Challenges deterring the progress of women small-scale entrepreneurs in Rwanda

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ABSTRACT

The research assesses the challenges deterring the progress of women’s small-scale businesses in Rwanda. It was guided by the following specific objectives: identify challenges faced by women’s small-scale businesses in Rwanda and assess how those challenges affect women’s small-scale businesses’ progress. Findings were collected from 109 respondents who have been running small-scale businesses over a period ranging from one to three years. Results were collected through a questionnaire and desk review and quantitatively analyzed. The findings shed light on the challenges which small-scale women entrepreneurs face namely family expenses (53.2%), drunkenness (67%), family conflicts (93.6%), financial illiteracy (100%), and poverty (100%). The above-mentioned challenges affect small-scale businesses in that women entrepreneurs find themselves mixing up businesses and family expenses. Family conflicts were also highlighted to be another cause of business failure in that women who conflict with their husbands cannot easily prosper in their businesses. In addition, financial illiteracy makes them unable to assess their profit and find their businesses stagnant or closing. Thus, there is a need to provide support to small-scale businesswomen about how to assess business progress, and calculate their interest rate so that they may come up with financial skills. This would enable them to align their daily family expenses with their business interest. Once properly implemented, it would decrease the business failure rate.

Introduction

Entrepreneurship contributes to societal growth in developing economies and empowers women with entrepreneurial skills and capabilities to shift from job seekers’ to ‘job givers’ (Dhahri & Omri, 2018; Kickul & Lyons, 2020, Chauhan, 2023). No country can reach its development without involving women in different activities. Studies have proved that women’s efforts greatly contribute to development (Agarwal & Lenka, 2016; Greguletz, et al, 2019). Women’s involvement in business has increased dramatically with consciousness on gender equality and women empowerment at global and national level (Panta & Thapa, 2018; Panta & Thapa, 2018). However, the number of men is still high compared to women in all aspects of business.

Though women have shown to be successful in different activities they are engaged in, men still dominate them in terms of type and size of businesses (Bridges et al., 2022). Considering the population of Rwanda, women are a considerable number without which development can hardly be reached. Thus, the potential contribution of women cannot be ignored as active participants of development (Ramesh, 2018; Almodóvar-González et. al, 2020). In most countries, women outnumber men which make their poverty average influences the national economic state. According to statistics, the population of Rwanda is 13,110,007 and comprises 49.1% males and 50.9% females (NISR, 2019).

Around the world, entrepreneurship is considered as one of the most significant factors of economic growth and development (Al-Qudah, et. al., 2022). The reinforcement and promotion of entrepreneurship especially in Small and Medium sized Enterprises...
Women owners of businesses have always faced challenges associated with gender roles and discrimination which hinder their developmental opportunities limiting their growth (Modaresi, & Arasti, 2021). Women’s entrepreneurship rectifies economic discrepancy. It makes them empowered, and thus contributes positively in different sectors of economic development. It makes them create employment and positive environment for future women entrepreneurs (Angadwita et al., 2017). There are positive expectations of entrepreneurial activities and such activities are essential especially for developing countries.

Generations of women from various backgrounds have shown encouraging signs of entrepreneurship success. A considerable number of women have been able to overcome barriers that restricted them to domestic sphere. They have become involved in different types of professions and services. In addition, female entrepreneurs are increasingly recognized as highly motivated and effective entrepreneurs (Taqi, 2016). Women’s entrepreneurship is one of the ways which enables them to overcome any perceived inferiority complex among societies in general and their families in particular (Goffee & Scase, 2015). Governments at different levels have to increase efforts of creating conducive environment where women’s entrepreneurship awareness can prosper (Al-Kwfi, 2020). If females are not empowered to become economically self-supporting, they will remain dependent on males and that dependency hinders the development of families and countries at large. Women entrepreneurs play a vital role especially in developing countries (Ogundana, et al., 2021).

Historically, women have been ignored in different development sectors and were considered as housekeepers. The high number of women which was due to different factors among others wars in African countries which bring loss of men, has awaken the attention of African leaders about empowering women (Cabrera & Mauricio, 2017).

Through available literature reviewed, it has been proved that the area of women entrepreneurs in developing countries is still under researched (Bridges et al., 2022; Corrêa et al., 2022). In this line, the present research comes in to assess the challenges which women entrepreneurs in developing countries face taking Rwanda as a case study. It is in this comprehensive framework that women have been encouraged to actively participate in different development activities. The research is a great contribution to leverage the success of women entrepreneurs as highlights kit highlights key challenges faced and proposes ways of overcoming them.

In spite of efforts made in empowering women, low number of women in different employment sectors persists. In developing countries, women outnumber men but still businesses run and controlled by women are very few. The reasons behind is cultural, social and economic exclusion despite more efforts which is being used to empower them (Welter et al., 2017; Leitch et al., 2018). Women are still underestimating themselves as not competent and able as men do. Even those who are eager to overcome cultural and social barriers face challenges which hinder their businesses’ development. It is in this framework that the study on challenges which deter the progress of women entrepreneurship activities in Rwanda as well as mechanisms of dealing with them needs to be conducted. Women’s active participation finds its justification in increasing national economies. Research objectives of the study as follows:

i. Identify challenges faced by women’s small-scale businesses in Rwanda; and

ii. Assess how those challenges affect women’s small-scale businesses progress.

**Literature review**

The section reviews different studies and reports relating to the topic under study. The purpose of reviewing literature was to get a deep understanding of the topic, get an overview of what is already known in the field of challenges which small-scale women entrepreneurs face and discover the knowledge gap. Theoretical and conceptual background as well as empirical review are presented under this section.

**Theoretical and conceptual background**

The section turns around two theories among others Austrian Market Theory (AMT) and Achievement Theory which guided the discussion of the topic under study.

**Austrian Market Theory (AMT)**

Initiated by Schumpeter (2003), Austrian Market Theory (AMT) focuses on human action based on knowledge concerning economy. It considers an entrepreneur as someone one with creative, imaginative and innovative capabilities. In the context of the study, the theory is a good fit since for an entrepreneur to be successful, creativeness and imagination is needed for grasping available and profitable business opportunities (Shahab et. al., 2019). The theory describes entrepreneurship as a driver of market-based systems. In other words, it is an important function of an enterprise aiming at creating something new which results in processes that serve as impulses for the motion of market economy.
Achievement Theory

Developed by McClelland (2005), achievement theory states that the inner drive of efforts to be deployed in task accomplishment is determined by the level of need to achieve the set goals. McClelland classified human needs into three areas namely need for achievement, affiliation and power. Even though the theory looks at three wings, the present research is rooted on achievement. High-need achievers have a strong desire to assume personal responsibilities for performing a task or finding a solution to a problem. McClelland found that people with a high need for achievement perform better than those with a moderate or low need for achievement. In relation to women entrepreneurs which are the base of the study, the level of efforts towards entrepreneurial innovation and success is determined by the level of need for achievement. This theory once effectively applied in businesses, it would lead women entrepreneurs to economic transformation.

Empirical review

Various empirical literature reviewed demonstrated the linkage between entrepreneurship and economic growth. Several studies measure entrepreneurship in terms of economic activity, others base it on self-employment, start-up businesses as indicators of entrepreneurial activities.

Yadav & Unni (2016) conducted a study on women entrepreneurship: review and future direction. The objectives of the study were to examine the number of papers published on women entrepreneurship in 12 established entrepreneurship journals from 1900 to 2016 and to assess the growth of the field by specifically reviewing available literature published from 1980s till 2016 and put forward future research directions. The findings suggested that there is still a long way to go in terms of building a strong theoretical base for research on women entrepreneurship. It was found out that past research was dominated by positivist paradigm and there was a need to embrace innovative methods using a constructionist approach. The findings also highlighted that studies were mostly limited within national boundaries primarily being conducted in developed economies. The study suggested building transnational networks and fostering professional communities to enable research growth in entrepreneurship field.

Meunier, Krylova, & Ramalho (2017) carried out a study on women’s entrepreneurship: how to measure the gap between new female and male entrepreneurs. The research analyzed data on female and male entrepreneurship that were collected by the World Bank Group’s Entrepreneurship Database. Considering the importance of a differentiated approach to entrepreneurship in terms of legal entities, data on female and male business owners were collected and analyzed. Forty-four out of 143 economies that participated in the Entrepreneurship project proved some gender-disaggregated. The results revealed that the gap in business ownership remains high in many economies around the world. In most of analyzed economies, less than one-third of new limited liability company owners were women. The gap between male and female entrepreneurship was especially observed in low-income economies. It was highlighted that women were not having equal opportunity to men in regard to starting new businesses. Various institutional factors including women’s financial inclusion, the gender gap in education and legal rights disparities were key challenges to women who would wish to be involved in entrepreneurial activities.

Corrêa et al. (2022) conducted a study on female entrepreneurship in emerging and developing countries: a systematic literature review. A Systematic Literature Review (SLR) was conducted using Scopus and Web of Science over a 10-year time frame (2010-2020). Out of 465 papers, 77 were selected for content analysis. The study revealed that despite the increment of female entrepreneurship literature, there are few studies that systematize the existing literature especially in developing countries. Through theoretical approaches, the study focused on analyzing available entrepreneurship studies conducted in 155 emerging and developing countries. Most of examined researches were focusing on understanding women entrepreneurs’ challenges, factors which affect their entrepreneurial performance and encouraging entrepreneurship endeavors. The research shed more light on female entrepreneurship characteristics among others business competence, performance and entrepreneurial orientation.

Research and methodology

The research was conducted in Rwanda whereby 109 female respondents participated in the study. Data was collected through the distribution of questionnaires from sampled women running small businesses. Data were quantitatively presented in graphs with percentages supported by data from desk review (Saunders et al., 2019; Gupta & Gupta, 2022).

Findings and discussion

The section presents data related to the level of business success and challenges faced by small scale women entrepreneurs. Findings were collected from a total number of 109 respondents who participated in the study.

Small scale business entrepreneurs’ success level

The research considers findings from a time period of one to three years. Results are displayed in table 1.
Table 1: Level of business success

<table>
<thead>
<tr>
<th>Business duration</th>
<th>Respondents</th>
<th>Less than 40%</th>
<th>Less than 50%</th>
<th>60% and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>30</td>
<td>15</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>2 years</td>
<td>60</td>
<td>26</td>
<td>27</td>
<td>7</td>
</tr>
<tr>
<td>3 years</td>
<td>19</td>
<td>2</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>109</td>
<td>43</td>
<td>54</td>
<td>12</td>
</tr>
</tbody>
</table>

It has been observed that a considerable number of businesses fail at its initial stage. Among 109 respondents who were sampled, 43 of them that is 39.4% have achieved a low percentage of business success at the average of less than 40%; 54 respondents representing 49.5% have achieved the success level of less than 50% while only 12 respondents who represents 10% have achieved business performance at the level of 60% and above. This implies that small scale women entrepreneurs’ failure is still a big challenge to their economic development. It makes them persist in continuous poverty and economic dependence to their husbands which increases their exposure to family endurance to domestic violence. Women are the engine of family well-being. They need to be helped to generate income for the development of the country in general and their families in particular. Thus, mechanisms to address the root causes of women businesses failure should be adopted as a sustainable remedy.

Challenges faced by small scale women entrepreneurs

Figure 1 highlights findings in relation to challenges which small scale business women face and which constitute a barrier to their business development.

Figure 1: Challenges faced by women entrepreneurs

Figure 2 presents findings related to challenges which small scale women entrepreneurs face and which hinder their business success. Among the challenges, 53.2% respondents highlighted among others family expenses due to a big number of family members. The size of the family makes small scale women entrepreneurs find themselves spending more than their daily income. This obliges them to reduce the business capital and thus makes the business unable to grow.

A considerable number of respondents (67%) assert that they are unable to develop their business due to drunkenness which makes them spend all business profit and even the capital. It was also pointed out that when a husband comes home while drunk, family conflicts arise due to lack of control. In other cases, women entrepreneurs also spend their money for alcoholic drink and forget everything related to their business. They find themselves out of control, spend all their money and thus their businesses fail.

No family can develop where conflicts reign. It is in this perspective that family conflicts have been mentioned among root causes of endless poverty within families. For the case of women entrepreneurs, they emphasized that misunderstanding within family members is a major barrier to business development. From 109 sampled respondents, 93.6 % assert that they are exposed to domestic violence which pushes their husbands to keep business away from their wives. Others are divorced which amplifies their business vulnerability.

Financial illiteracy has been mentioned as a major factor which hinders women entrepreneurs. This has been confirmed by a total number of 109 sampled respondents that is 100%. Since they are not financially educated, they fail to analyse their business status in terms of profit. Furthermore, small scale business women do not have the capability of environmental scanning for seizing available business opportunities. Thus, they are exposed to lack of competitiveness and business failure.
Poverty constitutes a major factor which hinders the development of small-scale business. From the total number of 109 respondents who participated in the study, 100% confirmed that they are challenged by extreme poverty. Whatever is needed at home is covered by women since they are considered as having income generating activities. Comparing expenses to be covered and level of income, it is realized that there is imbalance. From business income, women have to cover various expenses such as house rent, school fees, medical care, food and many others. Most of sampled women are illegally married or live together by cohabitation which makes their husbands abdicate their responsibilities. Another highlighted factor is that they do not have access to financial services like short term loan due to lack of collateral. This constitutes a major challenge which prevents entrepreneurs from business expansion and growth. Furthermore, women have been economically dependent upon their husbands which support their lack of collateral. The study shed light on the key challenges which women entrepreneurs face. Therefore, providing mechanisms to overcome the above stated can greatly contribute to lasting solution.

Conclusion

Small scale women businesses are hindered by different challenges which deter their sustainable economic development. In African context, women are more concerned with family expenses more than their husbands do. The situation becomes worse for conflicting families which are mainly living together by illegal marriage or cohabitation. In such situation, women are forced to take care of children with no support from their husbands which amplifies their economic vulnerability. The majority of small-scale businesses are run by women from painful background such as house girls who have been impregnated and thereafter rejected, women with illegal husbands or cohabitation and many others. It is suggested that before starting business, low-income women be equipped with basic financial skills to guide them in their business decisions. Family and economic policy makers need to work jointly towards improvement of societal foundation which lies in families. Most of small-scale women’s businesses die at its initial stage while others spend two or more years without any progress. Sustainable business environment is rooted on a positive family environment which enables women to greatly contribute to economic development of the country. This supports the need of caring on family harmonization, avoiding drunkenness as a key factor leading to endless poverty which has been found to be the major challenge of small-scale business failure. Thus, there is a need of creating long lasting and sustainable business which is grounded on a favorable family environment.

Acknowledgement

All authors have read and agreed to the published version of the manuscript.


Informed Consent Statement: Informed consent was obtained from all respondents involved in the study.

Data Availability Statement: The data presented in the study are available upon request from the corresponding author. The data are not publicly available due to restrictions.

Conflicts of Interest: The authors declare no conflict of interest.

References


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