lack of raw material. Therefore, entrepreneurs should put more efforts of being creative to introduce new business organizations and to create new products to enter new markets which have too high competition in order to realize enough profit through high revenues, hence economic development improvement and so requesting the governments to raise more effort in attracting them through funding them.

Table 11: Planning of Entrepreneurs

Alternative	Number of respondents	Percentage %
Expansion	5	25
Diversification	3	15
New venture	12	60
Total	20	100

Source: Primary data

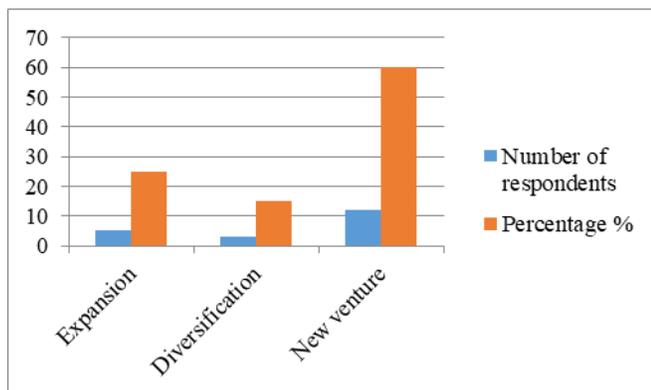


Figure 10: Planning of Entrepreneurs

The 60% of the respondents plan to invest in new venture, 25% respondents in expansion and diversification with 3%. Therefore, as the table shows the big number of the entrepreneurs are trying to increase the economic development improved, but they have

not achieved the acceptable level required and they did not improve at the absolutely needed point, that is why many think to turn to new ventures because they have not in making the profit.

Table 12: Rate of accessibility of loans from GOSHEN FINANCE Ltd

Alternatives	Number of respondents	Percentage %
Very difficulty	0	0
Difficulty	12	60
Easy	6	30
Very easy	2	10
Total	20	100

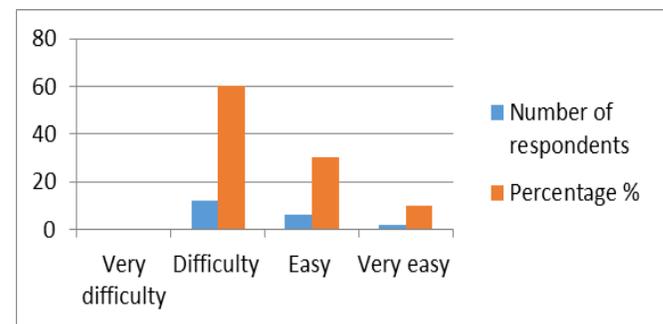


Figure 11: Rate of accessibility of loans from GOSHEN FINANCE Ltd

Following this table above, 60% said that to receive the loan was a difficulty, 30% said that to access to loan is easy while 10% said that is very easy to have a loan. It means that majority of the respondents agreed that there are many barriers to access to the loan required which had to late of achieving of the improvement in development and in the economic. Therefore, the easy and fast services are needed within the institution towards all customers and clients.

Table 13: Satisfaction among the Entrepreneurs of the Service offered by GOSHEN FINANCE Ltd

Alternative	Number of respondents	Percentage %
Very satisfied	5	25
Satisfied	13	65
Not satisfied	2	10
total	20	100

Source: Primary data

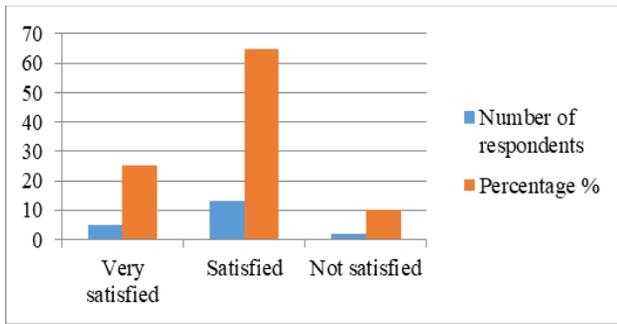


Figure 12: Satisfaction among the Entrepreneurs of the Service offered by GOSHEN FINANCE Ltd

According to the table above, 65% respond. Said that they satisfied by the services offered by GOSHEN FINANCE Ltd, 25% respond accepted the good service that they are satisfied by services and 10% were not satisfied with the services offered by this in the organization. This implies that 65% are in the line with the improvement through the entrepreneurship because the good service received during the credit process and 25% were more pleased with the services. Therefore, the entrepreneurship was affected by the quick and better services that lead to the economic development improvement change very fast and very well.

Many suggestions were provided by entrepreneurs such as:

- Facilitate the entrepreneurs to access credit for the loan
- Revision of the invest rate
- Extending the repayment time
- Fast services especial in the credit system.

5. CONCLUSION

Rwanda is among the categories of developing countries most of its people are below the poverty line. Poverty is the most critical problem on which the government of Rwanda is putting most efforts. Therefore among the strategies and measures to alleviate poverty and increase economic Based on all findings started previously, through banking institutions especially GOSHEN FINANCE Ltd. Nyarugenge main branch, entrepreneurship has tried to promote economic development but has not get reached a good level since these entrepreneurs have not managed to exploit the available opportunities inappropriate way. The bank has however tried to provide its entrepreneur's credit funds in order to start their own business and promote their living situations.- Entrepreneurship should ensure the goals of creating new products and new services penetration of new markets in one hand and ensuring financial on the other hand.- These entrepreneurs of GOSHEN FINANCE Ltd need to develop more new businesses, new products update because there are certain barriers to the high competition that creates no more income that can reduce poverty.

- The products and services given by these entrepreneurs of GOSHEN FINANCE should be good quality and maintain services delivery in time.

- The government has to promote the technology in entrepreneurship promotion because this will lead to operating efficiently and will contribute to the quality and profitability of entrepreneurship promotion services and their clients.

- The government has to give sufficient resources for training of people about business skills.

REFERENCE

- [1]F. Zammori, M. Braglia, and M. Frosolini, "A standard agreement for vendor managed inventory," *Strategy. Outsourcing Int. J.*, vol. 2, no. 2, pp. 165–186, 2009.
- [2]Hisrich, Michael Peters, and Dean Shepherd, *ENTREPRENEURSHIP*, 6th ed. New York: McGraw-Hill Irwin, 2005.
- [3]J. A. Schumpeter, *Capitalism, socialism, and democracy*. 1942.
- [4]Riadh Habash, *Green Engineering: Innovation, Entrepreneurship and Design*, vol. 9. CRC Press, 2017.
- [5]Dr. Amir Pirich, Stephen Knuckey, and John Campbell, "AN INTERFACE BETWEEN ENTREPRENEURSHIP & INNOVATION," *Sustain. Dev. Innov. Branch Minister. Econ. Dev.*, 2001.
- [6]F. N. Ugwu and C. N. Ezeani (Ph.D.), "Evaluation of Entrepreneurship Awareness and Skills among LIS Students in Universities in South East Nigeria," *Libr. Philos. Pract.*, 2012.
- [7]Robert D. Hisrich, "The Impact of Science Entrepreneurship in a University on Economic Development in the Regeion.pdf," *Entrep. Sci. Educ. Eng. Sci.*, 2005.
- [8]World Bank, "Rethinking Poverty," 2000.
- [9]MINECOFIN, "The Government of Rwanda Poverty Reduction Strategy Paper," KIGALI RWANDA, 2009.
- [10]R. D. Hisrich, M. P. Peters, and D. A. Shepherd, *Entrepreneurship*. New York, NY: McGraw-Hill Education, 2017.
- [11]Evrin MAYATÜRK AKYOL, "A Discussion About Personal Characteristics Of Entrepreneurs In The Context Of Culture's Impact," Vol. 4, No. 1, 2016.
- [12]C. P. Kindleberger and Bruce Herrick, *Economic development*, 3rd ed. New York: McGraw-Hill, c1977, 1977.
- [13]"Drewnowski, J. & Scott, W. - The level of the living index -- . - Geneva, United Nations Research Institute for Social Development, 1966." [Online]. Available: <http://www.worldcat.org/oclc/623706>.
- [14]Maryann P. Feldman and Johanna L. Francis, "Homegrown Solutions: Fostering Cluster Formation," *Econ. Dev. Q.*, vol. 18, no. 2, pp. 127–137, May 2004.
- [15]Kpelai and S.Tersoo, "The Impact of Women Entrepreneurship on Economic Growth In Benue State-Nigeria," *IOSR J. Bus. Manag.*, vol. 13, no. 1, 2013.
- [16]Roy Thurik and Sander Wenekers, "A Note on Entrepreneurship, Small Business, and Economic Growth," *ERIM REPORT SERIES RESEARCH IN MANAGEMENT*, 1991.
- [17]Rahmije Mustafa-Topxhiu, "The role of entrepreneurship and enterprises for local economic development," *Academicus International Scientific Journal*, vol. 5, pp. 96–107, 2012.
- [18]UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, "ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT," 2005.
- [19]M.A. Carree and A.R. Thurik, "The Impact of Entrepreneurship on Economic Growth," *Academicus International Scientific Journal*, pp. 19–20, 2002