

# Small And Medium Enterprises as A Strategy to Reduce Unemployment Among Graduates in Rwanda

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## Abstract

This paper explores the importance and the role of Small and Medium enterprises as a strategy to lower the unemployment level among graduates in Rwanda. Even if it is difficult for the graduates to find employment, SMEs present and provide positive opportunities for employment and the economic development of the country. Entrepreneurship is getting better and easier to engage in since the government of Rwanda has introduced programs to help them grow, programs such as easy and quick registration of SMEs, access to capital, home industry protection policy, tax incentives, entrepreneurship education, and business development services helps in the creation, development, and sustainability of SMEs. Examples of graduates, who embraced the opportunity presented by SMEs, are now inspiring examples of how SMEs can change individuals, society, and the country. SMEs are heavily supported by the government of Rwanda since they can be used to achieve its vision of becoming a middle-income nation. This opportunity should be grabbed by the graduates and become entrepreneurs instead of waiting to get white-collar jobs.

**Keywords:** Small and Medium Enterprises, Unemployment, Graduates, Entrepreneurship, Government initiatives

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## 1. Introduction

The problem of unemployment remains a challenge for the graduates seeking employment and for the government that is looking to increase its economic development. (Aggarwal et al., 2012) claimed in their research that the reason behind graduates' unemployment in Rwanda is caused by their strong desire to get traditional white-collar jobs occupations than work and become entrepreneurs for themselves. Despite having high education, and skills and some of them having working experience, many university graduates wait to be employed in different companies and offices; often they overlook the opportunities presented by entrepreneurship and small business ownership. According to the World Bank, (2017) report, the unemployment rate in Sub-Saharan countries is getting worse. The age population is expected to rise to 450 million people by 2035 which is about 3% per year, whereas only 100 million jobs are created, this shows a high level of unemployment and calls for entrepreneurship instead of waiting to be employed by a certain company, be an entrepreneur and create jobs for others instead of waiting to be employed. This paper explores the in-depth transformative opportunities found in Small and Medium Enterprises (SMEs) as a strategy to reduce Unemployment among graduates in Rwanda. Rwanda's economy country, the government of Rwanda has realized the opportunity that lies in SMEs. With that realization the government of Rwanda is in high support of SMEs which account for 95% of all forms in the country; and provide 60-70% of employment and 55% GDP of the country. For that reason, the government has policies in place to help SMEs grow and easily operate (Ministry of Trade and Industry, 2010). Instead of waiting for the job providers, graduates can grab the opportunity and start their businesses. SMEs have emerged as a source of job creation, and not only offering employment opportunities, but they also help in skills development, wealth creation, and empowering communities.

The purpose of this paper is to seek to address the issue of university graduates who struggle to get jobs and to show the opportunities available presented by SMEs. This will be done by examining the support the government provided by the government to support SMEs such as easy and quick registration process, access to finance schemes, entrepreneurship education initiatives, networking, and consultancy advice provided by BDS (Business Development Services) (Uwitonze, 2016). Through this exploration, this paper hopes to highlight how important it is to change how society especially graduates in Rwanda view entrepreneurship and SMEs. Entrepreneurship should be viewed as a fulfilling career option instead of a backup plan. University graduates

should understand that it is okay to have humble beginnings and grow as you work, build, and develop. In Rwanda, we can take this opportunity and utilize the potential of SMEs as drivers of sustainable development, inclusive growth, and poverty eradication by using the links of education, innovation, and entrepreneurship.

### *1.1 Unemployment challenges for graduates*

Graduates face many different challenges when seeking traditional employment opportunities. Understanding the factors linked to unemployment duration shows the complexity of the job market for graduates in Rwanda. The results of a study conducted by (Niragire & Nshimiyiryo, 2017) show a significant increase between the duration of first employment and various factors including the graduate's age, job search methods, acquired skills, further graduate studies, monthly salary, and the type of employing institution.

1. **Age and job search methods:** the duration of getting the first employment and method of job search can heavily be influenced by the age of the graduate; normally younger graduates are expected to have no working experience and so many more age-related challenges. Using the wrong search methods can also influence the time taken to secure employment.
2. **Acquired skills, reputable university, and further graduate studies:** mostly when searching for employment, you find that most of the organizations looking to hire graduates with skills from work experiences from reputable universities. For graduates who only focus on studies or academic training programs, this might be a hindrance for them graduates to secure employment.
3. **Monthly salary and the type of employing institution:** The monthly salary offered by institutions and the type of employing institutions also pose as a barrier for the graduates to secure employment, as a graduate there is a certain amount of money and job preference expected for the first employment. All that influences the duration it takes for the graduates to secure employment.

These findings show that there is a gap between education curricula and labor market expectations. Skills and work experience are very essential in the labor market. Some factors can be addressed by giving students opportunities to do some internships before graduation but some other reasons can easily be addressed. And that hinders employment opportunities for the graduates.

## **2. Roles of Small and Medium enterprises in reducing unemployment in Rwanda**

While traditional employment poses many challenges that stand as a barrier for graduates to get jobs, SMEs offer promising alternatives for sustainable employment and economic growth. This section explores the potential of SMEs in addressing unemployment among graduates.

1. **Entrepreneurship as an attractive- profitable career option:** SMEs give graduates opportunities to start their businesses, instead of relying and waiting on traditional job providers. SMEs don't only provide opportunities for graduates to start their own successful and profitable enterprises, but they also help them cultivate an entrepreneurial mindset and help them put into practice what they have learned from school by putting competitive pressure on them.
2. **Skills development and innovation:** as stated above engaging in entrepreneurship, especially in SMEs where there are not many staff and many executives to help in decision-making, innovation, and other business activities. SMEs enable graduates to acquire practical skills, leadership qualities, and entrepreneurship competencies essential for the success of the modern workforce (Abdul, 2018). Through hands-on experience and exposure to real-world challenges, graduates enhance their skills and get to learn more new skills they could not get if they were working in a traditional job environment.
3. **Government support for SME development:** The government of Rwanda has recognized the importance of SMEs in creating employment for many people in the country and driving economic growth (Ministry of Trade and Industry, 2010a). Through various policies, initiatives, financial incentives, and capacity-building programs, the government aims to help SMEs in development. The government has been putting so much effort into helping them such as helping in the registration process; access to finance schemes, and entrepreneurship education initiatives, making it easy to pay taxes, all those initiatives demonstrate the government's commitment to supporting and helping in entrepreneurship (Ministry of Trade and Industry, 2010a).

By realizing all the opportunities SMEs present to reduce unemployment, graduates can realize their potential as engines for innovation, economic growth, skills enhancement, and social transformation. The government of Rwanda has been putting much effort into supporting SMEs; it can be a waste if graduates do not take this opportunity.

### 3. Initiatives employed by the Government of Rwanda to help SMEs

The government of Rwanda has employed different initiatives to help SMEs. Though it can sound easy to start SMEs, the challenges involved cannot be ignored, challenges such as; the high cost of doing business, difficulty accessing finance, and inadequate market information and access (Ministry of Trade and Industry, 2010a). The government of Rwanda has realized all those challenges. The government of Rwanda recognizing the crucial role of SMEs in creating employment and driving the economy, has initiatives tailored for SME enterprises to make sure that it becomes easy for everyone who wants to engage in them. This section examines the supportive initiatives provided by the government to facilitate SME development and entrepreneurship among graduates in Rwanda.

1. **Easy registration procedure of businesses:** The government has introduced new measures to simplify and shorten the registration process for SMEs. It takes three days maximum to register a business a business in Rwanda if all required documents and information are accurate and prompt (Jain, 2023). By making it easy for SMEs to register businesses, graduates can take this opportunity, to establish their businesses and access formal support services.
2. **Access to appropriate business financing:** Financial institutions perceive SMEs as not qualified to get finances in terms of loans due to the perceived inability to pay back. Despite all that the government has made funds available for SMEs through two entities; the National Bank of Rwanda and the Rwanda Development Bank. Graduates who want to engage and start SMEs but do have not enough capital can take advantage of this and get needed finances (Ministry of Trade and Industry, 2010a).
3. **Entrepreneurship education initiative:** The government has established entrepreneurship education institutional through Rwanda's innovation and entrepreneurial initiative (Niyonsaba et al., 2022), these programs aim to equip entrepreneurs with the knowledge, abilities, and mindset required to pursue entrepreneurship and thrive in a competitive business environment. Before entering into the world of entrepreneurship, graduates might take advantage of this entrepreneurial education initiative and equip themselves to run the business.
4. **Business development services (BDS):** Business Development Services are critical to the expansion and long-term existence of SMEs. Businesses can obtain a variety of counsel and advice from organizations such as BDS provides a range of consultation and advice services to SMEs, including market research, business planning, and access to networking (Hakizimana et al., 2023). Graduates can take advantage of this and get individualized guidance to help them overcome challenges and attain the full potential of entrepreneurs.
5. **Government policy initiatives:** Additionally, The government has put in place comprehensive policy frameworks such as tax incentives, regulatory reforms, and targeted support programs tailored to the needs of SMEs. By introducing all those incentives, the government hopes to support and boost entrepreneurship and accelerate the expansion of SMEs (Hakizimana et al., 2023). All those incentives are there to make it easy for SMEs; this opportunity has to be taken advantage of by the graduates looking to become entrepreneurs.
6. **Made in Rwanda policy:** This is a holistic roadmap initiated by the Government to increase competitiveness in the domestic industries and economy by reducing trade deficit. This is done by giving priority to the products made in Rwanda than the imported products (Shepherd et al., 2018). This policy makes the taxes high for imported products which makes their prices high and makes the consumers choose made-in-Rwanda products. This policy is initiated to support home industries, graduates can take advantage of this policy and engage in SMEs which is highly favored by the government.

### 4. Success stories of graduates who turned entrepreneurs

It might sound hard to take the initiative to start a business as a graduate who just finished university; the following are successful stories of graduates who turned entrepreneurs. Their success stories serve as an inspiration to those who would like to embrace the power and opportunities found in entrepreneurship and SMEs.

1. **Claudine Niyonsaba's success story:** Claudine in her testimonial writing, she stated that; As a computer science graduate, she always had a passion for assisting and mentoring business owners in using technology to grow their businesses, her passion pushed her to take internship opportunity with DOT Rwanda, funded by Global Affairs Canada. Claudine turned her passion into her venture; Duhaha Online Ltd, this has not only lifted her as an individual but also uplifted agri-farmers and young entrepreneurs across Rwanda (Digital Opportunity Trust, n.d.).

2. **Rwanda Polytechnic graduate success story:** Emmanuel Tuyizere, a Rwandan Polytechnic, after graduation combined his passion for technology innovations with his mechanical engineering background to develop a creative solution alongside his colleagues. He founded Greenalytic Ltd Company, that focuses on environmental sustainability through a green vehicle system. Emmanuel has become an entrepreneur and he is currently employing three permanent employees and part-timers (Rwanda Polytechnic, n.d.).
3. **Jeanne Pierre's baking empire:** The following three stories are from success stories from UTB (university of Tourism, Technology and Business Studies) Alumni (University of Tourism, n.d.): The first story is of Jeanne Pierre, renowned for his, Petersbakers. His journey started after graduation at UTB where he got more skills and passion for baking. Due to the growth in his enterprise, in 2019 his business launched a training center, offering a three-month program for aspiring bakers seeking to elevate their skills to a professional level.
4. **Jean Mary's Golfing innovation:** Though he graduated from university, he did not wait to be employed by someone else. He combines his passion for sports and tourism, which is also inspired by his childhood love for golf, and he started IKAZE MINI GOLF Ltd. In 2019 which is the first-ever golf club in the Rubavu District area.
5. **Kivu belt coffee promotion:** Founded by a UTB graduate in hospitality management and food production graduate. Despite the challenges, the owner faced balancing studies and business, the enterprise is thriving and he remains steadfast in business expansion and job creation.

The successful stories of graduate entrepreneurship show the transformative potential of entrepreneurship. Their journey should serve as an inspiration, encouragement to embrace entrepreneurship, and as an example of different pathways available to graduates in the entrepreneurship sector.

#### 4. Conclusion

In conclusion, this paper explored the potential of SMEs in reducing unemployment among graduates. Though it can be hard to find jobs and it can take time, it was discovered that it takes up to six months for most the university to find employment, and there are still more limitations such as age, gender, lack of experience and skills, etc. (Niragire & Nshimiyiryo, 2017). Though all those challenges pose a blockage to the graduates to find traditional employment, there is another route to being employed which is entrepreneurship and embracing the opportunity of SMEs. The government of Rwanda has realized the importance of SMEs and initiated different policies to help them thrive, such as making registration easy and quick, tax incentives, the Made in Rwanda policy, Business development services (BDS), entrepreneurship education initiative, access to business finances, etc. all of those help SMEs and present easy ways of operating them. By embracing the potentials found in SMEs unemployment in graduates can reduce and Rwanda can achieve its goal of becoming a middle-income nation. By grabbing this opportunity, the graduates will not only become entrepreneurs but they will also be able to provide job opportunities to others.

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