GSJ: Volume 9, Issue 11, November 2021, Online: ISSN 2320-9186
www.globalscientificjournal.com

PROJECT FINANCING AND PROJECT PERFORMANCE OF SELECTED SMEs AT REMERA, GASABO DISTRICT, RWANDA

Authors: RYUMUGABE GONZAGUE NZAYOMVUGWA ALBERT
Email: mugabegonzaga@gmail.com albertrwanda@gmail.com

Co-author: Dr. Ronald KWENA

ABSTRACT

The study entitled" Project financing and project performance of selected SMEs at Remera ,Gasabo District, Rwanda " the study is guided by three specific objectives: to examine the influence of debts financing on project performance of selected SMEs in small and medium enterprises in Remera sector, Gasabo district; to examine the influence of equity financing on project performance of selected SMEs in small and medium enterprises in Remera sector, Gasabo district, to assess the influence asset based financing on project performance of selected SMEs in small and medium enterprises in Remera sector, Gasabo district and to determine the influence of donor financing on project performance of selected SMEs in small and medium enterprises in Remera sector, Gasabo district. The study covers 274 project owners in SMEs in Remera sector, Gasabo district as sample size. The study used descriptive research design where questionnaire was used as to collect data techniques and descriptive statistics and inferential statistics was used to analysis data. For the first objective, the results revealed that project debts financing have significance positive influence on project performance of selected SMEs in Remera sector as indicated by $\beta 1= 0.713$, $p=0.006<0.05$). For the second objective, the results that revealed that project equity financing have significance positive influence on project performance of selected SMEs in Remera sector as indicated by $\beta_2= 0.113$, $p=0.001<0.05$). For the third objective, the findings indicate that project assets based financing have significance positive influence on project performance of selected SMEs in Remera sector as indicated by $\beta_3= 0.228$, $p=0.000<0.05$). For the four objective, the findings revealed that project donor financing have significance positive influence on project performance of selected SMEs in Remera sector as indicated by $\beta_4=0.035$, $p=0.018<0.05$). The study recommends that the management of project performance of selected SMEs in Remera sector should consider using internal funds to finance their projects if these funds are available. The study recommends that the organization should strive to use more of its internal resources of available so as to gain overall control and decision making powers for its projects.

Key words: Project financing, project performance and SMEs

1. INTRODUCTION

The structure of project financing is a complex one but on the broad category it's divided into two major categories namely, debt financing and equity financing, equity financing is the form of financing whereby the shareholders use their equity capital and retained earnings to finance the activities of the project. According to Torre (2016) project financing is a system of funding in which a company takes delivery of credit which includes trade credit, long term debt and short term loans and gives its promise to repay the credit thus guaranteeing their competitiveness and that of the nation as a whole. Debt financing option is aimed at improving the business earnings to recover its cost, benefit the proprietors, and retain the surplus (Mwangi, 2013).

In the most developed countries like the European Union, various regulatory measures have been taken in the area of responsible financing of SMEs since 2016, and most of these measures have been triggered by the EU Commission Action Plan. Financing programmes are generally not provided as direct funding but through intermediate channels such as local, regional, or national authorities or financial intermediaries such as banks and venture capital organisations provide funding with financial instruments (Isensee *et al*., 2020).

According to a survey, which was conducted in 2017, domestic banks in Canada are the main providers of external debt, financing about 70% of requested finance for SME (Statistics Canada 2019). In the United States, a range of financial programmes such as loans, surety bonds, and equity financing is provided by a government agency that provides support to entrepreneurs and small businesses (U.S. Small Business Administration, 2018).

The Asia region has diverse challenges in financing SME projects. The region has countries with high levels of human development as well as the least developed countries. Considering this point, the economic success of SMEs in this region is vital for the Asian economy. Economies in Asian countries are often characterised as bank-dominant financial systems and capital markets; especially, venture capital markets are not well developed. Banks are the major source of financing and almost 90% of Malaysia, 80% of China, and 70% of the Indian financial system consist of bank loans (McIlravey, 2014).

In African countries like Ghana, it was hard for SMEs to realize their desired performance in terms of liquidity, long term solvency and profitability thus leading to lost business opportunities and failure to develop in form of size and financial resources. It was attributed to high lending conditions by financial institutions between 30% & 36% annually (Mensah, 2014). The ability of SMEs to raise financing is important for funding business investment, ensuring businesses reach their growth potential, and for facilitating new business start-ups; a lack of finance can constrain cash flow and hamper businesses‟ survival prospects (Fatoki & Odeyemi, 2010). Typically, SMEs are not able to raise money directly in the capital markets and are therefore - with regard to external sources - mainly dependent on traditional bank financing, which is itself limited by constraints due to banks‟ refinancing capacity, their risk appetite and capital (Cracknell, 2012).

In Eastern African countries like Kenya, most young entrepreneurs involved in projects due to the fact that there are various banking institutions in the country willing to work with the young entrepreneurs by lending to them finances required to finance their project activities. Some of the local banks in Kenya also have a special loan structure targeting the young people involved in business and projects so as to adequately cover their special need of credit finances. Other banks in Kenya have an open room to negotiate with the young projects entrepreneurs so as to offer them tailor-made financial solutions that fit the various aspects of their projects and also ease the repayment of the borrowed finances together with the accrued interests without financially straining the operations of the ongoing projects.

In Rwanda, the government of Rwanda is aware of the high levels of unemployment in Rwanda and has therefore put up measures to reverse the situation. Various campaigns targeting sensitization on innovation and entrepreneurship among the Rwandan youths have been launched. The government has come up with measures to avail finances to the young investors and entrepreneurs have been made possible through BDF, MFIs and SACCO so as to enable the young entrepreneurs' access the finances they require to finance their projects and business activities. Deliberate measures by the Rwandan government to set up funds targeting the Rwandan business and projects young entrepreneurs is one major initiative to curb on the rising levels of unemployment through encouraging self-employment among the youths. BDF are some of the initiatives by the Rwandan government to provide soft loans and grants to the youth entrepreneurs so as to carry out their projects and run their SMEs with less financial strain (MINECOFIN, 2016).

2 Statement of the Problem

In Rwanda, due to increased level of unemployment, many individuals have engaged in MEs as source of employment. Given the status of the business environment where the competition is intense, SMEs need adequate financial means to survive. Any shortage in financial resources may hinder the project implemented by SMEs from growing (Raihana, 2017).

Despite these efforts most of these SMEs have challenges such as loss of property due to loan repayment default. Over 50 percent of borrowers sale their assets to repay loans. A quarter of the borrowers are over leveraged with debts serving repayments over half their monthly expenditures and 18 percent have defaulted. Over two thirds of borrowers experienced at least two of these conditions (BNR, 2019). Moreover, alternative and more innovative financing instruments compared to loans such as private equity or mezzanine is still seldom used, unknown, or not available depending on the geographical location of the SME. This situation makes many projects implemented by SMEs to fail.

For instance, according to Rwanda establishments and business report of 2020 by NISR(2020), indicated that 45% of project performance of selected SMEs in Remera sector have not achieved their objectives , 36% of projects implemented by SMEs in Rwanda were closed, 56% of project implemented by SMEs their expenses is great than its incomes resulting losses and 37.4% of projects implemented by SMEs did not producing good quality of its products due to inadequate of trainings and lack of funds (NISR report, 2020) due to inadequate of funds, COVID-19 problem, inadequate facilities and lack of enough guarantees and higher interest rates on loan for project implemented by SMEs.

To address, the above problem faced by projects implemented by SMEs, the government of Rwanda and other partners like commercial banks, SACCOs, MFIs and BDF has formulated policies for the financing of responsible small and medium sized enterprises (SMEs) and were (MINICOM, 2020) but the extent on how project financing influence project performance of selected SMEs implemented by SMEs in Rwanda is unknown. It is against this background that the study seek to investigate the influence of project financing on project performance of selected SMEs at Remera ,Gasabo District, Rwanda

3 .Objectives of the study

The study was guided by general and specific objectives

3.1. Gneral objective

The general objective of this study is to investigate the influence of project financing on project performance of selected SMEs at Remera ,Gasabo District, Rwanda

3.2. Specific objectives of the Study

The following objectives provided general guidance to the study:

1) To examine the influence of project debts financing on project performance of selected SMEs at Remera sector ,Gasabo District,
2) To examine the influence of project equity financing on project performance of selected SMEs at Remera sector ,Gasabo District,
3) To assess the influence project assets financing on project performance of selected SMEs at Remera sector ,Gasabo District,
4) To determine the influence of project donor financing on project performance of selected SMEs at Remera sector ,Gasabo District,

4. LITERATURE REVIEW

This chapter discusses literature which is associated with the study. The chapter reveals theoretical and conceptual framework

4.1. Theoretical Review

This study was guided by the Theory of Financial Intermediation, free cash flow theory and pecking order theory and financial growth theory

The modern theory of financial intermediation

According to the modern theory of financial intermediation propounded by Modigliani and Miller (1958). This theory was useful particularly in the evaluation of the barriers and constraints the SMEs face in getting credit from diverse source surplus funds like SACCOs and commercial banks (Bert and Dick 2003).

The role or roles played by these intermediaries in the financial sector is found in the many and varied models in the resource allocation based on perfect and complete markets by suggesting that it is frictions such as transaction costs and asymmetric information that are important in understanding intermediation. Gurley and Shaw (2010) have stressed the role of transaction costs. For example, fixed costs of asset evaluation mean that intermediaries have an advantage over individuals because they allow such costs to be shared. Similarly, trading costs mean that intermediaries can more easily be diversified than individuals.

In the current study, the objective was to evaluate the influence of project financing on project performance in small and medium enterprises. This theory was useful particularly in the evaluation of the barriers and constraints the SMEs face in getting credit from diverse source surplus funds like SACCOs and commercial banks. The theory guided the establishment of how asymmetry, bargaining power and transactional costs and other market imperfections affect the ability SMEs to source for funds and how that influences their success.

Free Cash Flow Theory

The free cash flow model of Jensen (1986) presents the difference in interests between manager and shareholders regarding excess cash flows. Managers would often want to retain the excess cash flow even when they do no not have any positive NPV projects to invest in. Debt normally commits the firm to pay out cash as opposed to equity issues such as IPOs and SEOs which increase free cash flow available to managers. The free cash flow ends up being detrimental to the firm since the managers may not use it to increase shareholder wealth. Capital structure is one of the means of controlling managerial behavior (Mutie *et al*., 2019).

This theory guided the establishment of how asymmetry, bargaining power and transactional costs and other market imperfections affect the ability SMEs to source for funds and how that influences their success.

Pecking Order Theory

The Pecking Order Model was created by Myers (1984). Based on this theory, firms favor internal funding more than outside funding. The pecking order theory explains why the bulk of external financing comes from debt; why more profitable firms borrow less: not because their target debt ratio is low. The order followed is that firms prefer internal finance and if external finance is required, firms issue the safest security first. They start with debt, then possible hybrid securities such as convertible bonds then perhaps equity as a last resort.Corporate managers are more likely to follow a financing hierarchy than to maintain a target debt- equity ratio (Musila, 2018).

The theory was used to establish if the success of project in SMEs preferred the conservative sources mostly from personal sources or have ventured into liberal financing schemes and loans for SMEs.

The trade-off theory

The tradeoff philosophy was proposed by Myers (1984). This theory describes the concept that a company makes a choice on how much debt and how much equity to use by weighing the costs of financing and the benefits of financing and balancing them out. The cost of financing should be offset against the benefits of financing.

The important part of this theory is to explain the fact that business units are usually financed partly with debt and partly with equity. The theory shows that there are merits of debt which may include tax benefit but on the other hand there are costs of debt which may be costs of financial distress including bankruptcy costs of debt. This theory is important as it helps the finance managers to make viable decisions when financing the business to ensure that benefits of the debt are more than costs (Ikapel & Kajirwa, 2017).

The implication of this theory is that any firm has a specific maximum amount of debt. The usefulness of this theory to this study was testing the effect of debt financing and equity financial on project performance of selected SMEs at Remera, Gasabo district in Rwanda

Financial growth life cycle theory

The financial growth lifecycle theory was developed by Berger and Udell (1998). According to the financial growth life cycle theory, as with individual products, entrepreneurial firms go through a life cycle. An entrepreneurial firm may be at the idea stage, the prototype stage, the rapid growth stage, or the maturity stage. A number of researchers have pointed out that different types of finances are appropriate for different stages of firm development (Njeru , 2013). It is normal that during the earliest stages of the company, funding typically comes from the entrepreneur's personal financial resources and savings or from family and friends. This is because, at this stage, the firm often lacks a viable product, customers, or stable revenues (Onyiego *et al*., 2017). According to this theory financial needs and financing options vary as the business grows and becomes more experienced. Depending stage of growth of SMEs, the usefulness of this theory to this study was testing how debt financing ,equity financial ,project donor financial and assets based financial affect project performance of selected SMEs at Remera, Gasabo district in Rwanda

4.2. Empirical review

Sandra (2018), studied on the effect of financing instruments on success of projects implemented by small and medium enterprises: A case of projects implemented by small and medium entreprises Menengai Geothermal Project. The purpose of this study was to examine the effect of financing instruments on success of projects implemented by small and medium enterprises Menengai geothermal energy project. The target population for this study included employees that worked for GDC. A stratified sampling technique was adopted to pick the respondents from their respective departments. The sample size was 284 respondents. Data was collected using self-administered questionnaires and descriptive statistics was applied for data analysis. The first research objective revealed that debt financing was a cheaper source of financing geothermal projects and to large extent improved efficiency in the implementation of geothermal energy projects. The second research objective established that a large extent of the respondents agreed that equity financing enabled the organization to easily get loans in future. The third research objective established that to a large extent that donor funding allowed donor influence on project decisions, delayed project implementation and limited project scope. The study recommends that the government looks into the use of private public partnerships as a different source of financing for geothermal projects.

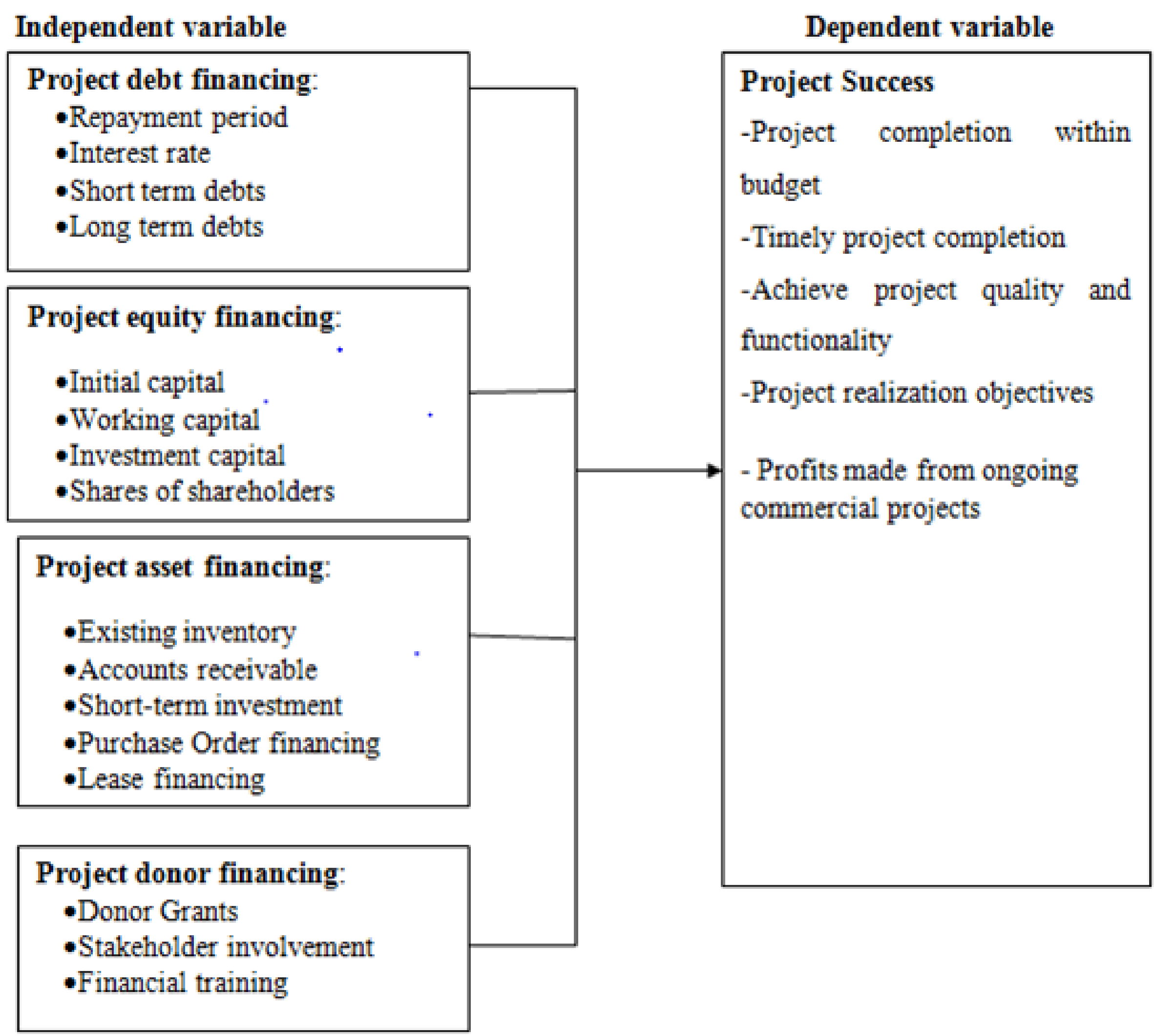
Mwenda (2016), conducted the study on the influence of bank loan financing on project performance: A case of Kenya Commercial Bank Financed Youth Groups' Projects in Imenti South District-Kenya. The purpose of this study was to investigate the influence of KCB bank loan financing on project performance. A case of KCB bank financed youth groups' projects in Imenti South District. The research was undertaken by use of descriptive method. The study used questionnaires to collect data from the respondents. This entailed the use of simple descriptive statistics and inferential statistics. The findings revealed that 73.6 percent changes in performance of youth groups' projects could be accounted to interest rate, collateral requirement, loan repayment terms and financial management trainings. The study concludes that high bank loan interest rates, lack necessary collateral and lack of flexible repayment terms had a negative impact on access to credit availability and thus adversely affected the performance of youth groups' projects.

Musila(2018), studied on the relationship between equity financing and financial performance of the energy and petroleum companies listed at the Nairobi securities exchange. The main objective of the study was to establish the relationship between equity financing and financial performance for firms in the energy and petroleum sector listed at the Nairobi Securities Exchange. The study was descriptive in nature and the research analyzed the data selected within a specified period of time. The population for the study consisted of the five firms in the energy and petroleum sector listed at Nairobi Securities Exchange from the year 2005 to 2014 period. The sample was the same as the population. The study used a regression model to analyze the relationship between equity financing and financial performance of the firms. The results of the study showed an insignificant but positive relationship between equity financing and financial performance. The study also showed a significant positive relationship between financial performance and growth opportunities and equity ratio. The study recommends that firms to use equity financing in increasing asset base and growth since this translates to improved financial performance. Policies regarding equity issues should be reviewed and made flexible to encourage firms to participate in equity issues.

Gachui (2017) assessed the impact of donor funding on implementation of community development projects in Kenya. An explanatory research design was used and a target population of 1,852 individuals who were members of the 20 water projects. A sample comprising of 330 respondents was chosen with the help of a two-stage sampling technique. The results concluded that donor funding was positively linked to implementation of community development projects. It was also revealed that donor funding was significantly related to community development projects. Analysis of Variance (ANOVA) tests found out that its probability value was less than 5% which implied that the overall model was significant. Coefficient of determination was found to be 83.4% which implied that it was a good predictor.

4.3.Conceptual framework

The conceptual framework explains the relationship between the independent variables and the dependent variables (Kothari, 2011).The conceptual framework is presented in figure 2.1 which indicates that the independent variables for the study are project financing composed by debt financing, equity financing, asset based financing and donor financing while the dependent variable for the study is success of project measured by using Project completion within budget , timely project completion , achieve project quality and functionality, project realization objectives and profits made from ongoing commercial projects.



Source: Researcher, 2021

Figure 2.1: Conceptual framework

4.4. Research gap

From the foregoing review of relevant literature, the study identified contextual gap, methodological gap , conceptual gap, and empirical gap in the previous studies.

Study done by Sandra (2018), have contextual gap where the project of projects implemented by small and medium entreprises Menengai Geothermal Project is the nature of energy project which have different characteristics with project implemented by SMEs. Hence, the current study focus on how project financing such as debts financing, equity financing, assets based financing and donor financing influence the project performance of selected SMEs implemented by SMEs in Remera, Gasabo District

The study done by Mwenda (2016), have conceptual gap where only focused on the variable of debts financial but ignore to incorporate other variable like equity financing, asset based financing and donor financing. Hence the current study is used to fill the conceptual gap where all four variable such project debts financing, equity financing, asset based financing and donor financing will be studied to indicated its influence of project performance of selected SMEs implemented by SMEs in Rwanda.

5. RESEARCH METHODOLOGY

The research methodology in this study deals with the research design, the population of the study, the sampling design, data collection measurement of variables**,** reliability and validity of the measurement instruments, data processing and presentation, data analysis, limitations of the study and ethical considerations.

5.1.Research Design

This study adopted descriptive research design and correlation research design. The study descriptive research design was used to describe the variable under the study such as debts financing, equity financing, assets based financing and donor financing and project performance of selected SMEs in small and medium enterprises by using quantitative approach . Correlational research design is quantitative approach that was used to test whether debts financing, equity financing, assets based financing and donor financing have significant influence on project performance of selected SMEs in small and medium enterprises in Remera sector, Gasabo district.

5.2. Population of the study

The population of the study is 872 projects of selected small and medium enterprises in Remera sector

5.3. Sampling design

The study used Slovin's Formula to determine the sample size that was used in data collection because 872 project performance of selected SMEs in Remera sector in Remera sector is large which is great than 100, therefore the sample size is calculated as follows:

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

Where: n= the sample size,

N= Population size and

e= the margin of error (5%).

$$\boldsymbol{n} = \frac{872}{1 + 872\,\boldsymbol{(0.05)^2}} = \frac{872}{3.18} = 274.2 \approx 274$$

The study collected data on 274 project implemented by SMEs in Remera sector, Gasabo district.

Table 3.2: Sample size

Categories of project implemented by SMEs in Remera sector	**Population size**	**Sample size**
Projects implemented by small enterprises	540	170
Projects implemented by medium enterprises	332	104
Total	872	274

Source: Remera sector, reports, 2021

The researcher used stratified sampling techniques for selecting 274 project implemented by SMEs in Remera sector, Gasabo district. According to Vander Stoep &Johnson (2009), stratified random sampling is a probability sampling technique where the researcher divides the entire population into different subgroups or strata, and then randomly selects the final subjects proportionally from the different strata. This study used stratified random sampling technique to select 274 project implemented by SMEs in Remera sector, Gasabo district based on its categories including 170 projects implemented by small enterprises and 104 projects implemented by medium enterprises

5.4. Data collection instruments

The researcher therefore compounds the use of questionnaire and documentary analysis in the process of collecting primary data.

Questionnaire

Questionnaire was used to collect primary data. These questionnaires consisted of structured and unstructured questions. Administration of the questionnaires was done by dropping and picking them at an agreed time with the researcher (Kothari, 2011). The decision to choose a survey approach was because it is an efficient and economical method to use in comparison to other methods for example observation. Questionnaires were disseminated through emails to the respondents to give them ample time to verify the accuracy and reliability of the data collected. This was considered to be a cheaper and convenient approach for data collection in areas that were not easily accessible by the researcher. Questionnaires with 5-points Likert Scale were administered to collect data since it was easy for the respondents to use and understand. The questionnaire tool was used to collect information from 94 owners of business project in Remera sector, Gasabo District

Documentation review

According to Burns & Grove (2003) stated that documents are materials which contain the information about a phenomenon that researchers wish to study. In this study the documents (books, journals and web site sources) was used in order to get more information.

5.5. Reliability and validity of the measurement instruments

A pilot study is a minor study which normally precedes the actual study and is often intended to determine presence of any weaknesses in the research instrument. The pilot study was conducted from 27 owners of projects of selected SMEs in Kimironk sector, Gasabo District .The probable weaknesses in the research instrument were determined by testing both the reliability and validity of the stated data collection tool.

Validity of research instrument

Bridget and Lewin (2005) defined instrument Validity as the degree by which the sample of test items represents the content the test is designed to measure. In this study research instrument validation was important as it ensured that the study collected relevant information to specifically address the research questions. Mugenda and Mugenda (2011) suggest that the usual procedure of assessing the content validity of a measure is the use a professional or expert in a particular field. To achieve validity in the research, guidance from research experts and the supervisor was sought. Validity was also ensured by checking whether the questions in the questionnaire were measuring what they were intended to measure. Wording clarity and interpretations of the questions by the respondents to ensure accuracy and understanding of the questionnaire content was also used to ensure validity

Reliability of research instrument

Mugenda and (2011) say that reliability is a measure of the degree to which a research instrument yields consistent results when used more than once to collect data from the sample population. . For the purpose of instrument reliability in this research, the study used test-retest procedures whereby a correlation coefficient was calculated using spearman's formulae. The correlation coefficient of 0.830 was obtained on the success of projects. According to (Mugenda and Mugenda 2011), a reliable coefficient of 0.7 and above is acceptable to make inferences that are accurate in social sciences research. The 0.830 correlation coefficient thus ensured that the instruments were reliable and acceptable in the research

Table 3.3: Reliability Statistics

Cronbach's Alpha	N of Items
.830	39

Source: Field data, 2021

The computed Cronbach's Alpha for each questionnaire is greater than 0.7. This being greater than 0.7, it indicates that there is greater internal consistency of the items in the scale, and that the research instrument used was very reliable.

5.5. Data analysis procedure

This study used descriptive statistical method and inferential statistics such as correlation analysis and multiple linear regression model was used to analyze the data. The data in this study was computed and analyzed using Statistical package for Social sciences (SPSS) which is software for data analysis. The study adopted a regression equation to show the relationship between independent variables (debt financing, equity financing, assets based financing and donor financing) and the dependent variable (projects success in SMEs in Remera sector).

PP = $\beta_0+\beta_1$ PDF $+\beta_2$ PEF $+\beta_3$ PAF $+\beta_4$ PDoF $+\varepsilon$ Where;

PP = Project performance of selected SMEs in Remera sector

PDF= Project debt financing

PEF= Project equity financing

PAF= Project assets based financing

PDoF= Project donor financing

B_0= regression constant ε = error term, $\beta 1, \beta 2 \ldots \beta n$ = coefficients of variation

6. FINDINGS

This section helps to respond the objectives of this study which was to examine the influence of project debts financing; project equity financing ; project assets financing and project donor financing on project performance of selected SMEs at Remera sector ,Gasabo District by using both correlation analysis and multiple regression analysis to test the influence among the variables.

Table 3: Correlations analysis

			PDF	**PEF**	**PAF**	**PDoF**	**PP**
Spearman's rho	Project debts financing	Correlation Coefficient	1				
	Project equity financing	Correlation Coefficient	.590**	1			

Project assets financing	Correlation Coefficient	.341**	.689**	1		
Project donor financing	Correlation Coefficient	.657**	.614**	.398**	1	
Project performance of selected SMEs	Correlation Coefficient	.854**	.557**	.872**	.600*	1
	Sig. (2-tailed)	.000	.000	.000	.012	.

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

*. Correlation is significant at the 0.05 level (2-tailed).

PP = $\beta_0+\beta_1$ PDF $+\beta_2$ PEF $+\beta_3$ PAF $+\beta_4$ PDoF
Source: Computed by researcher from Field data, 2021

Table 3 shows that there is a significant high positive relationship exists between project debts financing and success of projects implemented Project donor financing by SMEs in Remera sector, Gasabo district at (r =0.854**, p-value 0.000<0.01), which implies that an increase of project debt financing leading to an increase of project performance of selected SMEs at Remera sector , Gasabo district. This implied that a change in use of various forms of debt financing increased the financial performance of the SMEs. The findings also concur with Sandra (2018) who agreed that there exist a significant relationship between debt financing and financial performance of Malaysian firms. These findings were in agreement with Musila (2018) who noted that long term debts have direct positive and significant relationship with financial performance of small businesses in Malaysia. The study further argued that long term debt provided more competitive advantage when compared with large firms. Dube (2013) concluded that debt financing have a positive impact on productivity of SMEs in Masvingo and also argued that this was due to adequate funding from the banks that lead to increased productivity. On contrary Mohammed and Ali (2015) noted that debt increases as firms profitability decreases.

Table 3 shows that there is a significant moderate positive relationship exists between project equity financing and project performance of selected SMEs at Remera sector , Gasabo district at (r =0.557**, p-value 0.000<0.01), which implies that an increase of project equity financing leading to an increase of project performance of selected SMEs at Remera sector , Gasabo district . The study also noted that there was a significant relationship since the p value 0.000 is

less than 0.01. This implied that equity financing of the SMEs yielded an increase in project success implemented by SMEs. These findings concur with Mwenda (2016) who agreed that equity has a positive relationship to financial performance of the SMEs. They further agreed that small and medium size entrepreneurs' have strong preference for use of equity as a source of finance. Mutie et al.,(2019) also noted a positive relationship between equity and financial performance. Equity financing is preferred in the initial stages of the SMEs development. \
Table 3 shows that there is a significant high positive relationship exists between project assets based financing and project performance of selected SMEs at Remera sector , Gasabo district at (r =0.872**, p-value 0.000<0.01), which implies that an increase of assets based financing leading to an increase of project performance of selected SMEs at Remera sector , Gasabo district

Table 3 shows that there is a significant moderate positive relationship exists between project donor financing and project performance of selected SMEs at Remera sector , Gasabo district at (r =0.600*, p-value 0.012<0.05), which implies that an increase of project donor financing leading to an increase of project performance of selected SMEs at Remera sector , Gasabo district

Multiple linear regression analysis

Multiple regression analysis was conducted to test relationship among variables using statistical Package for Social Sciences (SPSS) version 17.0. Regression analysis was used to model the effect of the predictor variable such as project donor financing, project debts financing, project equity financing, project assets financing on dependent variable which is project performance of selected SMEs in Remera sector, Gasabo district. The statistical significance was verified by the Coefficient (β), t-statistic and Prob. In additional, statistically significant relationship between the dependent variable and independent variable from the model were accepted at 5% significance level. The analysis applied the statistical package for social sciences (SPSS) to compute the measurements of the multiple regressions for the study. Based on the model summary, the coefficient of determination (R squared) shows the overall measure of strength of association between independent and dependent variables.

Table 4.:Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.668[a]	.447	.438	.38396

a. Predictors: (Constant), Project donor financing, Project debts financing, Project equity financing, Project assets financing

Source: Computed by researcher from Field data, 2021

R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in Table 4 the value of R squared was 0.447 an indication that there was variation of 44.7 percent on project performance of selected SMEs at Remera sector due to changes in project donor financing, project debts financing, project equity financing and project assets based financing at 95 percent confidence interval. This means that 44.7% of the variation in the project performance of selected SMEs at Remera sector can be predicted by joint interaction of project donor financing, project debts financing, project equity financing and project assets based financing. Therefore other variables not covered by the study contribute to 55.3% of the variance. The results agree with earlier findings by Ugwuanyi and Agbo (2012) and Mensah (2004) who observed that financing options have a significant effect on financial performance.

Table 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.573	4	7.643	51.844	.000[a]
	Residual	37.888	257	.147		
	Total	68.461	261			

a. Predictors: (Constant), Project donor financing, Project debts financing, Project equity financing, Project assets financing

b. Dependent Variable: project performance of selected SMEs in Remera sector

Source: Computed by researcher from Field data, 2021

From the ANOVA statics, the study established the regression model had a significance level of 0.000 which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (51.844> 2.49) an indication that project donor financing, project debts financing, project equity financing and project assets based financing all affects the project performance of selected SMEs . The significance value =0.0000 was less than 0.05 indicating that the model was significant in this study.

Table 6: Regression coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.93	0.424		2.195	.031
	Project debts financing (X_1)	0.713	0.255	0.62	2.8	.006
	Project equity financing (X_2)	0.113	0.037	0.043	3.028	.001
	Project assets financing(X_3)	0.228	0.069	0.132	3.322	.000
	Project donor financing(X_4)	0.035	0.016	0.015	2.167	.018

a. Dependent Variable: project performance of selected SMEs

Source: Computed by researcher from Field data, 2021

The equation ($Y = \beta 0+\beta_1 x_1+\beta_2 x_2+\beta_3 x_3+\beta_4 x_4$) becomes:

Project performance of selected SMEs $=.930+ 0.713X_1+ 0.113\ X_2+ 0.228X_3+ 0.035X_4$

The regression equation above has established that taking all factors into account (project donor financing, project debts financing, project equity financing and project assets based financing) constant at zero; Project performance of selected SMEs in Remera sector will be 0.930

The regression results revealed that project debts financing have significance positive influence on project performance of selected SMEs at Remera sector as indicated by $\beta1= 0.713$, $p=0.006<0.05$, $t= 2.800$. The implication is that an increase of one unit in project debts financing would lead to an increase in project performance of selected SMEs at Remera sector by 0.713 units. The results support earlier empirical foundations by Njagi *et al*.,(2017) who indicated that debt financing would serve to enhance the financial performance of firms. The findings imply that establishment of network of formal credit institutions helps in improving lending conditions as well as terms in favour of small-scale enterprises hence offering a crucial avenue for facilitating their access to credit. The study results also support the findings by Mwaniki and Omagwa (2017). However, Salazar (2012) established that commercial banks along with other formal institutions fell short of catering for the credit requirements of smallholders, nonetheless, primarily due to their lending terms and conditions.

The regression results revealed that project equity financing have significance positive influence on project performance of selected SMEs at Remera sector as indicated by β_2= 0.113, p=0.001<0.05, t=3.028. The implication is that an increase of one unit in project equity financing would lead to an increase in project performance of selected SMEs at Remera sector by 0.113 units. These findings are in agreement with Kihimbo *et al*., (2012) SMEs that use Equity financing are seen to have a positive relation with the performance more so equity financing is said to have less risk since no fixed monthly loan repayments to make. This positive performance is mostly associated with the direct control that equity holders have in their businesses and also having in mind that the equity holders have the last claim to dividends they always have to ensure that the business resources are efficiently allocated.

The regression results revealed that project assets based financing have significance positive influence on project performance of selected SMEs at Remera sector as indicated by β_3= 0.228, p=0.000<0.05, t=3.322. The implication is that an increase of one unit in project assets based financing would lead to an increase in project performance of selected SMEs at Remera sector by 0.228 units. These findings are in agreement with Otengei *et al.(*2015) stated that it is clear that asset financing leads to growth of SMEs especially since it enhances growth in the financial position of SMEs through allowing access to business assets, increasing output and leading to more sales and eventually growth. With such assets, it's easier to enhance the productivity of the company's workforce and technology adoption and application to business and production processes, with all these factors leading to increased sales and competitively, which eventually leads to growth of the SMEs

The regression results revealed that project donor financing have significance positive influence on project performance of selected SMEs at Remera sector as indicated by β_4=0.035, p=0.018<0.05, t=2.167. The implication is that an increase of one unit in project donor financing would lead to an increase in project performance of selected SMEs at Remera sector by 0.035 units. The results agree with past results by Onyiego *et al*..(2017) who established that government funding enhances performance. The findings also support the results by Sandra (2018) that access to donor financing exposes enterprises to better chances to grow and thrive while additionally, it leads to enhanced SME performance to a tremendous degree. Generally, access to finance impacts the overall performance of business to a high degree.

7. CONCLUSION AND RECOMMENDATIONS

This section presented conclusions, and recommendations of the research. The chapter also contains suggestions of related studies that are carried out in the future.

7.1. Conclusion

The study concludes that 44.7% of the variation in the project performance of selected SMEs at Remera sector can be predicted by joint interaction of project donor financing, project debts financing, project equity financing and project assets based financing. The study concluded that project financial such as donor financing, project debts financing, project equity financing and project assets based financing has positive influence on project performance of selected SMEs implemented by small and medium enterprises are debt and equity. From the findings, the study concluded that project debts financing have a positive and significant effect on the performance of selected SMEs at Remera sector. This means that SMEs that have access to credit perform better than those that cannot access credit. Debts financial and equity was frequently used by project performance of selected SMEs in Remera sector a financing instrument. Based on the findings from the chapter four, the study concluded that project equity finances positively predicted the project performance of selected SMEs at Remera sector. The results of the linear regression resolved that project equity finance source have positive influence on project performance of selected SMEs at Remera sector. It was concluded that the project asset based financing influence project performance of selected SMEs at Remera sector. The study found and concluded that project asset financing extended depended the assets owned by borrowers. It was concluded that foreign donor financing of capital projects positively influences their completion rates and recommended that small and medium enterprises seeks more foreign aid funding since projects financed by foreign donor financiers have the fastest completion rates.

7.2. Recommendations

Based on the findings of the study, the researcher provides recommendation on the management team:

From the findings, use of debt is significantly linked to project performance of selected SMEs implemented by small and medium enterprises. This is because use of debt makes the organisation more responsible and committed to pay interest, thus the organisation tries to minimize operational costs. As long as use of debt does not threaten the financial health of an organisation in difficult times, an organisation can consider using debt to boost their investment returns and to benefit from interest deductions through minimization of an organisation's taxes.

The study acknowledged the use of equity in financing as a source of finance. Contributions from friends and ploughed back profits have minimal or no money burden to the SMEs. The study recommends that SMEs should embrace angel investors as equity financiers since they provide the start-up capital to the SMEs.

The study recommended that management of selected SMEs in Remera sector should ensure that there is continuous uptake of asset financing loans since this is their core function that underscores their very existence. It is recommended that the SMEs should come up with a category of loan facility skewed to women borrowers, in order to encourage them to increase their borrowings. These firms are further advised to remove bottlenecks that have hitherto created barriers to accessibility of private asset financing loans.

The study recommends that the organization should strive to use more of its internal resources of available so as to gain overall control and decision making powers for its projects. The study also recommends that the government needs to organize and create proper channels on how to understand and appreciate donor funding procedures available in Rwanda

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