

Research Article

The Role of Small and Medium Enterprises and Job Opportunities: Empirical Evidence from Kabuga Trading Centre

Karekezi Jean Claude

Master of Business Administration/Finance and Accounting, Kigali, Rwanda
Email: jeanclaudekarekezi@gmail.com

Received: Feb 22, 2019

Accepted: Mar 1, 2019

Published: Mar 5, 2019

Abstract: This article on the role of small and medium enterprises and job opportunities. An empirical evidence from Kabuga Trading Centre has the objective of investigated the role of Small and medium enterprises and job opportunities. The study used a descriptive design and a convenience sampling was used. The study sample size was 101 selected conveniently. The results indicated that 9(8.91) were having university. Respondents revealed that they are having cars through small and medium enterprises. 55 respondents revealed that they have televisions, 27 revealed that they have motorcycles and 3 have bicycles. The study showed that on respondent can own more than one asset. The study continued to investigate the role of small and medium enterprises and revealed that through Small and medium enterprises, Small and medium enterprises operators pay rent from small and medium enterprises. They pay school fees their children, pay health insurance and eat regularly and many more. The study concluded that Small and medium enterprises have significance role in job creation. Regardless of others factors, Small and medium enterprises play a vital role in the job creation. With Small and medium enterprises, the owners of Small and medium enterprises are able to achieve any purpose as they wish. Though few with high level of education are not much interested in Small and medium enterprises, they should understand the role of Small and medium enterprises and if not they can create them and employ other who are willing to work.

Keywords: Small and medium enterprises, Job opportunity.

Introduction

Nowadays, Small and Medium Enterprises (SMEs) play a vital role for the economic development for both its formal and informal sector. The rise of a portion of the formal sector is relatively desirable for a country. The existence of Small and medium enterprises is necessary for a nation's economic development, job creation and innovation. It serves as the backbone of the national economies in the Asia-Pacific countries in a global economic uncertainty. Nowadays, not only in the informal sector but also in the formal sector, the importance of Small and medium enterprises is understood. In Asia (2007–2012), Small and medium enterprises contributed an average of 38% of Gross Domestic Product or manufacturing Value, and influenced export trade by 30%. Further, it accounts an average of 98 % of all enterprises and 66 % of the national labor on the average. Small and medium enterprises have become a part of the global supply chain that has the potential to promote international trade and mobilize domestic demand (Wanida, 2015).

Small and medium enterprises simply are business establishments ranging from micro, small and medium enterprises engaged in different entrepreneur activities that are defined specifically by the countries concerned. The Asia SME Finance Monitor are classified into

five criteria by law, a number of employees, net or total assets, annual turnover and capital invested and through sector wise (Watson, 2010). The establishment and expansion of new firms is responsible for creating a high share of new jobs (OCDE, 2014). Small and medium enterprises have a propensity to employ more labor-intensive production processes than large enterprises (Olawale and Garwe, 2010). Consequently, they contribute significantly to the provision of productive employment opportunities, the generation of income and, eventually, the reduction of poverty (OCDE, 2014).

Definition of Small and Medium enterprises

Small and medium enterprises are considered those enterprises which have fewer than 250 employees. In distinguishing between small and medium sized enterprises, the small enterprise is defined as an enterprise, which has fewer than 50 employees. These businesses are often referred to as SME's and are traditionally associated with owner operators (Meredith, 2001; ATO, 2004, Schaper and Volery, 2004). SARS does not have one single description for small business; instead there are several definitions utilized for different purposes: For Amnesty purposes, a small business is any business with a turnover of up to R10m; For Income Tax purposes (Section 12E), a Small Business Corporation (SBC) is defined as a business having a turnover of less than R14m, over and above other qualifying criteria. (The forum South Africa, accessed Sept 2012) For Capital Gains Tax, a Small and medium Enterprise (SME) is described as a business having total net assets of under R5m.

It is therefore proposed that SARS restricts itself to the definition as used for SBC regime purposes i.e. a small business is a business that has a turnover of no more than R14 million. The National Small Business Office (NSBO) therefore operates within the ambit and interests of businesses in South Africa with a turnover of no more than R14m per annum (The forum South Africa, accessed Sept 2012).

Significance of the Study

It is undeniable that small and medium enterprises play an important role in the economy of any nation. However, many youth especially educated ones are struggling looking for jobs and have been jobless for long time waiting to be employed by other organizations. In Rwanda, Unemployment Rate in Rwanda decreased to 16 percent in 2018 from 16.70 percent in 2017. Unemployment Rate in Rwanda averaged 8.58 percent from 2001 until 2018, reaching an all-time high of 16.70 percent in 2017 and a record low of 1 percent in 2001 (Trading Economics, 2019). Instead of waiting for jobs and remain seated, labor force can join small and medium enterprises to satisfy their needs. So, the main purpose of the study is to advise youth to join small and medium enterprises since they are the source of country's economy and as well help the owners to improve their standards of living. Literally, no further has been done in Rwanda particularly on the role of small and medium enterprises and job opportunities. Therefore, this study will bridge the gap.

Small and medium enterprises and Job opportunity

Bangladesh Small and medium enterprises accounted for more than 99 % of private sector industrial establishments and created job opportunities ranging from 70 % to 80 % of nonagricultural labor force. The share of Small and medium enterprises' production value added to the gross domestic product (GDP) ranged between 28 % and 30 % aside from the significant contributions to national exports. Thailand reported 2.7 million small and medium- sized enterprises (Small and medium enterprises) in 2012, accounting for 98.5 % of total enterprises. Trade (wholesale, retail trade, and automotive repair), manufacturing, and service (e.g., hotels and restaurants) is the dominant sectors in number, employment, and

contribution to gross domestic product (GDP). In 2012, Small and medium enterprises accounted for 37.0 % of GDP and 80.4 % of the workforce.

In India, Small Scale and Medium size business enterprises contribute nearly 8% of the country's GDP, 45% of the manufacturing output and 40% of the exports. They provide the largest share of employment after agriculture. They are the nurseries for entrepreneurship and innovation. They are widely dispersed across the country and produce a diverse range of products and services to meet the needs of the local markets, the global market and the national and international value chains (Bulunywa, 2007). According to Susanjoekes (2008), Small and Medium scale business enterprises in Ghana have been noted to provide about 85% of manufacturing employment in Ghana.

A survey of 414 Small and medium enterprises in Rwanda indicates a considerable need (by more than 50% of all Small Scale Business Enterprises) for capacity building interventions. More than 72% of Small Scale Business Enterprises still tend to cluster in commerce and business. Finance and financial services tops the list of most binding capacity need (binding to 80.7% of the firms) followed by training.

Barriers to entrepreneurship and starting new business is risk by 20.3%, financial constraints by 51.4%, education 4% and market conditions 10.4%. Multiple institutions are involved in capacity building interventions but need to be better coordinated for better promotion of Small Scale Business Enterprises and entrepreneurship. There is still opportunity to diversify the types and location of Small Scale Business Enterprises (Herman, 2013). Therefore, the study objective was to investigate the role of small and medium enterprises and job opportunities.

Data Collection Methods

The study adopted a case study research design technique in investigating the role of small and medium enterprises and job opportunities. According to Noor (2008), a case study is not intended as a study of the entire organization but rather intended focus on a particular issue, feature, and unit of analysis. In addition, a case study method is appropriate when probing an area of interest in-depth (Patton, 2002). The study employed a convenience sampling technique that mapped between the objective of the study and finally designing questionnaires that would capture data that relates to the objective earlier identified. This is preferred over other designs in cases where the sample size is small and manageable and easy to reach the respondents. The target population for this study was made up of small and medium enterprises workers and owners of the businesses. The study employed convenience sampling technique to select 101 respondents. The data was analyzed through descriptive statistics whereby percentages and frequencies were used.

Results and Discussions

The study entitled role of small and medium enterprises and job opportunities was called from Rwanda to investigate the impact of small and medium enterprises in Rwanda.

Small and medium enterprise and age

The study based on age revealed that young and old business entrepreneurs are working for the development. The study revealed that all categories of age from 18 years and above are doing their business.

From the interview with a young entrepreneur of 18 years old, revealed that

“Since I started this work of selling Irish potatoes, I bought a sport bicycle and I buy all the basic needs I want” (Young entrepreneur in Kabuga trading center, 2019).

Small and medium enterprise and education level

The study showed the level of education from illiterate to other level of education. However, the study found that there was no master holder and doctorate holder engaged in small and medium enterprises.

Table 1. Small and medium enterprise and education level

	Frequency	Percentage
Illiterate	12	11.89
Primary	32	31.68
Secondary	48	47.52
Bachelor's degree	9	8.91
Total	101	100
Source: Field data (2019)		

The study showed that in Kabuga trading centre, even respondents with bachelor holders are having their own business and they are eagerly to expand them. The study showed that 12(11.89%) were illiterate but they were doing business. This implies that illiterate people are familiar with doing business and they make profit for their life as their daily job. 32(31.68%) of Small and medium enterprises operators were having primary as the level of education. 48(47.52%) were having secondary. 9(8.91) were having university. In this case, all of them have chosen to do their business as their way of survival. Their businesses have changed dramatically their way of creating jobs.

With interview with one of the Small and medium enterprises work revealed that

“For us who are working for Small and medium enterprises operators, we are not paid well but those owing their business are benefiting because they get money and we work for them. It's better to have your own SME than working for someone in SME” (Entrepreneur in Kabuga trading center, 2019).

Role of small and medium enterprises in Kabuga Trading Centre

The role of small and medium enterprises in Rwanda is very significant due the facts that, the Small and medium enterprises operators have benefited from them. The study showed that some Small and medium enterprises operators have acquired assets from the businesses. To identify the significance of small and medium enterprises, the table below summarizes the assets achieved through small and medium enterprises.

Table 2. Summary of assets owners by Small and medium enterprises operators

Types of asset	Frequency	Percentage
Land	34	26.98
Car	7	5.55
Television	55	43.65
Motorcycle	27	21.42
Bicycles	3	2.4
Total	126	100
Source: Field data (2019)		

The table above shows the assets owned by the Small and medium enterprises operators, the study showed that 34 respondents bought land from small and medium enterprises. 7 respondents revealed that they are having cars through small and medium enterprises. 55 respondents revealed that they have televisions, 27 revealed that they have motorcycles and 3 have bicycles.

The study showed that on respondent can own more than one asset. The study continued to investigate the role of small and medium enterprises and revealed that through Small and medium enterprises, Small and medium enterprises operators pay rent from small and medium enterprises. They pay school fees their children, pay health insurance and eat regularly and many more.

Job offered by small and medium enterprises

The study indicated that in small and medium enterprises, jobs are created and signing contract is done as it is done in any other organization.

Table 3. Job offered by small and medium enterprises

Type of job	Frequency	Percentage
Full time	67	66.33
Contract work	23	22.77
Part-time employment	11	10.90
Total	101	100
Source: Field data (2019)		

The table above showed the type of jobs that are offered by small and medium enterprises. The study revealed that some are working full time as 66.33% of the respondents confirmed it. The study also showed that 22.77% of the respondents are working under contract and 10.90 work part time. However, all of them have benefited from the work they do.

The respondents revealed that they are well equipped and satisfied the working conditions and that they are not looking for other opportunities out of SME.

One of the respondents revealed that:

"Before starting this job my boss interviewed me and after seeing that I qualify, I was given the job" (Entrepreneur in Kabuga trading center, 2019).

Recommendations and conclusions

Small and medium do not require much capital as revealed by two respondents, they revealed that starting Small and medium enterprises is very easy and costless as 60USD, an entrepreneur is eligible to start SMEs of the choice, and therefore; engaging in Small and medium enterprises should be encouraged by government agencies and other influential organizations. Since Small and medium enterprises do not require education qualifications, indulging in small and medium enterprises should be the key for the citizens to develop their way of strengthening Small and medium enterprises.

The government should avail places for Small and medium enterprises in order to have more local entrepreneurs and train them so that they operate in safe mode and beneficial way. The study concluded that Small and medium enterprises have significance role in job creation as the literature has revealed. Regardless of others factors, Small and medium enterprises play a

vital role in the job creation and ignoring Small and medium enterprises may cause problems in the economy of the country. With Small and medium enterprises, the owners of Small and medium enterprises are able to achieve any purpose as they wish. Though few with high level of education are not much interested in Small and medium enterprises, they should understand the role of small and medium enterprises and if not they can create them and employ other who are willing to work.

Limitations of the Study

The most probable issue that pertained this study was data collection with busy and respondents believed that the study is being carried to investigate their business returns for further taxable issues. Therefore, the research was hindered such issues.

Directions for Future Research

Since small and medium enterprises are dynamic in nature; another study may be carried out on the same topic after two years to find their variations over the years. Another study may be done on determinants of small and medium enterprises and business charming.

Conflicts of interest

The author declares no conflicts of interest.

References

1. ATO. 2004. Business Structures, Australia Taxation Office. Accessed online on 13th September, 2012 at <http://www.ato.gov.au>
2. Balunywa, W. 2007. Background: Entrepreneurship and Small scale Enterprise growth in Uganda.
3. Herman, 2013. Ministry of Finance, Planning and Economic Development, Discussion paper.
4. Merideth, G. 2001. Small Business Management in Australia. 4th Edition, McGraw Hill.
5. Noor, K.B.M. 2008. Case study: A strategic research methodology. American Journal of Applied Sciences, 5(11): 1602-1604.
6. OCDE, O. 2014. Job Creation and Local Economic Development.
7. Olawale, F. and Garwe, D. 2010. Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. African Journal of Business Management, 4(5): 729-738.
8. Patton, D. 2002. Human Resource Management, Houghton Mifflin Company, Boston.
9. Schaper, M. and Volery, T. 2004. Entrepreneurship and Small Business: A Pacific Rim perspective. Milton, John Wiley and Sons.
10. Susanjoekes. 2008. United Nations Research Institute for Social Development Trade related employment for women in Industry and Services in Developing countries.
11. Wanida, W. 2015. The Japanese and local partner relationship on Small and Medium enterprises (Small and medium enterprises) and International Joint ventures (IJVs). Performance in Thailand Industrial sectors. Journal of Economic Cooperation and Development, 36(4): 1-28.

12. Watson, J. 2010. SME performance: Separating myth from reality. Edward Elgar Publishing.

Citation: Karekezi Jean Claude. 2019. The Role of Small and Medium Enterprises and Job Opportunities: Empirical Evidence from Kabuga Trading Centre. International Journal of Recent Innovations in Academic Research, 3(3): 6-12.

Copyright: ©2019 Karekezi Jean Claude. This is an open access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.