

ENTREPRENEURSHIP
for General Education

Student's Book
Senior Four

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FOREWORD

The ambition to develop a knowledge-based society and the growth of regional and global competition in the jobs market has necessitated the shift to an entrepreneurship competence-based syllabus. With the help of the teachers, whose role is central to the success of the syllabus, students will gain appropriate entrepreneurial skills and be able to apply what they have learned in real-life situations. Hence, they will make a difference not only in their own lives but also in the socio-economic transformation of the nation.

This students' book serves as a guide to teaching and learning of entrepreneurship in senior four. Entrepreneurship is meant to equip the students with the required knowledge, skills, attitudes, and values to produce skilled citizens the country wants, that can address challenges faced in their communities.

In this subject students will acquire various entrepreneurial competences through project activities which will enable them to identify community challenges/problems and come up with creative solutions. This will require them to develop and pitch their business plans to relevant stakeholders as they prepare to start-up businesses.

I wish to sincerely extend my appreciation to the people who contributed towards the development of this student's book, particularly the REB staff who organized the whole process from its inception. Special appreciation goes to the development partners who supported the exercise throughout. Any comments or contributions towards the improvement of this students' book in future is welcome.

Dr. MBARUSHIMANA Nelson

Director General, REB

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I wish to sincerely express my special appreciation to the people who played a role in the development of the entrepreneurship students' book. The process would not have been successful without the support from different stakeholders.

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Furthermore, I owe gratitude to EDUCATE! for their technical and financial support.

Ms. Joan MURUNGI,

Head of Curriculum, Teaching and Learning Resources Department/REB

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Unit 1: Initiation to Entrepreneurship

Key Unit Competence

To be able to generate business ideas and take advantage of opportunities.

Introduction

Like all other countries all over the world, Rwanda is striving to create an entrepreneurial population at all levels it can. It is in this regard that this unit will equip you with the competences to make you behave creatively towards solving society problems. Building on the entrepreneurship knowledge and skills acquired in Ordinary level, this unit will enable you to explain entrepreneurship, describe the stages of entrepreneurship, and become a creative, inventive and innovative person. In the long run, this unit will enable you use your creative thinking to solve community problems.

Introductory Activity



Read the scenario below and answer the questions that follow;

Scenario: Niyomungeri's Bakery Project

Niyomungeri wants to start a bakery project. Before starting the project, he first researched about the most marketable bakery products and found out that cakes and chapati are more marketable. He also discovered that the whole village had one supplier of these items and in many shops, such items were lacking.

Backed with this useful information and the experience of making bread from his mother, he decided to start the bakery project with the personal savings accumulated from pocket money while at school. He prepared a start-up budget that helped him start and operate the bakery project within the trading center which he called "Niyu Bakers".

In his business, he came up with unique products with different shapes and colors of cakes that helped the business to grow. He is now able to pay his school fees, support his family and offer jobs to his friends using the profits generated. He has a plan of expanding his project to nearby trading centers.

Questions:

- a) What made Niyomungeri start the bakery project?
- b) What do you call the whole process of Niyomungeri starting a business?
- c) Is Niyomungeri an entrepreneur? Explain your answer.
- d) What innovation did Niyomungeri develop to make his business get customers?
- e) How will the above project solve community problems?

1.1 Meaning of entrepreneurship, entrepreneur and intrapreneur



Learning Activity 1.1

Based on the scenario of Niyomungeri's Bakery Project what is meant by:

- i. entrepreneurship
- ii. an entrepreneur

Suppose that Niyomungeri decided to hire a very innovative young man called Byiringiro who after a few months came up with new ways of cooking, new recipes, and new ways of advertisement. What do we call Byiringiro in entrepreneurship?

a. Entrepreneurship

Entrepreneurship refers to the ability to see and evaluate business opportunities from the environment, gather the necessary resources and use them to start the identified business and successfully manage it.

It is also defined as "the process of foreseeing investment and production opportunities, organizing an enterprise to undertake new production process, raising capital, hiring labor, arranging the supply of raw materials, finding sites, introducing new techniques, discovering new resources or raw materials and selecting top managers for the day to day operations of the enterprise."

b. An entrepreneur

This is a person who has the ability to see and evaluate business opportunities from his/her environment, gather the necessary resources and use them to start the identified business and successfully manage it.

For example, Mrs. Habamahirwe started and managed a business from the identified business opportunities

c. Intrapreneur

An Intrapreneur is an employee who is tasked with creating an innovative idea within an organization. For example, Byiringiro who came up with new ways of cooking, new recipes, and new ways of advertisement



Application Activity 1.1

Read the following and answer by circling the most correct choice

1. An individual who starts, creates and manages a new business can be called.....
 - A. A leader
 - B. A manager
 - C. A professional
 - D. An entrepreneur
2. People who own, operate, and take risk of a business venture:
 - A. Aptitude
 - B. Employee
 - C. Entrepreneurs
 - D. Entrepreneurship
3. An employee who starts a new initiative for their company which entails setting up a new distinct business units can be regarded as
 - A. Ecopreneur
 - B. Technopreneur
 - C. Intrapreneur
 - D. Entrepreneur
4. Choose which of these two statements is correct or incorrect

Statement I: An intrapreneur is a person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through risk-taking and innovation

Statement II: Intrapreneurship refers to employee initiatives

- A. Statement I is correct, but II is incorrect
- B. Statement II is correct, but I is incorrect
- C. Both the statements I and II are correct
- D. Both the statements I and II are incorrect

1.2 Stages of entrepreneurship process



Learning Activity 1.2

Based on the scenario of Niyomungeri, suppose that he is currently producing enough bakery products to satisfy his community, employs five (5) workers and he is also selling his products to the nearby towns.

With examples from the scenario, describe the stages of the entrepreneurship process that Niyomungeri went through as highlighted in the scenario.

For an entrepreneur to be successful, he/she should go through the various stages of entrepreneurship process explained:

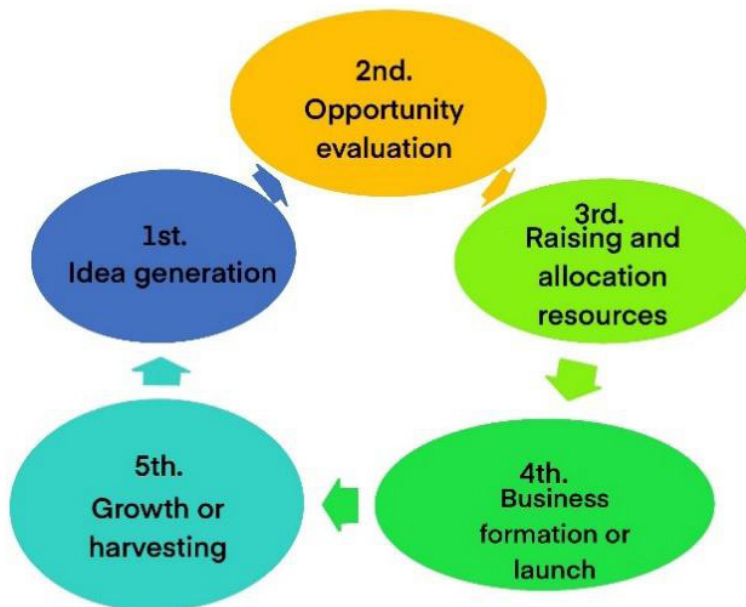


Figure 1.1. Stages of entrepreneurship

– Idea generation (Discovery):

Idea generation is the first stage of every entrepreneurial journey. The goal here is to identify and validate a profitable business idea. An entrepreneurial process begins with the idea generation, where the entrepreneur identifies and evaluates the business opportunities. Once the opportunity has been decided upon, the next step is to evaluate it.

Opportunity evaluation (Concept development): This is the process of determining which business ideas offer valuable opportunities and are worth pursuing. **Concept development** helps you evaluate your customers' reactions to your product or service before your product launch. It is a structured way to develop an idea, see if customers like your idea, and determine what customer market is willing to buy it.

Raising and allocating resources (Resourcing): The third step in the entrepreneurial process is resourcing, where the entrepreneur identifies all required resources both monetary and non-monetary resources. He or she goes ahead to decide how the resources will be allocated to suit the production activities intended by the business.

Business launch /company formation (Actualization): Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. .

Growth (Harvesting): The final step in the entrepreneurial process is harvesting, after beginning to earn money an entrepreneur decides on the future prospects of the business, that is, its growth and development. **Note:** the entrepreneurial process is to be followed, again and again, whenever any new venture is taken up by an entrepreneur, therefore, it is a never ending process.



Application Activity 1.2

You have a dream of starting up a business to an identified challenge in your community and you are concerned about how to start the process that will lead to realizing your dream. Describe the stages of the entrepreneurship process that you will have to go through in order to realize your dream business.

1.3 Creativity, innovation and invention



Learning Activity 1.3

Analyze the figure 1.2 and the case study below and use them to answer the questions that follow:



Fig. 1.2: Tap & Go cards have marginally cut cash flow losses for bus operators in Kigali since its launch. Source: AC Group

AC group limited, a leading provider of interactive and intelligent public transport solutions realized that passengers would face risks and difficulties in carrying transport money in cash.

As a solution, the company introduced the use of TAP & GO cards to be used in Rwanda with the aim of easing transport fare payments but also supporting the development of a cashless economy.

In an interview conducted with employees of AC group limited they testified that at first it was complicated but later on, upgrades in the systems were made which eventually made the use of Tap & Go very efficient, and the system has been adopted by other transport companies in Rwanda.

Questions:

1. With specific examples from the scenario, what is meant by the following terms
 - a. Creativity
 - b. Innovation
 - c. Invention
2. What is the relationship between the three terms as defined in 1) above?
3. Suggest any other examples of creativity, innovation and invention that have been done in your community.

1.3.1 Meaning of creativity, invention and innovation

Creativity is an act of thinking new things, coming up with ideas, new ways of looking at opportunities and new approaches to solve problems. There are two kinds of creativity that is innovation and invention.

Invention refers to creating something for the first time that has never existed. It involves developing a new concept, design, or method that solves a particular problem or meets a need.

Innovation is doing new things or implementing the newly created ideas. It is the development of products, ideas, markets, devices, processes for something that already exists.

1.3.2 Relationship between creativity, innovation and invention



Figure 1.3: The evolution of music (creativity, invention, and innovation)

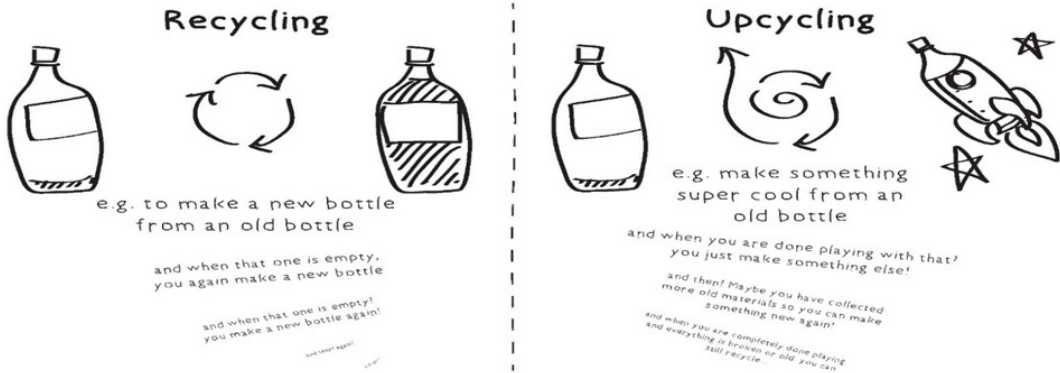
Creativity is the ability to think and act in ways that are new and fresh. In our minds, there are two kinds of creativity: innovation and invention. Innovation is thinking creatively about something that already exists. For example, figure 1.3, shows the creativity of portable music devices and the various inventions and innovation that it has undergone. Invention is creating something that did not exist before (for example, portable music devices).

Therefore, the three terms are related in a way that both innovation and invention originate from creativity.

For a person to be successful in life, she/he must be creative by doing new things or doing old things differently. Being innovative helps a person find new business ideas, improve existing business activities, and find solutions to difficult problems. All these help an entrepreneur to become successful.

What's Upcycling?

You might have heard about **Recycling**...
Upcycling is similar to recycling, but much more fun!



The relationship between **Creativity and Innovation** is like the relationship between **recycling and upcycling**. One brings new ideas, new products while others improve what is existing.

Application Activity 1.3

The government of Rwanda advocates for a made in Rwanda program among the entrepreneurs and the entire population. This signifies that many products have been created. Some of the products made are in existence for the first time while other products in existence have been modified to look different and new.

Complete the table below by identifying products or services that have been made in your community as a result of creativity, innovation and invention.

Category	Products or services made
Creativity	
Innovation	
Invention	

1.4 An entrepreneur as a creative person



Learning Activity 1.4

Read the scenario below and answer the questions that follow.

After completing university education, Julian noticed that her community lacked a health facility making people travel long distances in search of medical services. She did not stop on looking at the problem only, but went ahead and thought of how she can apply her creative skills to solve the problem. She approached the community leaders and discussed with them her ideas of establishing a private clinic to solve the community problem which they liked and promised to support her start-up the clinic.

Questions:

- Do you think Julian is a creative person in relation to the scenario above? Justify your answer.
- Outline the factors that influenced Julian to be creative as indicated in the scenario above.

1.4.1. Meaning of a creative person



Figure 1.4. Products from creativity

A creative person refers to an individual who has the ability to bring something unique into existence.

A creative person is one who is able to look at different perspectives, broadens his/her minds and hence, generates a range of possibilities to solve community problems.

All entrepreneurs are believed to be creative people. For instance, Sina Gerald the owner of Urwibutso enterprise is believed to be among the prominent entrepreneurs because of the products he invented and created. The world's recognized entrepreneurs such as Jeff Bezos, Elon Musk, Bill gates, Mark Zuckerberg are called entrepreneurs because of what they invented and created.

A business entrepreneur is someone who starts and runs a business. They are in charge of everything in the business, from making new products to selling them.

A creative entrepreneur is someone who uses their creativity to solve problems and create value. They are always looking for new and innovative ways to do things. Their ultimate goal is to create something that makes a difference in the world.

1.4.2. Factors that influence an entrepreneur to be creative

There are a multitude of factors that influence people's creativity. These are grouped into social, economic, political and environmental factors.

The following are some of the factors that foster creativity among entrepreneurs:

- a) **The external environment.** A cultural environment can have a significant impact on whether entrepreneurs become creative or not such as:
 - a culture that values learning and education;
 - a sense of urgency or necessity, forcing solutions with limited tools;
 - support from governments or an environment with resources, guidance and access to markets
- b) **Vibrant internal business culture.** Business cultures that embrace risk, failure, and experimentation innovate more and get new products to market faster hence promoting creativity.
- c) **The right leadership.** Building a creative-friendly culture is often the result of good leadership (political and business). Good leaders are also good internal communicators who promote brainstorming, creativity, and innovation.

- d) Experience.** The more you experience the more creative you become. These experiences define your ideas and creativity which are presented through your work.
- e) Fearlessness/risk taking.** Fearlessness is a major factor in one's creativity. A person who does not fear to take risks tends to be more creative.
- f) Desire/passion.** Entrepreneurs with desire to changes things or solve problems or inspire others or do new things tend to be more creative
- g) Working environment.** Creativity can be fostered when the environments are more conducive.
- h) Space and time.** Creativity needs space and the right amount of time. It takes time and space for an entrepreneur to achieve something truly original and creative.

The following factors may influence an entrepreneur to be creative in his/her business

- a) Social factors:** Social factors are influences that affect and define lifestyle, elements such as family, community, socio-economic status and religion
- b) Economic factors:** The state of the economy plays an important role in every aspect of daily life from the well-being of people to the ability of a company to thrive. Economic factors such employment levels and price changes (inflationary tendencies) may influence creativity
- c) Political and legal factors:** Political factors such as government policy on taxation and tariffs, security, competition regulation and intellectual property law may influence creativity.



Application Activity 1.4

Referring to your community,

- a) Mention any entrepreneurs you know of (if you do not know their names, mention the activity they are involved in)
- b) Would you say they are all creative entrepreneurs? Explain your answer
- c) What factors make some entrepreneurs more creative than others?



Skills Lab Activity

Using the knowledge of initiation to entrepreneurship you have acquired, discuss problems affecting the school community and come up with creative business club projects that you will start to address those problems.

End of Unit Assessment

I. Project Activity

Using the knowledge acquired from this unit, discuss problems affecting the school community and generate a list of creative ways/solutions to address those problems.

II. Other Assessment Questions

1. Differentiate creativity and innovation using examples.
2. Describe the factors that can influence an entrepreneur to be creative.
3. In many parts of Rwanda, people are still facing challenges of fuel to use in their homes for cooking and other business activities. This has escalated deforestation and its negative effects. As a student with knowledge on invention, creativity and innovation, make a list of possible ways to creatively solve the challenge identified above.



Virtual Assistance



Florist



Pizza Parlor



Tailor



Shopkeeper



Juice Maker

Unit 2: Business Ideas and Opportunities

Key Unit Competence

To be able to generate business ideas and take advantage of opportunities.

Introduction

Every human mind is equipped with different ideas, some of which are connected to business while others are not. As seen under the unit 1: initiation to entrepreneurship, there are some factors that make people to be creative. The creative thoughts are the ones that turn to be business ideas given the available opportunities in the communities.

The characteristics of viable business ideas, sources of viable business ideas, factors influencing choice of business ideas as well as evaluating business ideas using SWOT will enable you to come up with viable business ideas to implement before or after school.



Introductory Activity

Using your entrepreneurship knowledge from ordinary level and unit 1 in senior 4, answer the questions below

1. What is the difference between a business idea and a business opportunity?
2. What characteristics should a viable business idea possess?
3. Name the various sources of good business ideas and opportunities
4. Mention the factors that influence the choice of a business opportunity
5. Mention the factors considered when evaluating business ideas
6. What factors does the SWOT analysis consider as a way of evaluating business ideas or opportunities?

2.1 Concepts and characteristics of business ideas



Learning Activity 2.1

The following is the interview between Miss Kaneza, a specialist in mushroom growing and Mr. Makuru, a journalist from one of the prominent TV stations in Rwanda.



Analyze the interview and answer the questions that follow.

Makuru: How did you decide to get into mushroom growing and processing? How did you start?

Kaneza: It was during the long senior six vacations after failing to get a job as I waited for my results. I basically got the idea after listening to the radio, reading newspapers, and watching TV about how different people have succeeded by starting their own business activities. Coupled with my secondary school entrepreneurship competences, I decided to give it a try and started with very many business ideas such as selling fruits and vegetables, and also selling phone accessories. It was not an easy task deciding on the activity but after doing enough research from successful mushroom growers, I finally decided to settle for mushroom growing and processing.

Makuru: What was the biggest challenge while starting your business activity and how did you overcome it?

Kaneza: There were so many challenges such as competition, unsure market, lack of experience but deciding on turning my business idea into a profitable business was the most challenging. I had to do a lot of research from existing entrepreneurs, Sector offices, and financial institutions. I also had to do personal evaluation.

Questions:

- a) How can you define the term business and what is Kaneza's business about?
- b) In relation to Kanezas' business, how can you define the terms business ideas and business opportunity?
- c) What examples of business ideas and business opportunities can you identify from the above interview?
- d) Kaneza says it was not easy for her to start up the business activity. What challenges did she encounter during her search for a viable business opportunity and how did she overcome them?
- e) What do you think would be the characteristics of a viable business idea?

2.1.1 Meaning of concepts

A business refers to any economic activity that involves the production, selling of goods and services, covering risks with the aim of getting profits. It can be a business related to buying and selling or producing goods and services.

Meaning of **business idea**: a thought about the possibility of a business. It can also be defined as a thought that an entrepreneur may come up with as a result of scanning the environment with the purpose to develop a business activities.

Examples of business ideas may include any thought about the possibility of doing business in real estates, clothing and textiles, food processing, online buying, internet and computer services, food delivery services, photography and videography, horticulture business.

Business Opportunity is an identified situation that can be turned into a real and profitable business activity. Business opportunities are situations or circumstances that create a good environment to implement a business idea.

Characteristics of viable business ideas

Since business ideas are just thoughts about the possibility of a business one should remember that not all ideas will result into viable business, therefore business ideas with prospects for growth must have the following:

a. Uniqueness

A business idea should have a unique selling point (USP), something that will make it stand out from others and competitors that offer the similar

products or services. This can be achieved via the quality of the service or product, pricing, customer service, method or mode of production or unique ingredients.

b. Innovativeness

A good business idea should bring up something that did not exist or pioneering a concept. This can apply to both a new business and an already existing one. An innovative concept might stem from a previous one.

c. Solving a specific problem

An idea should identify and solve a specific problem either in a locality or region. The business owner must be able to say what the problem is and the solution that is being provided to the target market by the product or service that they offer.

d. Scalability

A viable business idea should provide room for an enterprise to grow from a small one into a larger one. A scalable concept will allow you to expand your business and handle increased demands, thereby doubling your revenue and profits while keeping inputs and costs to the minimum.

e. Profitability

Profitability is a business's ability to generate earnings compared to its costs over a certain period of time. This is possibly the most important aspect of any business idea in the long term, as this is what makes a business survive in order to keep having the impact that it has.

- f. Available market demand (number of willing buyers / customers) for the business idea.
- g. Availability of factors of production for example, land, labor, capital, entrepreneurship and time, to favor the success of the idea.
- h. Favorable government policy. An idea supported by government policy can easily be successful for example, business ideas related to ICT or made in Rwanda.
- i. Conducive social & cultural factors which increase chances of market for the idea
- j. Value creating (is the intended business product going to add any advantage to the already existing products?)
- k. The ideas that match with the available funds and other resources.



Application Activity 2.1

Analyze the extract below and answer the questions that follow

As of 2020, the average startup failure rate in Africa stood at 54 percent. However, the rate differed across countries. In Ethiopia and Rwanda, 75 percent of the startups ceased operations, while Kenyan startups had a failure rate of 24 percent in the same year (Published by Saifaddin Galal, Apr 28, 2023)

Why do you think the failure rate of startups in Rwanda is very high?

2.2 Sources of viable business ideas



Learning Activity 2.2

Analyze the dialogue below and use it to answer the questions that follow.

Gatete : Hello cousin, long time how are you? How is the village?

Mutoni: Long time indeed, We are fine. How is life and work in the USA?

Gatete : Fine. Fine. And speaking of work, I have accumulated some money and I want to invest in business back home. What advice can you give me? Any kind of business ideas?

Mutoni: You know we are in a rural area. People here are very poor although there is a lot of land that is underutilized. The grasses are also good for animals.

Gatete : Okay. I think I can go into goat rearing since I even have some experience back here in the USA.

Mutoni: Yeah. I think it is a good idea since it will even provide employment opportunities in addition to skills to the local people to get out of poverty.

Gatete : Thank you very much, cousin. Let us do more research to see if our business idea can really work. I will send you a list of things you will check on for the business idea. See you.

Questions:

- What is the business idea in the dialogue?
- What is the source(s) of the business idea in the dialogue?
- What factors can make the business idea above viable?

In simple terms, a business idea is the reason for setting up a business. It drives everything about the business, from what products and services are offered to how these products are marketed. Business ideas may be completely new business ideas, modified business ideas or using differently an existing business idea.

Sources of business ideas can be based on the following:

- a) **Resources:** resources that are not being utilized fully can be a source of business ideas
- b) **People's needs:** unmet needs or needs that are not being satisfied can be a source of business ideas
- c) **Types of customers:** customer segments that are not being satisfied or whose needs are not being met can be sources of business ideas
- d) **Idle resources:** idle resources such as waste materials that have negative effect on the environment can be a source of business ideas
- e) **Existing business:** gaps (products, services or needs) not filled by existing business can be a source of business ideas.



Skills Lab Activity

Using the knowledge of initiation to entrepreneurship you have acquired, discuss problems affecting the school community and come up with creative business club projects that you will start to address those problems.



Application Activity 2.2

Complete the table below by filling in the potential sources of business ideas and the ideas that could be generated from your community.

Source of business ideas in the community	Potential business idea

2.3 Factors influencing the choice of a business opportunity



Learning Activity 2.3

Use the list of different viable business ideas provided below and answer the questions.

The business ideas

- Baking mandazi business
- Liquid soap making and selling
- Envelopes and paper bags marking
- Chicken rearing
- Buy a bicycle and do local transportation
- Operating a small hair salon (barber shop)

Required:

- i. What business idea would you choose to do first? Explain why?
- ii. What factors influenced you from not choosing other business ideas? Justify your answers.
- iii. What effects do you think would happen if you did not consider those factors?

Some entrepreneurs absolutely believe that choosing viable business ideas must be through a purposeful search for opportunities while others believe that a viable business idea is something that had been readily available and overlooked but now discovered accidentally.

Below are some factors that may influence the choice of a business opportunity

- **Identified market need or gap:** A person is likely to choose an opportunity which he/she thinks will solve the identified market needs.
- **Growing market:** Most people want to avoid the hustles of starting a new business. So, they will choose ideas or opportunities that already have an existing/ growing market.
- **Low funding requirements:** The amount of funding required to implement a business opportunity may influence one's choice of a business idea. Most people will choose opportunities that do not involve a lot of funding in relation to profits.

- **Vision or goals:** The choice of a business opportunity will greatly depend on the vision or goals of the entrepreneur. These could be short term or long-term goals.
- **High profit margins:** Of course, on every entrepreneur's mind is profit. The profit margin expected from the opportunity will greatly influence one's choice.
- **Not easily copied:** Every entrepreneur of course wants to protect their ideas, protect intellectual property and develop a brand reputation. So entrepreneurs are likely to choose ideas/ opportunities that cannot be easily duplicated in the market at least in the short run.
- **Inheritance:** Inheritance is the practice of passing on properties, rights, and obligations upon the death of an individual. Most people would prefer continuing in the line of family business than going for new business opportunities.
- **Influence from family, friends or role models:** People may be influenced by family or role models for choice of a business opportunity.



Application Activity 2.3

In Rwanda today, Motorcycle taxis or 'Motos' are an important part of the country's public transport infrastructure. Briefly explain why most youth are influenced to operate Motorcycle taxis than other business opportunities.

2.4 Evaluating business ideas



Learning Activity 2.4

1. Why do you think it is good to evaluate your business idea before going ahead to invest in your resources?
2. What are the key concepts that SWOT Analysis helps an entrepreneur to evaluate in a business idea?
3. Suppose that you have a business of providing consultancy services in your locality. One of the customers with a variety of business ideas approaches you to advise him on which one to implement. State the main questions you would ask the customer to help you properly evaluate his business ideas.



Figure 2.3. Evaluating business ideas and opportunities

When you have a business idea, it is important to evaluate it carefully to help you determine its viability.

A business idea evaluation typically involves studying market conditions, establishing a target market and analyzing the projected costs of the new venture. Knowing how to evaluate a business idea can help you plan effectively so you can achieve your business goals.

2.4.1 Factors for evaluating business ideas

- **Legal consideration:** The new idea should be in line with the legal regulatory framework for example, an idea to sell drugs may not be viable because it is illegal in Rwanda.
- **Potential customers:** An entrepreneur has to assess potential and actual market for the goods and services. There must be a clearly defined market if the opportunity is to be considered.
- **Incentives:** Offered by the government and Non-Governmental Organizations, incentives are legitimate business opportunities to exploit as they save on costs. E.g. duty free importation of sugar and maize, tax waivers, etc.
- **Self-Analysis:** When you do get an idea about the kind of business you want to take up, you should also consider your ability to manage resources. You need to examine your talents, goals, and desires.

Review your marketing skills to ensure that you have the necessary background to make your business successful.

- **Network:** Having a good network connection with the customers, partners and investors can save a lot of time and reduce costs. Having contacts with individuals who have the technical expertise will help you take off your business faster as you can partner with them
- **Differentiation:** If there are a lot of competitors in your business, then you need to identify what makes your idea unique. You also need to figure out something that sets you apart and serves as an exclusive selling point of the idea.
- **Financial requirements:** Evaluating the resources needed for the business idea is crucial. Banks usually expect entrepreneurs to come up with a portion of the investment to show that they can take the risk with the lender.
- **Risk Assessment:** Another important factor while evaluating the business idea is the risk associated with it. There can be certain factors that might hamper your business idea, for example, the current state of the economy, weather events and competition.

2.4.2 Evaluating business ideas using SWOT Analysis

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats, and so a SWOT analysis is a technique for assessing these four aspects of your business. A SWOT analysis is a useful tool for an entrepreneur to evaluate the viability of a business idea. The viability or success of a business idea can be better understood by finding out its strengths, weaknesses, opportunities and threats.

When doing a SWOT Analysis for a business idea, consider the following:

Strengths: these are internal factors that may favor a business idea. Consider factors such as:

- Uniqueness of the idea
- Availability of resources
- Clear vision
- Possession of particular Skills required

a) Weakness: these are internal factors that may hinder a business idea. Consider factors such as:

- Lack of particular skills
- Lack of enough resources

- Limited customers
- Lack of clear vision

a) Opportunities: these are external factors that may favor a business idea. Consider factors such as:

- Conducive political environment
- Favorable government policy
- Few competitors
- An expanding market
- Discovery of better quality raw materials

a) Threats: these are external factors that may hinder a business idea. Consider factors such as:

- Un-conducive political environment
- New and similar businesses being set up
- Higher taxes
- Barriers from the competitors
- Scarcity of raw materials

SWOT Analysis can be represented graphically on a matrix below

	STRENGTH	WEAKNESSES
Internal factors	Uniqueness of the idea Availability of resources Clear vision Possession of particular Skills required	Lack of particular skills Lack of enough resources Limited customers Lack of clear vision
	OPPORTUNITIES	THREATS
External factors	Conducive political environment Favorable government policy Few competitors An expanding market Discovery of better quality raw materials	Un-conducive political environment New and similar businesses being set up Higher taxes Barriers from the competitors Scarcity of raw materials

STRENGTHS and WEAKNESSES are internal factors, while OPPORTUNITIES and THREATS are external factors.

When you have collected details for all four quadrants of the SWOT analysis, you should be ready to use that information in practice – informing your strategy for the business idea. Ideally, you should try to match your strengths with the opportunities – and tackle your weaknesses, turning them into strengths. To conduct a SWOT analysis, do the following:

1. **Assess your strengths.** Think about how you can capitalize on them to take advantage of your opportunities.
2. **Review your weaknesses.** Make a step-by-step action plan to evaluate their importance and mitigate the risk they pose for the business idea.
3. **Evaluate the opportunities.** Structure a plan that shows how you might take advantage of them, and what might hinder your progress.
4. **Weigh up the threats.** Record their potential impact on the business idea if you can, and explore ways in which your strengths might help you overcome them.

Example of SWOT Analysis

Below is a SWOT analysis for Facebook.

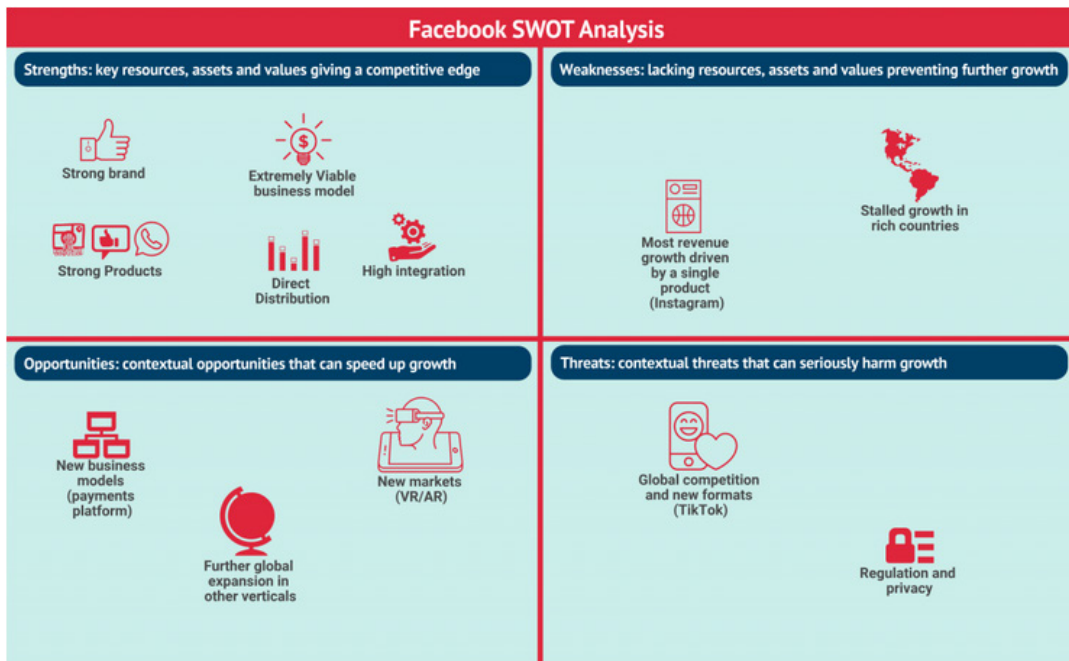


Figure 2.4: SWOT analysis for Facebook

From the figure above, identify Facebook's

- Strengths
- Weaknesses
- Opportunities
- Threats



Application Activity 2.4

1. Using the SWOT analysis, evaluate the feasibility of your business idea by considering at least two local competitors. Clearly, show your strengths and opportunities available to you.

End of Unit Assessment

I. Project Activity:

Scan the environment around your school or community and identify any challenges or problems that you think need to be solved. Make a list of potential business ideas for any one identified challenge or problem. Use a SWOT analysis to choose a viable business idea that can be implemented in your back home business.

II. Other Assessment Questions

1. For any business idea, explain how availability of different resources creates business opportunities
2. Many people confirm that "Businesses built up on the identification of societal problems have higher chances of success than those built up based on the available resources. Do you agree with this statement? Support your answer
3. Using your school as a sample business idea. Use the SWOT Analysis to evaluate its viability.



Unit 3: Entrepreneurship as a Career

Key unit competence

To be able to make rational entrepreneurial career choices

Introduction

In the current world many people no longer prefer to be employed by others though people could work in different fields as teachers, accountants, lawyers, doctors, soldiers among others. After being inspired by many successful people in the business world, young people want to become entrepreneurs and the only way to become one, is choosing to do business as a career.

In addition to the background knowledge about career opportunities from ordinary level, the meaning of career concepts, career field, career options and entrepreneurship career path in this unit will enable you to make rational entrepreneurial career choices.



Introductory Activity

Scenario: Mugeni's fruit vending business.

Mugeni after completing ordinary level, decided to look for something she could do to finance her studies in advanced level.

In a close conversation with her friend Martha who knew all her life challenges while at school, advised Mugeni to either join the police, army, technical school and specialize in construction or start a small business selling fruits. From the many options suggested by Martha, Mugeni decided to go and start a business of vending fruits in her hometown. In her life she had never wished to work for other people despite the hard life she was going through. She successfully started her business and within no time it expanded and she was able to help her family to cover up some expenses. Now she exports fruits outside the country as she also continues with her studies.

Questions:

1. Referring to your ordinary level knowledge, what do you understand by the terms : career, career choice and entrepreneurship?
2. State the career fields identified in the scenario above.
3. Why do you think Mugeni was never interested in working for other people in her life?
4. Do you think there is any career path in the scenario of Mugeni above? Support your answer.

3.1 Meaning of concepts**Learning Activity 3.1**

Read and complete the following statements by using the correct word(s) provided in brackets: (Job, Work, Career, Career choice, Activity, Entrepreneurship)

1. What one wants to become in the future is called.....,
2. A selection of a vocation or job that someone wishes to do for wellbeing is
3. A decision of utilizing one's skills or resources to do something that is beneficial to himself/herself and to the community is called.....

A career refers to a job or profession that someone does for a long period of time in his or her life. It also refers to what one wants to become in the future, for instance a doctor, accountant, entrepreneur or engineer.



Fig.3.1. Army officers and lawyers as careers one may choose

Career choice refers to the selection of a vocation or job that someone wishes to do for wellbeing.

For example, a person can choose to be an engineer, pilot, teacher, doctor, nurse, lawyer etc.

Entrepreneurship as a career refers to when a person makes a decision of utilizing his/her skills or resources to identify challenges/problems in the community and start something that is beneficial to himself/herself and to the community.

For example, suppose after graduating in any career field, a person may decide to utilize his/her skills in that field or any other field to start up a business or an activity that generates income, that person is said to have chosen Entrepreneurship as a career.

Note: The career you choose is most likely the job you will do for the rest of your life. You should therefore be careful when making a career choice



Application Activity 3.1

There is a confusion among your fellow students on the concepts of career choice and choosing entrepreneurship as a career. Design a short note with vivid examples from your community to help them to understand the difference between career choice and choosing entrepreneurship as a career?

3.2 Career fields of entrepreneurship



Learning Activity 3.2

1. Use the examples of entrepreneurship career fields given in the table below and suggest the entrepreneurship careers you can pursue.

No	Media	Education	Engineering field	Media field	Agriculture
1					
2					
3					

Why would one invest in any of the above entrepreneurship careers?

All the career fields existing in the world serve as entrepreneurship career fields because one can generate different business activities from them. They can be explained as below;

- **Education field:** One may choose a career in the education field such as starting a stationery shop dealing in scholastic materials, making uniforms, starting a private school, operating a school canteen, operating training center among others



Figure 3.2 Examples of careers in the Education field..

- **Medical or health field:** One may choose a career in the medical field such as starting private clinics, pharmacies, counseling services, medical stores as their entrepreneurship careers.



Figure 3.3 Examples of careers in the Health field

- **Agricultural field:** People can choose a career related to livestock farming and crop growing (cash crop growers). Examples of such careers would include selling animal drugs and pesticides, selling flowers and seedlings among others



Figure 3.4. Examples of careers in the agriculture field

- **Engineering field:** One may choose a career in the field of engineering such as running a construction company, software development, selling of electronics, repair shops, web designing and graphics among others.



Figure 3.5 Examples of careers in Engineering field

- **Commercial and manufacturing field:** One may choose a career in the field of commerce and manufacturing such as buying and selling crops, crop processing activity, tax declaration services, business advisory services among others
- **Transport field:** One may choose a career in the field of transport and such as transporting people on bicycles, motorcycles, taxis, operating travel agencies, designing transport related technologies among others



Figure 3.6 Examples of careers in the transport field

- **Legal field (law):** One may choose a career in the legal field such as barrister, compliance specialist, contracts lawyer, law assistant, legal advisor, legal secretary, legal receptionist among others



Figure 3.7. Example of career in the legal field

- **Finance field:** One may choose a career in the field of finance such as managing forex bureau operators, making business plans for mortgage loans, finance consultancy businesses, business advisory, tax advisors, financial statement analysts, credit analysts among others.



Figure 3.8. Example of a career in the Finance field

- **Hospitality field:** One may choose a career in the hospitality field such as hospitality services coordinator, guest experience manager, director of HR & training, VIP lounge assistant, guest services coordinator, kuvuga amazina y'inka, comedian, musicians, artists, tour guides among
- **Security forces field:** One may choose a career in the security field such as selling security equipment like CCTV cameras, sniff dogs, garments (uniforms), starting private security training and service companies, policeman, soldier, among others.



Figure 3.9 Examples of careers in the security field.

- **Media field:** One may choose a career related to comedy shows, creating youtube media channels, video, and film production libraries, selling newspapers, photographing, starting a radio station among others



Figure 3.10 Examples of careers in Media field



Application Activity 3.2

Given your combination, which career fields are related to the combination?

Can you identify careers in entrepreneurship that you can choose/ pursue from the fields above by completing the table below.

Your combination:

Career fields related to your combination	Entrepreneurship careers to pursue in the career field identified

3.3 Employment options



Learning Activity 3.3

In the current world, many young people are usually confused on whether to work for themselves or work for others amidst the employment challenges existing in societies.

- a) With examples of careers, which employment option can you undertake? Justify your answer
- b) Compare the benefits and challenges associated with working for yourself (being an entrepreneur) or being employed.



Figure 3.11 Employment options

3.3.1 Self-employment

Self-employment: This is a type of work in which one does not work for a specific employer who pays them a constant salary or wage. Under this employment option, an entrepreneur utilizes his/her resources to run a profitable business enterprise. All entrepreneurs who own active entities are examples of self-employed people.

a. Benefits of self-employment:

- Freedom and independence in decision making. The self-employed person does not need to consult anybody regarding any decision.
- High degree of job security. You are not worried of being fired at work
- Self employment encourages innovation and creativity
- High respect in the society

- Creation of employment for other people in the community
- Develop self-reliance to an individual
- Improved standards of living, that is, ability to access basic necessities as a result of income generated
- It encourages provision of goods and services to the public
- It promotes efficient use of business resources

b. Challenges of self-employment:

- Challenge of starting a business a fresh (poor experience in doing business)
- Lack of required resources
- Having to run all aspects of your business
- Finding the funds to get started and keep growing
- Building relationships with people who can help you
- Working long hours to meet deadlines or fix problems
- Living with an income that is hard to predict
- Giving up paid holidays and health insurance or paying for your own benefits plan
- Risking your money on your business
- Dealing with ups and downs in workflow

3.3.2 Paid employment

Paid employment: This is a type of work in which one works for a specific employer who pays them a constant salary or wage. Under this employment option, an individual does not own the business/ employment.

In this type of employment, you can be employed by another person, business owner, government, Non-Governmental Organization, churches among others and you are paid a salary on a periodical basis.

Examples of people who who are paid employed include, teachers, nurses, receptionists, waiters, counters, cashiers, among others.



Figure 3.12 Aspects paid employment

a. Benefits of paid employment

- Certain and specific responsibilities undertaken
- Fixed and possible/favorable hours of work
- Minimum risks are faced by the worker
- Regular saving is possible and hence future investment can be made.
- Fringe benefits like housing allowances and medical care can be given
- Debt of the firm do not affect the employees



Figure 3.13 Benefits of paid employment

b. Challenges of paid employment

- Follow strict order and instructions at the place of work
- Work under the control and pressure of the employer thus causing stress.
- Low freedom is exercised at work especially regarding decision making
- Harassment from the employer which may lead to psychological torture
- Low level of innovation as there is where a worker does not have authority to change anything.
- Low level of job security because any time you can be fired by the employer
- Paid employees do not enjoy the profit of the business but just relying on the salary

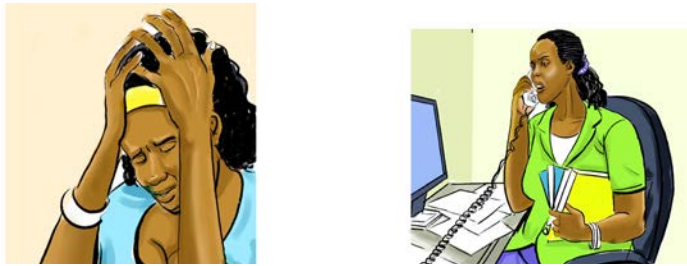


Figure 3.14 Challenges of paid employment.

Skills Lab Activity

“It is better to work for our business club projects rather than working for others” Is this statement true or false? Justify your stand.

Application Activity 3.3

Read the scenario below and use it to answer the question that follow:

After graduation from a TVET center/school in motor vehicle mechanics, Jean Bosco, immediately got a job in one of the motor vehicle garages located in Rulindo town. Four years later, his former classmate Murindwa came to the garage to repair his vehicle and had enough time to converse with him.

J. Bosco's friend was happy to testify that after graduation, he decided to pursue entrepreneurship as a career and started a saloon in his home town which has managed to earn him good income.

During their discussion Jean Bosco shared his experience that much as he is paid on time, the job puts him under pressure, working many hours, paid less salary, and would like to become self-employed. Murindwa, informed Jean Bosco, that as much as he loves being self-employed, there are also some challenges he needs to be aware of.

Questions

1. With examples from the above scenario, how would you explain the concepts of self-employment and paid employment
2. Which benefits and challenges that is Jean Bosco is likely to encounter by being self employed?

3.4 Entrepreneurship career path



Learning Activity 3.4

Analyze the success story of Zulfat Mukarubega and answer the questions that follow.

Success story of Zulfat Mukarubega (Adapted from s.4 Accounting students' book)

Zulfat Mukarubega the founder of Rwanda Tourism University College (RTUC) that has changed the face of the hospitality industry. Her story is not only inspiring, but also remarkable, as she is the brains behind the country's first and only tourism university in Rwanda. At a time when women had limited opportunities and were confined to the kitchen, Mukarubega defied the odds and ventured into entrepreneurship.

With only 5000 FRW she opened up a restaurant which later opened doors for success.

Later she started a university "Starting a business is full of ups and downs; things were tough at the beginning." I started with twelve students of which seven dropped out and I remained with five. Getting lecturers was not easy and making people understand the need to embrace the importance of hospitality was the hardest thing then," Mukarubega says.

Since its inception, RTUC has blossomed into a successful college with over 3000 students and now has a second branch in Gisenyi which attracts students from as far as the Democratic Republic of Congo, Burundi and Uganda. The college has had graduations, and most of the graduates are employed while others have started their own businesses..

Besides RTUC, Mukarubega plans to open up a home care training center where house maids will be trained on how to raise children.

“Women should believe in themselves; they should be innovative and think about the future because in Rwanda women have a high potential to realize their dreams and excel. The government has opened doors for us, we should use the opportunity,” she says.

Note: RTUC has changed its name to UTB (University of Tourism Technology and Business Studies).

Questions:

1. What is Mukarubegas’ career
2. From the success story, summarize the journey that Mukarubega went through to develop her entrepreneurial career.
3. What key lessons did you draw from Mukarubega’s entrepreneurial career path that would make you successful in your future business endeavors?

3.4.1 Meaning of entrepreneurship career path



Figure 3.14 Steps of entrepreneurship career

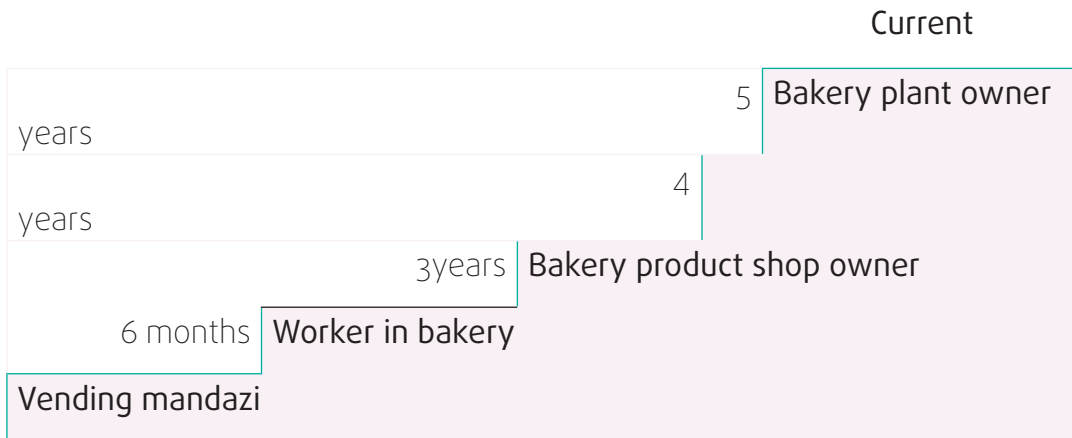
A career path is a sequence of jobs that leads to your short- and long-term career goals. Some people follow a linear career path within one field, while others change fields periodically to achieve career or personal goals.

Entrepreneurship career path refers to all the jobs/ occupations that someone undergoes to become successful in an entrepreneurship career.

Below are examples of career paths one can follow in entrepreneurship:

- **Administration:** Administrative Assistant—Executive Assistant—Office Manager
- **Advertising:** Advertising Account Coordinator—Assistant Account Executive—Account Executive—Senior Account Executive
- **Communications:** Public Relations Assistant—Public Relations Representative—Assistant Director of Public Relations—Director of Communications
- **Customer service:** Customer Service Representative—Inside Salesperson—Outside Salesperson—Major Account Salesperson—Regional Sales Manager
- **Editorial:** Editorial Assistant—Assistant Editor—Associate Editor—Editor—Senior Editor—Editorial Director
- **Education:** Teacher—Curriculum Coordinator—Assistant Principal—Principal
- **Education to insurance (career change):** Teacher—Insurance Salesperson—Trainer for New Agents
- **Engineering:** Junior Engineer—Senior Engineer—Project Manager—Engineering Consultant
- **Human resources:** Human Resources Assistant—Benefits Assistant—Benefits Specialist—Assistant Director of Human Resources—Director of Human Resources
- **Retail:** Retail Sales Clerk—Assistant Manager—Department Manager—Store Manager—Regional Manager

Example of entrepreneurship career pathing: Kagiraneza started vending Mandanzi from a bakery in his village. Later he was employed in the bakery which enabled him to accumulate money that made him start his own bakery products distribution shop. The work finally gave him more skills on how bakery products are made. Currently, Kagiraneza own a bakery plant of his own as an entrepreneur



3.3.3 Entrepreneurship career path planning

- **Assess yourself:** This is the first step that begins with understanding yourself. A number of areas of self-knowledge is important in laying a foundation for a career plan.
- **Make a list of potential occupations (related to self-assessment):** Once you have understood yourself, the next step is to investigate the entrepreneurship options available.
- **Explore the options:** During this stage, you gather all the necessary information related to the identified entrepreneurial occupations. Carry out research on a specific entrepreneurship career, talk to someone practicing that career, about its elements, time demands, needed skills, and responsibilities. Such first-hand experience is important for you to make a relevant goal.
- **Narrow down your list:** Now from the options researched on, pick 1 or 2 options that match the results from your self-assessment.
- **Set goals:** After you have narrowed down the business options, set a goal of the career in entrepreneurship from your options. The career goals set must be SMART and you have to think of strategies for achieving the goals.
- **Create an entrepreneurship career action plan:** After setting your career goals, determine the resources, timeline, support needed, main activities to be undertaken to achieve your goal.
- **Implement your action plan:** Now, you go ahead to put in action the planned activities. Put measures to evaluate progress on each activity in the plan and actions to be taken in case of a change in the plans.



Application Activity 3.4

Based on your combination at school, choose a career and create a plan of how you will to achieve your career in entrepreneurship.

End of Unit Assessment

I. Project Activity

Based on the challenges in your community, choose an entrepreneurship career and create a career plan that will enable you to achieve your career.

II. Assessment questions

1. With specific examples from your community, describe any five career fields that people are involved in.
2. Assume that after graduation in languages, you are provided with two alternatives, that is a scholarship to further your studies in business administration or using your linguistics skills to make money through activities like 'kuvuga amazina y'inka'. Which alternative would you go with? Justify your answer.



Unit 4: Setting Personal Goals

Key unit competence

To be able to make a plan to achieve their personal goals

Introduction

Setting goals can be an effective way to help yourself grow and develop, both personally and within your career. When you set goals for yourself, you are ultimately approaching success with an open mind, and making progress toward your goals.

Personal goal setting is a key factor in determining the life a person lives. However, this depends upon our beliefs which deliver direct command to values and qualities that in long run deliver power forces of positivity, and then they contribute to good things in our lives. This unit will help you to make appropriate plans of achieving your personal goals.



Introductory Activity

Analyze the image below and answer the questions that follow.



Adapted from HANGA KAZI Feed the future Rwanda.

Questions:

1. What do you see in the illustration above?
2. From the illustration above, what do you think is the meaning of a personal goal?
3. What do you think is goal setting?
4. What do you think was the goal of the person in the illustration?
5. What values, skills or qualities could have enabled the person to achieve the goals?
6. What are the characteristics of a good goal?
7. What steps did the person follow in order to reach the goal?
8. Why do you think it is important for one to have personal values?

4.1 Concepts and importance of having personal values



Learning Activity 4.1

1. **Read and complete the following sentences using the correct word or words from the list provided in brackets. (Personal values, Personal qualities, Personal goals, Personal skills)**
 - a)are short- or long-term goals that can apply to your work, family life or lifestyle. They are meant to motivate you to achieve what you want in life.
 - b)are "broad desirable goals that motivate people's actions and serve as guiding principles in their lives"
 - c)are skills used when interacting with other people or skills needed for a specific task.
 - d)are attributes such as patience, humor, initiative and flexibility are relevant to the type of work that would suit you.
2. **Give any five (5) importance of having personal values?**

4.1.1 Meaning of personal goals, personal values, personal skills, and personal qualities

In life people have goals they wish to achieve and that is why most of the people spend sleepless nights at work in order to achieve the goals they have set. The goals set must be in line with one's skills and values to enable him/her to achieve those goals easily.

a. Personal goals

These are short- or long-term goals that can apply to one's work, family life or lifestyle. They are meant to motivate a person to achieve what one wants in life. For example, improve your growth mindset, stay open-minded to new opportunities, learn something new, and recreate your work-life balance.

When someone's goal relates to business activities, it is called "Business Goal"

Example of personal goal	Example of a personal business goal
To do CPA (Certified Public Accountant) after S6	Increasing my business turnover by 12% each year
Join Military course in next 3 years from today	Buy a bicycle for transportation services in October 2023
Do push-ups every morning for my fitness	Do customer survey for my business launch in December

b. Personal values:

These are desirable goals that motivate a person's actions and guide him/her through his/her lives. Personal values influence a person's actions, relationships, career and overall life. Personal values also guide a person as he/she makes big decisions and can influence one's personal development. For example, courage, creativity, professional achievements, independence, honesty, determination.

c. Personal skills:

Personal skills relate to 'soft' skills used when interacting with other people; but also to 'hard' skills which are skills needed for a specific task. A skill is an ability to perform a specific task that may be acquired or developed through training or experience. For example, verbal communication, teamwork, analyzing & investigating, taking the initiative, planning & organizing.

d. Personal qualities:

Personal qualities are attributes such as patience, humor, initiative and flexibility that are relevant to the type of work that would suit you. These are the characteristics, attributes or personality traits that make up and reflect who you are. Examples include honesty, dependability or having a good sense of humor or being dependable, self-determination, persistence

4.1.2 Importance of having personal values

Our personal values help us to be our true self and have a greater sense of purpose. They drive our personalities, goal setting, and how we take action in life. Our values also give us a better understanding of who we are. They will lead us to set goals that work towards our dreams instead of against them. Below are the benefits of having personal values:

- Boosts your self-confidence - a sense of comfort with oneself and his/her instincts and a belief that one can trust his/her own abilities, knowledge, and judgment.
- Helps you create long-term goals, not only short-term goals
- Gives you a greater sense of what your ambitions and career goals are
- Helps you manage your stress level since you will know how to focus on what is most important
- Gives you a better sense of clarity about the present and future
- Encourages you to be more assertive and work hard for your dreams
- Builds up your resilience during challenging times since you will have a deeper motivation to keep going
- Makes you feel more satisfied with your choices and surroundings since you know they're in alignment with your deeper values



Application Activity 4.1

Teamwork	Improve your communication skills.	Courage	Develop time management skills.	Adaptability	Avoid negativity in the workplace.
Creativity	Improve your financial management skills.	Self-motivating		Learn from failure.	

Thinking outside the box	Empathy	Honest	Loyalty	Problem solving	Hard word
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1. Work out which of the above are personal qualities, values, goals and skills by completing the table below:

Personal goals	Personal skills	Personal values	Personal qualities

2. Rwandan society cherishes different values such as patriotism, love for work, peace and reconciliation among others. Explain the importance of values in the Rwandan society

4.2 Identifying values, skills and personal qualities



Learning Activity 4.2

- Using the knowledge you have on the meaning of personal values, skills and qualities, make a list of :
 - 5 of your own personal values
 - 5 of your own personal skills and
 - 5 of your own personal qualities
- From the personal values, skills and qualities mentioned above, identify which of them are desirable for:
 - Family
 - Society and
 - Business by completing the table below

	Family	Society	Business
Personal qualities			
Personal skills			
Personal values			

It is important to be aware of our personal values, skills and qualities as they determine the career choices we make and the goals we set, in addition to the relationships we have with our families and the society.

Provided below is a list of some of the personal values, skills and qualities:

Personal qualities	Personal skills	Personal values
– Drive	– Teamwork	– Courage
– Empathy	– Commercial awareness	– Creativity
– Self-awareness	– Analyzing & investigating	– Kindness
– Adaptable	– Self-motivating	– Independence
– Flexible	– Taking the initiative	– Honesty
– Professionalism	– Written communication	– Loyalty
– Positive attitude	– Planning & organizing	– Determination
– Thinking outside the box	– Problem solving	– Inclusiveness
– Engaging	– Problem solving	
– Loyalty	– Decision making	
– Honesty	– Interpersonal skills	
– Self-determination	– Action planning	
– Persistence	– Organizational skills	
	– Leadership	
	– Management	
	– Efficiency	
	– Financial skills	
	– Prioritizing work	
	– Influential	



Application Activity 4.2

Given the knowledge acquired on personal values and qualities, explain the most key values and qualities that can make you to live with others in peace;

- i. At home
- ii. At your workplace
- iii. At school
- iv. In the classroom

4.3 Personal qualities in relation to entrepreneurship, personal development, engagement with society and the workplace



Learning Activity 4.3

Provided below is a list of the personal qualities.

Creativity, determination, decision making, goal setting, responsibility, commitment, respect, involvement, tolerance, cooperation, respect, ethics

Use the list above to complete the table below by identify the qualities in relation to:

	Personal development	Engagement with society	Workplace

It is vital to recognize that personal qualities like self-awareness, self-confidence, self-control, self-knowledge, personal reflection, resilience and determination are the foundation of how we behave. These interactions can be engaging with society, at the workplace, for personal development or an entrepreneur.

Personal qualities in relation to entrepreneurship

An entrepreneur is a person who has a passion for creation and the ability to follow through on their ideas, someone who has the ability to see a need that has previously not been addressed or in some cases create a need that did not even exist. Successful entrepreneurs possess the following personal qualities:

- **Creativity:** Creativity helps in coming up with new solutions for the problems at hand and allows one to think of solutions that are out of the box.
- **Professionalism:** An entrepreneur's mannerisms and behavior with their employees and clientele goes a long way in developing the culture of the organization.
- **Self-discipline:** Self-discipline enables entrepreneurs to achieve their targets, be organized and set an example for everyone.
- **Reliability:** Reliability results in trust and for most ventures, trust in the entrepreneur is what keeps the people in the organization motivated and willing to put in their best.

- **Risk-taking:** Without the will to explore the unknown, one cannot discover something unique. And this uniqueness might make all the difference.
- **Passion:** Passion acts as a driving force, with which an entrepreneur is motivated to strive for better.
- **Planning:** Planning is strategizing the whole business ahead of time to enable you to come up with a structure and a process for how to reach your goal.
- **Knowledge:** An entrepreneur should possess complete knowledge of his/her niche or industry, know what his/her strengths & weaknesses are so that they can be worked on.
- **Social Skills:** Social Skills are also needed to be a good entrepreneur. Overall, these make up the qualities required for an entrepreneur to function.
- **Open-mindedness towards learning, people, and even failure:** An entrepreneur must be accepting, which enables him/her to realize when a scenario or event can be a useful opportunity.
- **Empathy:** A good entrepreneur should know the strengths and weaknesses of every employee who works in the business. An entrepreneur has to reach the hearts of employees for the success he desires.



e. Personal qualities in relation to engagement with the society

- **Be a good listener:** Focusing on both what people say and how they say it ensures that you accurately receive the messages people communicate to you.

- **Be persuasive:** you must persuade others to embrace your ideas and follow your plans to get anything done.
- **Be responsible and kind:** It's essential that you do your best to meet your obligations to your colleagues.
- **Be a leader:** If you have leadership qualities, you can function as a leader whenever a situation arises that requires that you take the lead, set the team's direction, or make decisions.
- **Be honest and have integrity:** People with personal integrity always try to do the right thing
- **Be courageous:** Having courage gives you the tenacity to work through issues and disagreements without compromising your principles.
- **Be self-aware:** Self-awareness—knowing what your strengths and weaknesses are and acknowledging what you have yet to learn
- **Be wholehearted:** Being wholehearted is the quality that allows you to embrace all of the other virtuous human qualities

f. Personal qualities in relation to personal development

Personal development skills are the skills you need to enable you to set personal goals and to achieve personal empowerment. Personal development skills are important because they allow you to create strategic and tactical plans for personal and professional growth toward your goals

- **Be an active listener.** Part of being a good communicator is paying attention to what other people say.
- **Work well with others.** Good people skills make you a valued team member.
- **Organize your time, work and materials.** Plan out tasks so you can complete them quickly and easily.
- **Work through challenging situations.** When dealing with a problem, assess your options and determine the best solution.
- **Believe in yourself.** If you have confidence in your decisions, others may be more likely to believe in you.
- **Adapt to change.** Be flexible so you can deal with changes in work and life easily.
- **Be truthful.** Honesty is the foundation of a positive relationship with colleagues and supervisors.
- **Be committed to and passionate about your career.** People with good work ethics tend to be productive, reliable and determined to do quality work.

- **Guide those around you.** Being a good leader requires confidence, vision and communication.



g. Personal qualities in relation to the workplace

In order for a person to be successful at the workplace, he/she should possess the following qualities:

- **Detail-oriented** (pays attention to the details and portrays a keenness to exploring the topic or issue at hand, as well as reasons behind it and issues surrounding it).
- **Analytical** (uses logical reasoning or systematic approaches to solve a problem).
- **Problem solver** (has a plan when issues arise).
- **Proactive** (controlling the situation by causing something to happen rather than responding to it after it has happened).
- **Productive** (manages time wisely and prioritizes well).
- **Focussed** (does not get distracted easily to allow maximum attention to be given to the task at hand).
- **Patient** (strong determination to solve the problem and does not get easily flustered).

- **Flexible** (is available at any time in case of an emergency and has a flexible work schedule).
- **Hard Working** (gives 100% of their effort in all that they do).
- **Good Listener** (listens to the concerns of employees and tries to improve the working environment).



Application Activity 4.3



Read the personal qualities below and using a (X), check which personal quality relates to: Entrepreneurship, Personal Development, Engagement with society and Workplace

Personal qualities	Entrepreneurship	Personal development	Engagement with society	Workplace
Be Empathetic				
Be Intuitive				
Be Creative				
Be Passionate				
Be a Life-long Learner				
Be a Good Listener				

Be a Good Listener				
Be Persuasive				
Be Responsible and Kind				
Be a Leader				
Be Honest and Have Integrity				
Be Courageous				
Be Self-Aware				
Be Wholehearted				

4.4 Concept of SMART goals



Learning Activity 4.4

1. What do you understand by a SMART goal?
2. Provided below are examples of goals. Analyze them and identify the SMART goals from the ones that are not SMART by giving reasons for your answer.
 - a) I want to get in shape.
 - b) I want to get a bicycle
 - c) I want to save 250.000FRW to buy a bicycle by the time I am 20.
 - d) I will study abroad in the USA by the time I am 20.
 - e) I want to study abroad.
 - f) I will save 500FRW each week for the next 4 weeks so that I can take my best friend out to Musanze town

SMART goals

The SMART in SMART goals stands for Specific, Measurable, Achievable, Relevant, and Time-Bound.

SMART goals are:

- **Specific:** Well defined, clear, and unambiguous
- **Measurable:** With specific criteria that measures your progress toward the accomplishment of the goal
- **Achievable:** Attainable and not impossible to achieve
- **Realistic:** Within reach, realistic, and relevant to your life purpose
- **Timely:** With a clearly defined timeline, including a starting date and a target date. The purpose is to create urgency.



Figure 4.2 Concept of SMART goals

From figure 4.2, a SMART goal can be defined as:

a. Specific SMART Goals

Goals that are specific have a significantly greater chance of being accomplished. To make a goal specific, consider the questions below:

Who: Who is involved in this goal?

What: What do I want to accomplish?

Where: Where is this goal to be achieved?

When: When do I want to achieve this goal?

Why: Why do I want to achieve this goal?

For example, “I want to obtain a gym membership at my local community center and work out four days a week to be healthier.”

b. Measurable SMART Goals

A SMART goal must have criteria for measuring progress. If there are no criteria, you will not be able to determine your progress and if you are on track to reach your goal. To make a goal measurable, ask yourself:

How many/much?

How do I know if I have reached my goal?

What is my indicator of progress?

For example, I want to obtain a gym membership at my local community center and work out four days a week to be healthier. Every week, I will aim to lose one kg of body fat.

c. Achievable SMART Goals

A SMART goal must be achievable and attainable. This will help you figure out ways you can realize that goal and work towards it. To make a goal achievable, ask the following questions:

Do I have the resources and capabilities to achieve the goal? If not, what am I missing?

Have others done it successfully before?

d. Realistic SMART Goals

A SMART goal must be realistic in that the goal can be realistically achieved given the available resources and time. A SMART goal is likely to be realistic if you believe that it can be accomplished. Ask yourself:

Is the goal realistic and within reach?

Is the goal reachable, given the time and resources?

Are you able to commit to achieving the goal?

e. Timely SMART Goals

A SMART goal must be time-bound in that it has a start and finish date. If the goal is not time-constrained, there will be no sense of urgency and, therefore, less motivation to achieve the goal. Ask yourself:

Does my goal have a deadline?

By when do you want to achieve your goal?

For example, On August 1, I will obtain a gym membership at my local community center. In order to be healthier, I will work out four days a week. Every week, I will aim to lose one kg of body fat. By the end of August, I will have realized my goal if I lose four kgs of fat over the course of the month.



Application Activity 4.4

1. Provided below are examples of goals. Analyze them and make them SMART if they are not.
 - a) We want to increase sales by, let's say, 10% next quarter.
 - b) I want to study abroad.
 - c) I want to get in shape.
 - d) I want to get a bicycle
2. Following the clear steps in setting a SMART goal;
 - i. Set a personal goal
 - ii. Set a school goal
 - iii. A business goal



Skills Lab Activity

With reference to setting goals in O' Level, write out steps of a well-written goal (SMART) and create a project goal related to your business club and plans of how you will achieve the project goals.

4.5 Steps for setting SMART goals



Learning Activity 4.5



This year you are in senior four. After 2 years you will be in senior 6.

- i. Make a SMART goal that will help you to successfully graduate senior six.
- ii. Describe the steps you followed when setting your goal above?

4.5.1. Steps for setting SMART goals

Setting goals is more than deciding what you want to do. It involves figuring out what you need to do to get where you want to go, and how long it will take you to get there. Whether for business or personal reasons, goal setting is essential. Goal setting will be your ultimate measure of success, and will help you determine if the actions you are taking are contributing to your long term vision (or not).

Therefore, to set goals that are SMART, one can follow the steps below:

- a) **A clear vision of the future.** Where do I want to be in the next 3 months, 6 months, and 1 year?
- b) **Prioritize.** After setting your vision, choose 3 or 4 areas that you want to focus on.
- c) **Be specific.** Make your goals specific and clear
- d) **Make them measurable.** Set criteria for measuring progress

- e) **Make them achievable.** Figure out ways you can realize that goal and work towards it
- f) **Make them relevant.** Find out if it can be realistically achieved given the available resources and time.
- g) **Make them time-bound.** Set a starting and finishing date.
- h) **Find an owner.** Assign a person in charge of moving that goal forward

4.5.2. Strategies or plans relating to entrepreneurship as a career

Setting goals is more than deciding what you want to do. It involves figuring out what you need to do, to get where you want to go, and how long it will take you to get there. So, in order to set goals that are attainable, one should employ the strategies in form asking oneself the questions below.

1. **Where do I want to be** in the next period of time, say 4 months, 6 months, or one year?
2. **What must I know to get there?** This includes all relevant information needed to enable you to be where you want.
3. **What steps must I take in order to know and be able to do these things?** For example, attending school, preparing a business plan, obtaining a trading license
4. **What personal values, qualities, skills and experience do I already have that are going to help me take these steps?**
5. **What obstacles might be on my way and how can I deal with them?** Identify the challenges that you may meet on the way to achieving your goal.
6. **What should I do first, second and so on?** Specify short term goals first then the long-term goals. A person can suggest short term goals stating when it should be achieved and resources needed to achieve them

Note:

When setting goals,

- Start by setting your long term goal
- Write the medium term goals
- Then write your short term goal



Application Activity 4.5

Following the steps of setting SMART goals, set any SMART goal either personal goal, a school goal or a business goal by using the template below

State your long term goal

Steps	By when	Resources needed
1.....		
2.....		
3.....		
4.....		

State your medium term goal

Steps	By when	Resources needed
1.....		
2.....		
3.....		
4.....		

State your short term goal

Steps	By when	Resources needed
1.....		
2.....		
3.....		
4.....		

End of Unit Assessment

I. Project Activity

Think of the career in entrepreneurship you want to pursue in life and set a SMART goal that will help you reach your career

II. Assessment questions

1. What are the personal values and qualities in relation to personal development?
2. Describe the personal values required at the workplace.
3. Analyze the importance of personal values in daily life.
4. Determine any six personal qualities in relation to entrepreneurship



Unit 5: Laws in Business Operations

Key unit competence

To be able to apply laws in business operations.

Introduction

It is important to know that Business activities involve various transactions, and therefore, there is a need to be protected against unlawful activities or dealings such as; fraud and commercial misunderstandings. This should, therefore, explain to you why it is needed to study the laws related to business operations. This unit will help you to understand and apply business laws that protect you as a customer, business owner or a member of the community.



Introductory Activity

Read the scenario below and use it to answer the questions that follow:

Scenario:

In Village Mahoro, there are various entrepreneurs. They all have successful businesses. However, some traders have challenges with customers. One of the customers reported the case she had with one of the business owners to authorities and was advised to take the case to the commercial court located in Nyarugenge District.

In the same village, Rwanda Revenue Authority found out that people in the area were avoiding paying the sales tax. And they are concerned. However, in spite of all these challenges, the area has all social facilities such as piped water, electricity and a taxi park, locally known as “Gare”

After more workshops, now some traders have joined to conduct the business under one umbrella. While farmers have now created cooperatives. They have all realized the importance of registering their business.

Questions

1. a) Explain the difference existing between law and business law.
 - b) Explain why the customer was advised to go to Nyarugenge District?
 - c) Why do you think it was important for the customer to report the case to the local authorities?
2. a) Using examples from the scenario, describe at least two legal institutions related to business.
 - b) Name other legal institutions that are likely to be operating in the area not mentioned, and why do you think so?
3. Why do you think it was important for business owners in the village to register their businesses?
4. What would the business owners lose if they had not registered their business?

5.1 Meaning of laws and importance of business laws



Learning Activity 5.1

Read the scenario below and answer the questions that follow:

In Rwanda today we are experiencing a high rate of urbanization. With the increase in a population composed of both low-income earners, the middle class, and the rich, some people resort to selling small goods and foodstuffs along the streets. Due to environmental concerns, and the need for protecting the citizens against contaminated products, the law-enforcing organs ensure that people are advised not to engage in street vending or selling goods along the streets. This explains why Rwanda is one of the countries with clean cities and towns.

Questions:

- a) What do you think business laws mean?
- b) Identify any business laws in Rwanda you may know
- c) Why is it important to have laws governing business activities in Rwanda?

5.1.1 Meaning of laws and business laws

a. Laws

A law is a rule made by an authority and that must be obeyed.

A law is commonly made by a government, which citizens must follow or face punishment. For example, in most places there are laws about not stealing. If you are caught stealing, you could be fined or put in jail, depending on the law broken and the punishment set up for that law.

Laws refer to a system of rules that a particular country or community recognizes as regulating the actions of its members and may cause penalties.

b. Business laws

Business law, also called commercial law, refers to the body of rules, whether by convention, agreement, or national or international legislation, governing the dealings between persons in commercial matters.

Business laws is the body of law that applies to the rights, relations, and conduct of persons and businesses engaged in commerce, merchandising, trade, and sales.

5.1.2. Importance of business laws

Laws play great importance in business operations as highlighted below:

- The trade license ensures that all businesses are registered and operate legally.
- They reduce conflict between traders or service providers and their clients (customers) since business laws create an avenue for peaceful and just conflict settlement.
- Environmental law protects society from the harmful effects that would result from the operation of some businesses on the environment.
- The public health law ensures that there is proper hygiene and sanitation in public places such as hotels, entertainment places, schools, etc. This protects us from infections.
- They prevent producers from producing and distributing poor-quality products in markets.
- They also prohibit the business community from refusing to pay taxes due to them.

- The consumer protection law protects consumers from exploitation and exposure to harmful products.
- They prevent unethical competition and protect producers' trademarks, intellectual rights, etc.
- Business laws help the public to save because it protects the public from the exploitation of some profit-hungry businesses. This is the responsibility of the Rwanda Utility Regulatory Agency.



Skills Lab Activity

You recently joined your School Business Club, and you realise that they do not have rules and regulations to guide the smooth running of the business club activities. During the club meeting, the club leader asks you to help design the Club laws that will help them to operate well. Design the laws that are suitable and effective for your School Business Club.



Application Activity 5.1

Read the scenario below and answer the questions that follow:

In Ubumwe village, there are several young people that have started various businesses, both small-scale and large business ventures. The local authorities are concerned because most of them have little knowledge about the laws governing commercial activities.



Question:

As a student of entrepreneurship, explain to the community the dangers of not having laws in business activities

5.2 Laws related to business



Learning Activity 5.2

Complete the statements below by filling in the correct word from the list provided (Consumer protection law, Public health law, Weighing and measuring law, The trading licence act., Environmental law, The land Act., Food and drugs law., Law of contracts, Commercial law)

1. focuses on guarding against unfair trade practices that harm buyers in the consumer marketplace.
2. focuses on improving the health of the population by using effective deterrents and punishment.
3. ensures that sellers use acceptable weighing scales and measurements when selling goods and services to customers.
4. requires all businesses to obtain trading licences before beginning operations.
5. ensures the protection of the environment at all stages of land use, development, business startup and operations.
6. provides for the tenure, ownership and management of land.
7. ensures that expired drugs and bad foods are not sold to customers.
8. enforces contracts between contracting parties
9. relate to the buying and selling of goods and services

Rwanda Commercial law or business law is the body of law which governs business and commerce. Commercial law regulates corporate contracts, hiring practices, and the manufacture and sales of consumer goods. The business laws currently applicable in Rwanda include:

1. **Consumer protection law.** Under this law, the government protects the consumers from exploitation by ensuring that the products sold to customers are of acceptable standards in terms of price, quantity and quality. In Rwanda, the Rwanda Utility Regulatory Authority and Rwanda Bureau of Standards are the institutions in charge of consumer protection.

2. **Public health law.** With this law, the Ministry of Health is expected to check standards of hygiene for instance in restaurants, hotels, schools and all other public places and private homes. Representatives of the ministry are normally sent out to check, advise or even close any business that does not comply with the expected minimum standards. The major elements they look at include: toilets, lighting, cleanliness and ventilation.
3. **Weighing and measuring law.** Under this law, the government ensures that sellers use acceptable weighing scales and measurements when selling goods and services to customers. This is implemented through the National Bureau of Standards. The law also provides for quality standards to be observed by goods and services produced and provided by the entrepreneurs.
4. **The trading license act.** This act requires all businesses to obtain trading licenses before beginning operations. It empowers local administration to impose (levy) and collect trade license fees.
5. **Environmental law (National Environmental Act).** The environmental considerations arise at all stages of land use, development, business startup and operations that affect the environment. The government implements this act through the Rwanda Environment Management Authority (REMA).
6. **The land Act.** This is a law that provides for the tenure, ownership and management of land.
7. **Food and drugs law.** By this, the Ministry of Health controls businesses by ensuring that expired drugs and bad foods are not sold to customers. For drugs, the entrepreneur must get a separate permit from the National Drug Authority, such a permit will only be granted when the conditions set by the law are satisfied by the entrepreneur. This law seeks to protect customers by ensuring the quality and quantity of food and drugs.
8. **Law of contracts.** The law is about making and enforcing contracts.
9. **Commercial law.** Commercial laws relate to the buying and selling of goods and services. It applies to the rights, relations, and conduct of persons and businesses in Rwanda.



Application Activity 5.2

Study the illustrations given below and use them to answer the questions that follow:



Figure 1



Figure 2



Figure 3

- Using the above illustrations 1, 2 and 3, which business law is applicable in the illustration?
- Why would the government be concerned in each of the illustrations?

5.3 Legal institutions related to business



Learning Activity 5.3

Read the scenario provided below and use it to answer the questions thereafter:

In December last year, M/s Umwiza was asked by relatives living abroad to guide them on how to start a business in Rwanda. Among the things they needed to know are the legal institutions related to business in the country. Umwiza did great work and one of the key sources of information was Rwanda Development Board.

If you were in Umwiza's position, what ideas would you give the relatives?

a. Rwanda Revenue Authority:

Rwanda Revenue Authority (RRA) is a body/institution that is responsible for assessing, collecting, and enforcing tax laws. Rwanda Revenue Authority sensitizes the public about the importance of paying taxes and the penalties for delaying, dodging, and or refusing to pay tax.



Figure 5.1 RRA symbol

b. Rwanda Development Board (RDB)

This is a government institution that is charged with the responsibility of registering new businesses in the country.



Figure 5.2 Headquarters of RDB

RDB plays the following roles, among others:

- It gives technical support and logistics to both domestic and foreign investors.
- It promotes Rwanda tourism by conserving natural heritage centers, wildlife, water bodies, mountains, etc.
- It promotes the development and thriving of the private sector in Rwanda.
- It also ensures good service delivery by sensitizing nationals about good customer care, and entrepreneurship skills development.
- It advises potential investors on the available business opportunities and areas of profitable investment.
- It provides registration information to both new and existing businesses.

c. Rwanda Utility Regulatory Agency (RURA)

It is a government department that monitors and controls services and goods for example transport, energy, agricultural produce, telecommunication, and broadcasting, and the Authority has the following mandate:



Figure 5.3 Headquarters of RURA

The mandate of Rwanda Utility Regulatory Agency (RURA)

- To set up necessary guidelines in order to implement the laws and regulations in force.
- To ensure compliance by public utilities with the provisions of laws and regulations governing the regulated sectors in an objective, transparent and non-discriminatory manner.
- To ensure the continuity of service delivery by licensed or authorized service providers and the preservation of public interest.
- To protect users' and operators' interests by taking measures likely to guarantee effective, sound, and fair competition in the regulated sectors within the framework of applicable laws and regulations.
- To protect and promote consumer interests.
- To promote the availability, accessibility, and affordability of regulated services to all consumers including low-income, rural, and disadvantaged consumers.
- To promote efficient development of regulated sectors in accordance with government economic and financial policy.
- To promote and enhance general knowledge, sensitization, and awareness of the regulated sectors.
- Promote and protect the rights and obligations of consumers and service providers.
- Issuing permits, authorizations, and licenses required for regulated sectors, in accordance with the relevant laws and regulations.
- To monitor and ensure compliance by regulated network or service providers in line with their licenses, permits, and concession obligations.
- To ensure fair competition in all regulated sectors.

d. Commercial courts

These are courts specialized in the handling of cases relating to business conflicts in Rwanda. Commercial courts settle business conflicts between disagreeing parties. These conflicts or misunderstandings may come up as various transactions are being conducted. These may happen when:

- Purchasing goods and services: This in some cases may result in both the seller and buyer having conflicts. When the causes of this undesired situation are business related, then, the two parties can decide to seek the commercial court's intervention.
- Transport agencies, these are varying companies engaged in the transportation of goods, and people. These may have conflicts among the varying companies affiliated with one given cooperative or sometimes between the service providers and the clients.
- Miners and mining corporations: Sometimes mining companies conflict with their own employees or even the surrounding communal members.
- Export and import of goods and services. The transactions involved in this form of business create some allowance of conflicts of parties involved.
- Brokers and jobbers: Sometimes promise and collect fees from the clients and end up not honoring the contracts. This results in serious misunderstandings that need to be settled by the commercial court.



Application Activity 5.3

Read the case study provided below to answer the questions that follow:

CASE STUDY:

In Kwigira village, socio-economic development is taking place at a high rate. Various business ventures have come up. However, as they increase day and night commercial disputes/or conflicts based on business operations have become the order of the day. For example, In Kwigira village, the mining company has an issue with encroaching on the farming areas and failing to respect the contracts entered into with their suppliers.

Recently, two shops in the village were closed because of selling products at a higher price than the market price. The owners of these two shops are engaged in transportation and overcharge the travelers. Passengers are concerned.

Again, as if that is not enough, they do not pay taxes. One of the two works as a land broker. But many people are complaining. He is fond of selling plots of land that are not his. The local authorities are seriously concerned.

The good news is that there is a group of investors going to invest in the same village. The government has given them a huge land in the village of Kwigira. People will get jobs and have their lives transformed.

Questions:

- a) Why do you think the local authorities should be concerned?
- b) Which relevant legal institutions are responsible for addressing the above issues, and why?

5.4 Legal forms of business ownership



Learning Activity 5.4

Read the scenario provided below and use it to answer the questions thereafter:

In Nziza village there are many businesses that are taking place. Many entrepreneurs have established business as shareholders, while others own and operate the business as individuals.

Farmers have various cooperatives, some engaged in Rice growing, others in milk collection and processing cooperative societies.

Questions:

- a) Identify two of the legal forms of business ownership in the scenario.
- b) Why do you think it is good for entrepreneurs to own business ventures in such a form?

The legal form of an enterprise is necessary for various reasons. In case the entrepreneur wishes to raise capital by loan, obviously, the lending institution such as a bank or even a private money lender would like to know the ownership form of an enterprise.

a. Sole proprietorship (sole trade organization)

In a sole proprietorship, the enterprise is owned and controlled by one person, who is sometimes referred to as a sole proprietor or sole trader.



Figure 5.4. Description of sole proprietorship

The main characteristics of a sole proprietorship

- **One-man ownership:** The business belongs to one person. This implies that the business is registered under one individual.
- **Easy to start.** The simplicity of the sole proprietorship business makes it easy to start since there are few documents required.
- **Less initial capital required:** In most cases these start in a simple manner, which makes it less costly to start.
- **There is direct contact with customers:** The business utilizes very few or sometimes no employees. This means that the customers have direct one-on-one contact with the business owner.
- **No separate business entity:** The business and its owner are inseparable. What happens to the business directly affects the sole trader?
- **No separation between ownership and management:** In some cases, the business venture is managed by the owner. Being that there are very few or no workers employed, the owner plays the managerial role.
- **Unlimited liability:** In case the enterprise incurs losses the private property of the proprietor can be utilized for meeting the business obligations to outside parties.

Advantages of the sole proprietorship

Simple form of organization: The business based on sole proprietorship is simple. In most cases they are micro businesses. These come along with managerial advantages.

- **Owner’s freedom to make decisions:** Under a sole proprietorship, there are no decision-making approvals. The Owner can make decisions at any time.
- **The sole trader enjoys the profits alone:** All the resources are owned by the sole trader. This implies that all the profits earned are utilized by him or her alone.
- **Strong self-motivation:** The sole trader is self-motivated and such is based on the inner drive that comes from the passion connected to the business.
- **There is direct contact with the customers:** The sole trader interacts with the customers directly. There are no marketers or salesmen. This gives the business owner a chance of receiving constructive feedback from the clients.
- **Easy coordination of business activities:** The sole trader can easily coordinate the business operations because there is no need to first seek alignment and approvals.
- **There is high secrecy:** It is easy for the business owner to keep the business secrets to himself or herself. In business, industrial secrecy plays a big role in market positioning.
- **Less initial capital required:** Most of the businesses established under sole proprietorship, are micro or small-sized. This gives the advantage of requiring less start-up capital. They are easy to start.
- **Does not require a lot of legal requirements in the start-up:** Starting a business under a sole proprietorship, does not require a lot of legal procedures or documentation. All that is required is a trading license.
- **Easy dissolution:** The closure of the business is easy. That is to say, a sole trader can easily close his or her business at any given time when it is deemed necessary.
- **There is the minimization of costs of production:** The sole trader is always conscious of the costs of production. He or she ensures that the costs are minimal in order to secure higher profits.
- **The sole trader provides customer guidance:** As earlier mentioned, a sole trader has direct interaction with the customers. This provides ample time for the provision of guidance and product/service instruction support.

- **Business flexibility:** The sole trader has the chance of changing the nature or type of business venture.

Disadvantages of sole proprietorship

- **Limited resources:** A proprietor has limited resources at his/her command. The scope for raising funds is highly limited in proprietorship. This, in turn, deters the expansion and development of an enterprise.
- **Limited ability:** One person may be an expert in one or two areas, but not in all areas like production, finance, marketing, personnel, etc. Then, due to his or her lack of adequate and relevant knowledge, the decisions taken by him may be imbalanced.
- **Unlimited liability:** It means that in case of loss, the private property of the proprietor will also be used to clear the business obligations. Hence, the proprietor avoids taking risks.
- **Limited life of enterprise form:** When he/she dies or becomes insolvent or insane or permanently incapacitated, there is every likelihood of closure of the enterprise. That is to say, the enterprise also dies with its proprietor.
- **No sense of specialization:** The sole trader in most cases does not apply specialization. He or she in most cases engages in dealing with a variety of commodities or services.
- **Difficult in supervision:** The sole trader usually is alone and supervising and managing the business operations becomes challenging.
- **Personal attitude affects his/her business:** The sole trader's attitude or emotional state may directly affect the way he or she deals with the clients or conducts his or her business.
- **Overworks:** Addressing all the activities related to his or her business with one or no supporting staff members leaves a huge workload on his shoulders.
- **Poor technology used:** It is worth noting that very few sole traders integrate technology into their business. They depend on physical involvement and fail to take use of the available technology.
- **Limited goods and services:** Due to scarcity of funds, the business sometimes lacks some goods and services recommended by the customers.
- **Risk of the enterprise dying out or collapsing when the owner dies.** He or she is the only one that knows how the business runs. So, in case of abrupt loss of life, the business also fails.
- **Limited ability:** One person cannot be an expert in all areas.

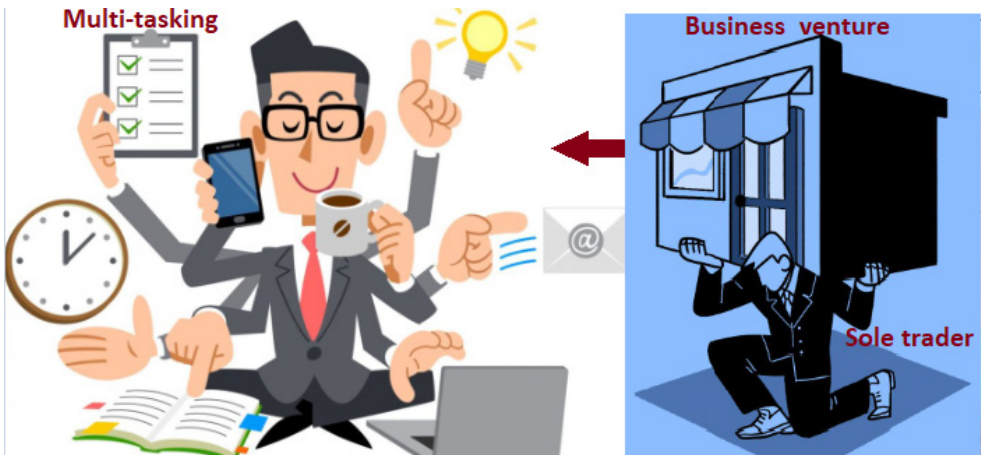


Figure 5.5. Disadvantages of sole proprietorship

b. Partnership business

Partnership refers to the business started and operated by two or more (2-20) members with an aim of making profits. The owners of partnership businesses are called partners due to capital contributions they make in starting the business.

Before starting a partnership there is a general agreement prepared and signed by all members known as the **partnership Deed**.



Main Features

- Profit and loss sharing
- It is composed of 2-20 members
- Contractual relationship: A partnership is formed by an agreement
- Utmost good faith and honesty
- Unlimited liability
- Restrictions on transfer of shares.

In general partnerships where all partners are liable for the acts of all other partners, all partners also have unlimited personal liability for business debts.

Limited partnerships have at least one general partner who is fully liable plus one or more limited partners who are liable only for the amount of money they invested in the partnership.

Advantages and disadvantages of partnership business

Advantages of partnership	Disadvantages of Partnership
<ul style="list-style-type: none"> • Easy to be formed. • More capital available; more than one person provides funds. • Lending institutions perceive less risk. • Combined talent, judgment, and skill. • Division of labor. • Losses and profits are shared equally. • Varying talents are put to better use. • Easy to join • Correct decisions are made after deep analysis by the concerned partners. • The incentives or bonuses given, motivate the shareholders. 	<ul style="list-style-type: none"> • Divided authority which sometimes results in delayed decision-making. • Risk of conflicts between the partners. • Unlimited liability, whereby partners' private properties may be sold to cover a given credit. • Lack of continuity: The death or withdrawal of one partner is likely to cause the partnership to end. • Mis-handling of property. • Reduced enthusiasm. • Risk of being liquidated. • Profits are shared hence reducing the income of each member.

c. Joint Stock companies

These are companies that are owned jointly by the owners and have a given portion of the company in form of a share.

They are also registered and investor-owned companies. Usually are formed when a given business venture is so expensive and now the funds are solicited through investors injecting the funds in form of shares.

Joint stock companies are called so because people join their capital to form a joint organization.

Features of Joint stock companies

In order to distinguish joint stock companies from other forms of legal forms of Business ownership, the following characteristics are considered:

- **Artificial legal person:** Any registered company has certain rights, protection, privileges, as well as responsibilities, and liabilities by the law, similar to those of a natural person.
- **Separate legal entity:** The company and owners are separate in the face of the law. For example, the BRALIRWA company is separate from its shareholders. It is separate from the owners and hence it can sue and be sued on its own.
- **Common seal** – uses a common stamp on which its name is engraved. Any document signed and bearing a common seal binds the company.
- **Limited liability:** In case the company fails to pay the credit, only the property that belongs to it will be sold to pay off the debt, and the owners' properties will not be affected.
- **Transferability of shares:** the member of the public limited company can sell his shares to others without the consent of other shareholders. However, there are some restrictions on selling shares of a private firm.

d. Types of Joint-stock companies

i) Registered companies

These are companies that were formed by shareholders and registered with the registry of companies, under the company's Act. The directors of these companies are elected by shareholders themselves on a democratic policy.

a) Private limited companies

These are companies composed of 2 to 50 members. Funds used as working capital are raised from the sale of shares by specific individuals. Once the shares are bought, they are not freely reassigned to another person without the consent of other shareholders.

Under private limited companies there are the following categories:

– Limited by shares

It is a company formed by physical or moral persons, limited to their shares; it does not require any minimum initial share capital. Minimum shareholder is 1 and maximum of 100 shareholders. The shares usually refer to the stake held by the company's shareholders. In such a company, the shareholders' obligation is to pay the company for the shares they have taken in it. The individual puts money into the company, and in return the company gives it a percentage of ownership, in the form of shares (how much of a company the individual in question owns depends on how many shares he/she has in comparison with the other people, if any, who own shares in that company).

– Limited by guarantee

A company limited by guarantee is owned by individuals and/or corporate bodies known as 'guarantors'. Guarantors do not have any shares in the company and, generally, they do not take any of the profits. The owners of a company limited by guarantee will agree to pay a sum of money, known as a 'guarantee', if the company has any debts or becomes insolvent. The majority of companies limited by guarantee are set up by non-profit organizations such as sports and social clubs, unions, or cooperatives etc.

– Unlimited

An unlimited company is very much like a regular private company limited by shares, since it does not have to use unlimited in its company name; the main difference arises when insolvency occurs. When formal liquidation happens and the company is unable to pay off its debts, the creditors will be able to use the personal assets of the directors and shareholders in order to pay off the liability. This means that regardless.

b) Public limited companies

These are companies formed of seven shareholders as a minimum number and the maximum number being boundless. The key characteristic is that shares are sold to the public. Members can transfer or sell their shares to the general public and are listed on a stock exchange.

ii) Statutory companies

These are companies that are owned by the state and are created under the Act of parliament. The parliament chooses and appoints the board of directors to run the business.

Advantages and disadvantages of Joint stock companies

The advantages of the company	The disadvantages of the company
<ul style="list-style-type: none"> • Limited liability • Shareholders of the company are liable only to the extent of the face value of the shares held by them. • It facilitates the collection of huge resources due to a big number of share-holders. 	<ul style="list-style-type: none"> • Difficult information required, that is to say; the company needs a wide range of documents and procedures before operating. • Excessive government control i.e. Rules and regulations.

- | | |
|--|---|
| <ul style="list-style-type: none"> • The company enjoys continuity. It continues to exist even if all its members die. Therefore, there is no interruption of business. • Transferability of shares; i.e. a member can freely transfer his/her shares without the concert of other members. • Professional management is possible due to the vast resources. Such gives the company the capacity of engaging expert managers with the required skills in the manning of the business venture. • It is a separate legal entity i.e. It is separate from the owners and hence it can sue and be sued on its. | <ul style="list-style-type: none"> • Lack of motivation and personal touch as there is a separation between the management and the ownership • It is associated with corruption, fraud, and embezzlement of company's funds. • There are delays in decision making due to several management levels. • Lack of secrecy as it is required to disclose and publish a variety of information on its operation to the public. |
|--|---|

c. Cooperatives in Rwanda

A co-operative company is an enterprise owned by an association of natural or legal persons with the objective to satisfy their common needs (accessibility to products or services, selling their products and services, employment)

A co-operative enterprise or society refers to a group of people who carry out or join effort in production or distribution of goods and services and share profits among themselves depending upon the participation of each member. In Rwanda, cooperatives are controlled and regulated by Rwanda Cooperative Agency (RCA)



Figure 5.6. Headquarter of Rwanda Cooperative Agency

Features of cooperatives

Cooperatives are distinguished from other legal forms of business ownership based on the following features.

- Members are free to join voluntarily
- Shares or members' contribution in the form of shares is the key source of funds.
- Leaders governing cooperatives are democratically elected.
- There is payment of limited share capital
- The surplus profits or dividend payment is distributed to the members.
- Provide credit to improve on their activities and sometimes borrow from commercial banks.
- Usually the produce is sold through national marketing boards.
- Members are given further education and sensitized on what they are engaged in.
- There is cooperation at the national level, and bigger ones, at the international level.

Advantages of cooperatives

- **Creation of income-generating activities:** They try to establish projects and business ventures that would generate profits, as a way of fighting poverty amongst members and other socio-economic challenges.
- **Developing human capacities:** Through various interventions, members are equipped with life skills needed by every human being.
- **Developing business potential:** Cooperatives engage in various business activities. The skills acquired by members enable them to be entrepreneurs in the future.
- **Increasing savings and investments:** The economic activities carried out by the co-operatives enable the members to register profits, hence increasing savings, which fosters future investments.
- **Improving the socio-economic well-being of members:** The income received from the co-operatives enables the members to have better socio-economic well-being.
- **Source of government revenue:** The cooperative societies pay taxes to the government which is used to develop the country.
- **Source of foreign exchange:** The products that are produced by the co-operatives sometimes are exported.

- **Production of foodstuff which ensures food security:** The co-operatives engaged in agricultural activities increase food security.
- **Voting rights:** There are equal rights for members regardless of the level of investment.
- **Unlimited Membership:** There is no limit on the number of members. This allows a large percentage of citizens to engage in cooperative activities.

Disadvantages of cooperatives:

- **Discourages investors:** This is because of the equal voting rights for members regardless of the amount of the investment.
- **Disputes:** Due to the number of members of varying personalities, disputes and misunderstandings crop up.
- **Lack of enough capital:** Most of the cooperatives depend on the contributions from the members which sometimes results in a shortage of funds.
- **Embezzlement of funds:** The members who form the management sometimes embezzle funds.



Application Activity 5.4

Answer the following questions by circling the most suitable answer

1. The form of ownership entrepreneurs choose when they organise their business can affect
 - A. the types of taxes the business must pay.
 - B. how much liability they face for the debts of their company.
 - C. the way the firm can obtain financial resources.
 - D. all of the items in this list.
2. Sole proprietors have _____ for the debts of their companies.
 - A. no liability
 - B. limited liability
 - C. unlimited liability
 - D. shared liability
3. A key advantage of a sole proprietorship is that
 - a) it is easy and inexpensive to form this type of business.
 - b) the owner has limited liability for the debts for this type of business.
 - c) it is very easy to raise financial capital for this type of business.
 - d) the business has perpetual life.

4. A serious drawback of sole proprietorships is that they
 - A. are difficult and inexpensive to form.
 - B. expose their owners to unlimited liability for the company's debts.
 - C. result in double taxation of the company's earnings.
 - D. are heavily regulated by the government.
5. Sue has a great idea for a business but has limited financial assets. She wants to retain control over the management of the company, but she needs someone to provide additional financing. Her friend Tom has some money to invest and likes Sue's idea. He would like to share in any profits, but he doesn't have the time or interest in managing the company and is nervous about the liability involved in running a business. A _____ would probably match the needs of both Sue and Tom.
 - A. general partnership
 - B. limited partnership
 - C. sole proprietorship
 - D. foreign corporation
6. A _____ is a form of business ownership that is considered to be separate from its owners, who are known as stockholders.
 - A. sole proprietorship
 - B. general partnership
 - C. limited partnership
 - D. corporation
7. Which of the following is NOT an accurate statement about a sole proprietorship?
 - A. A sole proprietorship is easy and inexpensive to form.
 - B. Legally, the business is considered separate and distinct from its owner.
 - C. Most sole proprietorships are small businesses.
 - D. Sole proprietorships are the most common form of business ownership.
8. In a _____, all partners have the right to actively participate in the management of the firm and to share in any profits or losses incurred by the business.
 - A. general partnership
 - B. limited liability partnership
 - C. limited partnership
 - D. sole proprietorship

5.5. Business formation and registration according to their forms



Learning Activity 5.5

Provided below are the steps of registering a business in Rwanda. Arrange them in order from the first to the last step

- Register, declare and pay all required taxes
- Choose the business category to be registered
- Print Certificates
- Complete the business registration application
- Register on the RDB business registration system

Registering of companies and individual enterprises at RDB

Rwanda has the shortest procedure and or fastest processes in the whole of East Africa and possibly the world to register and start a business.

The steps followed to register a business in Rwanda

One can register a business online or at the Office of the Registrar General which is a department within the Rwanda Development Board following the steps below;

Step 1: Register on the RDB business registration system

- Access the RDB business registration system at <http://org.rdb.rw/busregonline>.
- New users must first register an account by clicking on 'Register Here'. This leads to the 'Create New Online User' screen. Enter the required personal details and click submit to register an account.
- The RDB system will then send an email to the given email address containing a website link.
- Click on the link provided to validate and activate this account.
- Once the account has been activated, return to the RDB business registration system and enter the chosen login details to begin the business registration process.

Step 2: Choose the business category to be registered

- Once logged in, an initial message advises that if the company already has a unique Taxpayer Identification Number (TIN), then do not use this system to register.

- If the company does not yet have a TIN, click OK to continue to the business registration system screen.
- The business registration system first requires selection of the type of business being registered. Click here for more details.
- Note that the 'Name Reservation' option does not register a business, but can be used to reserve a business name for registration in the future.

Step 3: Complete the business registration application

- Depending upon the business type selected, the details that must be completed differ slightly.
- Note that each of the major tabs ('General Info', 'Share Info' etc.) has separate minor tabs ('Company Name', 'Articles of Association' etc.) Ensure to complete all tabs before submitting the registration.
- Once all tabs are completed, click the 'Preview' tab to check that all the details entered are correct, before clicking 'Submit' to submit the business registration application.
- After submitting, RDB will validate that the information entered is correct.
- If this is approved, an SMS will be sent to inform the taxpayer that the application has been sent to RRA to issue a Taxpayer Identification Number (TIN).
- Once the TIN is issued, another SMS will be sent to inform the taxpayer that their business has been registered.

Step 4: Print Certificates

- After receiving the second SMS, confirming that RDB has validated the business registration application and RRA has issued a TIN, the taxpayer must log back in to the RDB Business Registration system.
- Once logged in, click on the 'Certificates' option on the left hand side. There are two certificates that must be printed and kept securely.
- Firstly, choose the 'Certificate Type' that matches the application type, for example 'Domestic, if the business type that was registered was a domestic company.
- Once selected, download and print this certificate.

Step 5: Register, declare and pay all required taxes

- The taxpayer is automatically registered for Income Tax. Visit RRA offices to register for any additional required taxes, including visiting LGT tax centers immediately to register for Trading License Tax and Public Cleaning Service Fees.

Requirements for registering legal forms of business

Legal form of business	Requirements
Sole proprietorship	<ul style="list-style-type: none"> – National ID number. by filling in the national ID number, the personal details are automatically filled in the system. – Contact details. of the sole trader or of an authorized representative. – Email account. of the sole trader or of an authorized representative
Partnership	<ul style="list-style-type: none"> – Notarized copy of the registration certificate – Notarized copy of Articles of Association – Notarized Shareholders resolution stating name, scope of business – Copy of partnership deed
Joint stock companies	<ul style="list-style-type: none"> – Notarized copy of the registration certificate. – Notarized copy of Articles of Association. – Notarized Shareholders resolution stating name, scope of business, management and shareholding details of the new company
Cooperatives	<ul style="list-style-type: none"> – Copy of bylaws and Internal regulations. – Define its domain of activity and objectives; – To have the required number of founder members – A copy of minutes for meetings – To have a certificate issued by the Sector in which it will operate indicating that the cooperative meets the requirements



Application Activity 5.5

Read the scenario provided below and use it to answer the questions that follow:

Suppose during the holidays, the social affairs officer at the Sector, requests you to assist community members in formation and registering their cooperative business.

Question:

If you are to assist the above community members, prepare a detailed description of cooperative business formation and registration that you would submit to the social affairs.

5.6 Benefits of registering and consequences of not registering a business



Learning Activity 5.6

Using your experience from operating business activities or from other people operating business in your community, or from the numerous sensitization campaigns about registering business activities, describe:

- a) Why is it important for owners to register their businesses?
- b) What are the consequences of business owners not registering their businesses?

a. Benefits of registering a business

- It enables the business to acquire a trade license and a permit to commence its activities
- After registration, a business will be entitled to protection by the country's business legal framework
- Obtaining licenses and permits
- It helps a business to protect its brand: Trademarks are patented.
- It safeguards the business name.
- The business has guaranteed continuity as a result of registration
- The business is versatile.
- It avoids fines and penalties from the government

b. Consequences of not registering a business

- Being fined due to not paying taxes by the government
- Suspension of operations. The government may close down such a business
- Inability to issue official documents, invoices to suppliers and other partners.
- Operating outside official system stipulated by the government
- Limitation to financial services. It's hard to access funds from financial institutions for investment.



Application Activity 5.6

Many small business owners in Rwanda do not want to register their businesses saying if they register they will be required to pay a lot of taxes, and that registering is for big businesses with a lot of money.

- a) Is this statement true? Support your response
- b) Encourage small business owners to register their businesses by describing the benefits of registering.

End of Unit Assessment

I. Project Activity

In reference to the content studied, knowledge, skills and attitudes acquired, choose one of the following legal forms of business ownership and prepare a detailed report on how it is registered.

- A sole proprietorship
- A domestic company
- A partnership
- A cooperative

II. Assessment questions

1. Analyse the consequences of failure to register business in Rwanda
2. Examine the steps required while registering a business in Rwanda.
3. Assess the importance of business laws in Rwanda.



Unit 6: Role Of Standards in Business

Key unit competence

To be able to apply standardization practices in business to acquire certification S-marks for business products

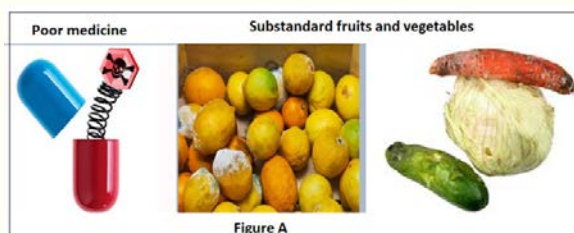
Introduction

Rwanda Standards Board (RSB) was established by Rwanda Government Legislation N° 50/2013 of 28/06/2013 determining the mission, organization, and functioning to undertake all activities pertaining to standards development, Conformity Assessment, and Metrology services in the country. Standardization covers different areas including food and agriculture, engineering, service, water and environment, chemical and consumer products among others aiming at protecting consumers from consuming or using substandard products. The standards developed fall under two categories, i.e. products and management systems standards. The skills and knowledge obtained from Ordinary Level in relation to standardization culture, quality management, and certification, will enable you to understand this unit easily. The coverage of various topics such as the standards development process, being aware of the requirements for products and system certification, among others, will therefore, enable you to apply for the standardization S-mark for a given product.



Introductory Activity

Analyze the pictures shown below and use your analytical observation to answer the questions that follow:



Questions:

- a) What do you see in the figure A?
- b)). Suppose you had bought the fruits in Figure A, why do you think it is right to return them to the business owner?
- c) What do you understand by the term standards?
- d) Where can you report to a business person who sells such products illustrated in figure A
- e) Do you think it is important to check for S-mark affixed on the products? If yes, why?
- f) Explain why you would not buy the fruits and vegetables indicated in Figure A.
- g) Using both the illustrations provided and past experience explain the role of standards in Business.

6.1 Meaning of Standards in Business



Learning Activity 6.1

Read the story provided below and use it to answer the questions that follow:

In one of the villages, there are several industries that are engaged in the production of various products. The concerned entrepreneurs have organized themselves into an association of producers. They have come to realize that in order to produce standard goods, they need to seek Rwanda Standards Board support in the form of guidance and technical assistance.

They all believe that if products are produced using the right ingredients and procedures as per standards, customers will buy them in large quantities. They say, by doing this and having access to the standards they will not produce substandard goods. Among the things they included in the request letter is to understand the meaning of standards, and the standards needed for each product. Now, the concerned team of RSB has been authorized to facilitate the training for them. They are all excited that once they undergo the certification process, their products will have an S-mark.

Questions:

- a) According to the above story, what will help the entrepreneurs to produce standard goods?
- b) Explain the relationship existing between standards and standard-compliant products.
- c) Which government agency is responsible for designing and providing standards in Rwanda?
- d) How would you explain in the simplest way the meaning of:
 - i. Standards
 - ii. Standard-compliant products
 - iii. Substandard products.
- e) Which mark would help you to identify products that meet the required standards in Rwanda?

In order to understand the concept of standards, it is important to know the meaning of the term standard. Though there is a provided international definition of the term “standard”, in real life the term standard refers to a set of criteria that you use to judge things against.

a. International definition of Standards (standards as a document):

It refers to a document established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines, or characteristics of activities or their results, aimed at the achievement of the optimum degree of order in a given context.

The process of developing standards is referred to as standardization.

Each Standards bears its unique reference number with a year of publication and a title.

Each standards has a scope that indicates the products, and activities covered. The scope also sets the boundaries of applications of the standards. For example, if the standards is applicable to open shoes, the scope will be clear and shall exclude the other types of shoes.

Examples include but are not limited to:

Reference number	Standards title	Scope
RS 484: 2022	Adobe blocks (Rukarakara) – Specification	<p>1.1 This Rwanda Standard specifies requirements, sampling, and test methods for adobe blocks, also known as “Rukarakara” for interior and exterior use in masonry walling.</p> <p>1.2 The use of adobe blocks specified in this Rwanda Standard applies to non-storied and basement free buildings having a total floor area not exceeding 200 m² with the capability of accommodating not more than 15 people.</p> <p>1.3 Construction with Adobe blocks is regulated by the Rwanda Building Code and other related regulations.</p>
RS 500-1: 2022	Textile garments Specification Part 1: General requirements	<p>This Rwanda Standard specifies general requirements, sampling, and test methods for garments, whether made of textile, plastic-coated fabric, fur, or any combination of these materials.</p> <p>Requirements for specific garments are specified in the relevant parts of RS 500.</p> <p>Where provisions are specified in specific part(s) of RS 500 or any other relevant Rwanda Standard, these shall supersede the requirements in this standard.</p> <p>This Rwanda Standard does not apply to personal protective wear.</p>

RS EAS 834: 2022	Processing and handling of salted fish and fish products Code of practice	This East African standard provides guidelines for the processing and handling of salted fish and fish products intended for human consumption.
RS ISO 9001: 2015	Quality management systems Requirements	This International Standard specifies requirements for a quality management system when an organization: a) needs to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and b) aims to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.
RS ARS 1697	Personal protective equipment Face shield Specification	This African Standard prescribes the minimum requirements and test methods for face shields intended for use in health care.

The key purpose of standards is to provide information to their users. This information varies depending on the type of the standards. It may include requirements to be fulfilled (Specification), guidelines (code of practice and Good Manufacturing Practices, GMP), procedures to carry out tests in the laboratory (Test methods), terms and their meaning (vocabulary or Terminology), etc.

The standards also have a provision for labeling that will allow consumers to get information about the products they buy.

b. Standard-compliant products

These are products that meet all the required characteristics as set in the national, regional or international standards governing them. If these products have undergone the certification process, they bear a Standardization Mark (S-Mark), used for their identification on the market.

c. Substandard products:

These are products that do not meet standards requirements. For example, in introductory **activity, Figure A** shows products that are substandard. Consuming or using such products puts one's life at great risk.



Figure 6.1 Substandard product

Skills Lab Activity

In your Student Business club (SBC), you are engaged in the production of various products. Some are sold to parents during the visiting day while others are sold to surrounding communities. However, some produced products are substandard and may be harmful to the customers.

Since you have now studied the concept of standards and substandard products, show how you would help your SBC to produce standard products.

Application Activity 6.1

Read this short dialogue and use it to answer the questions that follow:

Itetere: How are you, my friend? Do you have some time today?

Keza: I am fine. Yes, I am free in the afternoon.

Itetere: I am planning for my birthday party this evening. John told me that you are good at organizing. Do you mind making a list of items that I can use at the party?

Keza: Oh, yes, I am ready to help. I will do so as soon as I reach home.

Itetere: Kindly give me a guide on how to identify the standard-compliant products and substandard ones. This will help me to buy exactly what is right and recommended for consumption.

Itetere: You are far too kind, thank you so much.

Referring to the above dialogue, prepare a guide that Keza would share with itetere, which will include giving a detailed description of: standard-compliant products and substandard products

6.2 Importance of standards to consumers, government, industry, and society



Learning Activity 6.2

Analyse the following dialogue and use them to answer the questions that follow

Ann: Hey Tonny, I need your help.

Tonny: Hey Ann! Is everything ok?

Ann: Not at all, my children are having a stomach upset. Kindly refer me to the nearest hospital.

Tonny: Oh sorry, that's strange! Have they eaten something bad?

Ann: I think so. I gave them biscuits that I had bought from the vendor in town.

Tonny: Oh noo... Which biscuits are those? Did they have an RSB mark?

Ann: I checked when they started complaining of stomach ache and I realised that they didn't have the Standards mark.

Tonny: That's absurd! You should always ensure that you buy products that are certified by RSB. This will help you to ensure that the products you buy meet the required standards.

Ann: sure. Thank you for the advice, Tonny. What can I do to get help and help the public so that this doesn't happen again?

Tonny: Let us first take the children to the hospital and we look at that later.

Ann: Alright, let's go.

Questions:

- a) Identify the importance of standards highlighted in the dialogue in relation to:
 - i. Government
 - ii. Society
 - iii. Customers
 - iv. Industry
- b) Using the above dialogue, what do you understand by the word standards as per International definition?
- c) Apart from the importance of standards highlighted in part (b) above, which other ways you find standards useful to:
 - i. Government
 - ii. Society
 - iii. Customers
 - iv. Industry

6.2.1 Importance of Standards to the Government

- To ensure that goods and services originating from or traded in Rwanda are designed, manufactured, and supplied in a manner that matches the needs of the entire society, standards, and guidelines put in place.
- Voluntary standards can be used to support (mandatory) regulation through reference
- Standards can support governments in achieving public policy objectives, such as assuring the health, hygiene, safety, protection of property, environmental protection, market transparency, and in general contribute to public order and welfare
- Strengthen the implementation of national metrology law that ensures the provision of reliable and accurate measurements
- Facilitates international trade and meets obligations of governments under the World Trade Organization (WTO) Technical Barriers to Trade (TBT) Agreement.
- Standards can be a powerful tool for migrating sustainable development.

6.2.2 Importance of Standards to the consumer

Consumers expect that services and products produced will be of consistent quality, durability, and ease to use. Therefore, these are some ways standards are important to consumers:

- Standards contribute a lot to the execution of consumer rights, especially the right to safety and to be informed.
- Help consumers to know the product's information and labeling, where basic information and the address of the producer are indicated, in case of the side effects of consuming the product, the consumer can take the company to courts of law.
- Help the consumers to know the name of the ingredients of a given product and decide whether to consume it or not.
- Children are protected from dangerous and harmful products.
- Guide customers on how to plan for the purchased products. Whereby, the expiry date included thereon the label helps a lot.
- Standards help customers to be safer, and healthier since their execution helps in the production of more environmentally sound products.
- Helps in enabling the operational compatibility to be better, whereby products are packaged and transported as recommended in the standards.

6.2.3 Importance of Standards to the Industry

Industries are producers of goods and service providers and hence, form the core pillar upon which standardization focuses. Standards, therefore, are a key factor that industries cherish heavily. Below is the importance of standards to the industry:

- When a product follows standards, its quality is improved and this promotes easier access to export markets.
- Compliance with standards may be one means to meet the requirements of regulations including environmental protection.
- Knowing and understanding standards is important for the strategic planning of a company.
- Standards can assist the industry to make easier and more reliable ordering and purchasing processes by referencing standards.
- Knowing which standards are under development allows companies to adapt products early, leads to efficiencies and hence savings.
- Contracting with suppliers, customers, and other business partners
- Support for production in multiple sites.

6.2.4 Importance of Standards to the society

Standardization of infrastructure is a basic condition for the success of economic policies aimed at achieving sustainable development in society. Creating such infrastructure in society is essential for improving productivity, market competitiveness, and export capability.

Standards offer the following advantages to society:

- Standards protect the natural environment from being degraded by the activities of some entrepreneurs, for example industrialization, use of chemicals in agriculture, inappropriate waste disposal, etc.
- Promote improved health and safety,
- Enhanced product quality and reliability at a reasonable price.
- Greater compatibility and interoperability of goods and services in society.
- Standards provide confidence in products and services to the users.
- Simplification for improved usability.



Application Activity 6.2

Read the following scenarios, and answer the questions that follow:

There is a wide campaign by the Rwanda Standards Board to ensure that entrepreneurs produce goods complying with the requirements of the standards. Substandard products that put the lives of people at risk are totally condemned, prohibited, and illegal.

In spite of all these interventions, some people still have continued secretly producing goods that are harmful to people due to failure to know the importance of standards, others smuggle substandard products into our motherland. Some of the locally produced plant-based alcoholic beverage drinks are consumed in the dark places of many suburbs of towns and cities. For example, on the 5th of 01, 2022, the Nova. news reported that 11 people died in Rwanda (Bugesera District) due to drinking Banana-based beer exceeding the tolerable limit of methanol set in the standard. The plant owner is now in prison and is yet to serve a sentence soon. The village dwellers are not free from this risk either.

The good news is that RSB in collaboration with government agencies, all together is ensuring that producers use recommended and relevant standards that would enable consumers to get the standard goods and products at any cost.

Standards are established and the entrepreneurs are sensitized to use them and apply for certification. All regulatory bodies are ensuring that standards are adhered to by all stakeholders in Business.

Questions:

1. If you are to address senior four students in another school, prepare a speech on “The importance of standards to government, society, consumers, and industry” and quote some examples in the above story.
2. What advice would you give to consumers of products regarding standard compliant products before they use them?

6.3 The process of establishing standards for new products in Rwanda



Learning Activity 6.3

Suppose your friend asks for guidance on the standardisation process in Rwanda, and eventually the following steps are given to you,

- a) Re-arrange the steps below to make them logical:
 - Collection of reference materials and drafting
 - Approval
 - Incorporation of comments in the draft, if any
 - Publication
 - Proposal for acceptance for the development of the new standard
 - Discussion of the draft standard by the Technical Committee Experts
 - Identification of the need
 - Public review (including other entrepreneurs who did not attend the technical committee meeting)
- b) Explain each step in the process of standardisation.

Standardization is the process of developing standards by adhering to the following guiding principles: openness, transparency, impartiality, consensus, effectiveness, and relevance, coherence, and harmonization, prevention of unnecessary obstacles/barriers to trade, development dimension, due process, performance-based, stakeholders’ engagement and science-based discussion

The process of standards development generally comprises major steps which include the following:

- **Reception of the request to develop the standard and standard need assessment:** This forms the first stage of the standardization process. There must be a need for a given Standards, especially for new products. The client sends the request for standard development indicating its scope, to the institution in charge of Standards development, current, RSB. The need assessment is carried out by RSB to find out if there is another Standards that can respond to this request. The Standards may be national, regional, or international. If the Standards is available, the client gets informed otherwise the next steps in standards development are followed.
- **Proposal for acceptance for the development of the new standard:** This is the stage where the Standards Project Committee analyzes the justification provided by the Staff who carried out the need assessment and based on the findings, the committee approves the new work item to advance to the next stage.
- **Collection of reference materials and drafting:** At this stage, the required reference materials are gathered including those which might be provided by the client. Once they are all ready, the drafting team sits together to come up with the initial draft.
- **Discussion of the draft standard by the Technical Committee (TC) Experts:** The interested parties, represented by producers, distributors, consumers, regulatory bodies and academia participate in the technical committee meeting to deliberate on the content of the draft standard. Once all the inputs are incorporated into the draft, it moves to the next stage.
- **Public Review:** The draft Standards agreed upon by TC experts is subjected to public review for constructive feedback from interested parties who may affect or maybe affect the implementation of the standard once approved. These include the entrepreneurs who did not participate in the discussion at the drafting stage.
- **Incorporation of comments in the draft, if any:** From the public inquiry, a collection of feedback is attained. These are further discussed and once approved, they are incorporated in the draft. At this stage, the final version of the standards is compiled by the committee and submitted for approval.
- **Approval:** This phase is for the approval of the draft Standards by the RSB Board of Directors.

- **Publication:** The final version once approved, is published in the National Official Gazette and becomes a National document to be implemented by relevant interested parties.



Skills Lab Activity

Suppose your friend asks for guidance on the standardisation process in Rwanda, and eventually the following steps are given to you,

- a) Re-arrange the steps below to make them logical:
- Collection of reference materials and drafting
 - Approval
 - Incorporation of comments in the draft, if any
 - Publication
 - Proposal for acceptance for the development of the new standard
 - Discussion of the draft standard by the Technical Committee Experts
 - Identification of the need
 - Public review (including other entrepreneurs who did not attend the technical committee meeting)
- b) Explain each step in the process of standardisation.



Application Activity 6.3

For your major Business Club project or your dream back Home Business, describe the process you would go through to attain the Rwanda Standards Board approval.

6.4 Certification in Rwanda



Learning Activity 6.4

Read the following scenario and use it to answer the following question.

In Impuhwe village, there are two companies that produce Plant-based beverages, while others are engaged in bakery operations. The local authorities have emphasized and encouraged them to apply for certification S-Mark. However, most of the above company owners have limited or no awareness of how to do so.

Using the above scenario and your background knowledge about standardization, what are the requirements for certification of the above projects?

6.4.1 Meaning of certification

Certification is a third-party (accredited or authorized person or agency) attestation following an assessment that attributes, characteristics, quality, or status of individuals or organizations, goods or services, procedures or processes are in accordance with established Standards. In Rwanda, this is done by the Rwanda Standards Board.




6.4.2 Benefits of certification include the following:

- Gives confidence to interested parties that certified organizations, goods or services, procedures, or processes fulfill specified requirements
- It is a strong marketing tool hence promoting businesses
- Reduces production/service costs through increased efficiency
- Reduces losses hence increasing profits
- Increases government revenues through trade promotion
- Increases product/service safety and consumer satisfaction

6.4.3 Certification Marks

Rwanda Standards Board currently is offering two types of certification services that is Product Certification & System Certification.

The certification marks are shown below:

Product certification marks	
Name	Description
	<p>This is the mark that is affixed onto the product that is produced following all the Standards recommended.</p> <p>It is provided by the RSB as a proof of being certified.</p>
	<p>This is given when the entrepreneur wishes his or her product to be branded as made in Rwanda.</p> <p>Upon application and payment of the fees needed, the RSB offers this logo as a proof that the product is produced from Rwanda.</p>
Management system certification mark	
Name	Description
	<p>The Rwanda Standards Board Quality Mark is used for management system certification. These marks are registered by the office of registrar General in Rwanda Development Board in accordance with national Law No 31/2009 of 26/10/2009. The color scheme of the logo is specified below:</p>
	<p>It is important to note that the logo can also be in black color. But still serves the same purpose as the one above.</p>

6.4.4 The Requirements for certification

Certification is a voluntary service. However, considering its benefits as given in 6.4.2 above, businesses are recommended to get certified. The following are the requirements for certification:

- The business should be registered by a competent authority such as RCA (Rwanda Cooperatives Agency), RDB (companies) Rwanda Food Drug Authority (Rwanda FDA), Rwanda Inspectorate, Competition and Consumer Protection Authority (RICA), and others.
- The business should be operational with competent staff (Business ideas are neither standardized nor certified), suitability of equipment and adequacy of premises
- Operational documents (Documentation): Under this, all the documents related to the staff competencies, reception of raw materials, and production, be prepared and well-filed. These include but are not limited to Standards.
- Readiness of the organization to pay the certificate fees
- Calibration of measuring equipment



Application Activity 6.4

In your student business club, there are products being produced massively, and among them is liquid soap. Now that you have a big company that would like to buy a lot from you, but which needs certification proof for your product, show the process you will use to attain one.

6.5 Certification process (Product and system certification processes)



Learning Activity 6.5

Identify an entrepreneur from the school surrounding who is engaged in the production of the product(s) already certified by RSB. Describe the process he or she followed while securing the Standards certification.

6.5.1 Product certification process (getting S-Mark)

This certification verifies that the product meets the requirements of the applicable Standards. Once the company concerned fulfills the needed actions and requirements, then the standardization Mark (S-Mark) is given as proof that the product has been certified. Entrepreneurs undertake the following certification process in order to get the S-Mark.

- **Online application** via www.rsb.gov.rw; e-service where there is the possibility of applying for product certification or system certification. The form is filled out and submitted online
- **Certification fee payment:** upon receiving the application, it is reviewed and a quotation is made based on the scope of certification as specified by the client, and indicates the amount and the means of payment. After payment, the notification goes to the staff who reviewed the application.
- **Audit preparation:** the company submits its documents to RSB upon request and the audit plan is elaborated by RSB and communicated to them.
- **Production line audit:** The audit team secures an appointment with the company and physically visits the production premises. When they reach, they look at the following: documentation, production line (suitability of equipment, layout, storage, storage of raw materials and finished products, production process), staff competences, workers' qualification, and their proof of medical insurance and/or certifications.
- **Product sampling and testing:** RSB audit team takes the required samples randomly and bring them to the laboratory for testing to check compliance with the requirements of the Standards.
- **Submission of the audit report to the client:** The audit team prepares the audit report including findings of the site visit and the results from the samples tested. The report summarizes the positive findings, the areas of improvement, and nonconformities, if any. Thereafter, the audit team prepares an audit report that is then sent to the client within the timeframe.
- **Closure of corrective actions if any:** if non-conformities, NCs (Non-fulfillment of the requirement) are raised, a corrective action form is filled and signed by the company upon agreement. To close these NCs the concerned company makes a plan and implements it. Once the NCs are closed, the final report is made and shared with the client.

- **Certification decision:** guided by the final report, the Certification committee makes the decision on whether the product will get certified or not. Then, the decision is made.
- **Issuance of certification documents (Contract, License, and Certificate of Conformity):** if the Certification committee approves the product certification, RSB prepares a contract in which the certifying body and the entrepreneur agree on specific responsibilities and obligations to be fulfilled. Then, a certificate of conformity is issued.
- **Surveillance audit:** This is done periodically. This is done without the consent of the entrepreneur. This is conducted at the production premises. It intends to check if all the standards requirements are still being adhered to. In case, the audit team finds that all the agreed specific responsibilities, and obligations standards requirements are no longer being respected, then, the certificate of conformity may be suspended or withdrawn. The surveillance audit is done once in two years prior to the expiry of the S-Mark.
- **Market surveillance:** This is where the RSB audit team goes to the market and collects samples of the product produced by the company whose product(s) were certified. These are visually examined and taken to the laboratory for testing to see if the quality, quantity, and other parameters meet the standards required. Market surveillance is conducted 2 times for two years.
- **Re-certification:** This is when the S-Mark is soon expiring. It is important to note that the certificate of conformity (S-Mark) expires after 2 years from the date of issuance. Then, the entrepreneur applies for the product certification afresh.

6.5.2 System certification process

System certification refers to the nature of certification that assesses and certifies the management systems of an organization. This aims at ensuring that the company is managed by the right and recommended managerial team that applies the managerial system as per industry standards and best practices

The system certification process involves the following:

- Filling in the online application form via www.rsb.gov.rw
- System certification fee payment.
- Stage 1 audit. This involves the desk audit and on-site visit.
- Stage 2 audit. This is a full audit.

- Submission of the audit report to the client.
- Closure of collective actions if any.
- Certification decision by an independent committee
- Issuance of certificate of conformity
- Surveillance audit. This aims to check if the managerial system being executed still meets the required standards.
- System recertification. This is done after 3 years. This implies that system certification expires after 3 years from the date of issuance.



Application Activity 6.5

Suppose the S-mark for the product produced by your students' business club expires in two months' time and you are mandated to apply for a new product certification S-Mark. Create a plan that highlights the needed documents and steps for a new certification S-Mark.

End of Unit Assessment

I. Project Activity

From the nearby business or school environment, look at the goods used and.

- a) Make a list of products that have and those that do not have standardization marks. Make a report of your findings including possible consequences that would be as a result of not having the standardization marks
- b) For the products that have no S-mark, prepare a guide that you would share with the producers so that they can get the product certification done.

II. Assessment question

1. Explain the key steps involved in the product certification process as per Rwanda standards Board guidelines.



Unit 7: Business Management

Key unit competence

To be able to create an organizational structure for a business enterprise

Introduction

Business enterprises are managed by various teams. Regardless of the size and legal form of business ownership, there must be sound management in order for all operations to be executed, therefore, being able to realize the achievement of the organization's mission, vision, and goals. Business management is not a new concept, there are some related concepts that you already covered in ordinary level such as business growth.

This prior knowledge and the knowledge you will acquire from this unit enable you create an organizational structure for a business enterprise.

Introductory Activity



Study the illustration shown below and use them to answer the questions that follow:

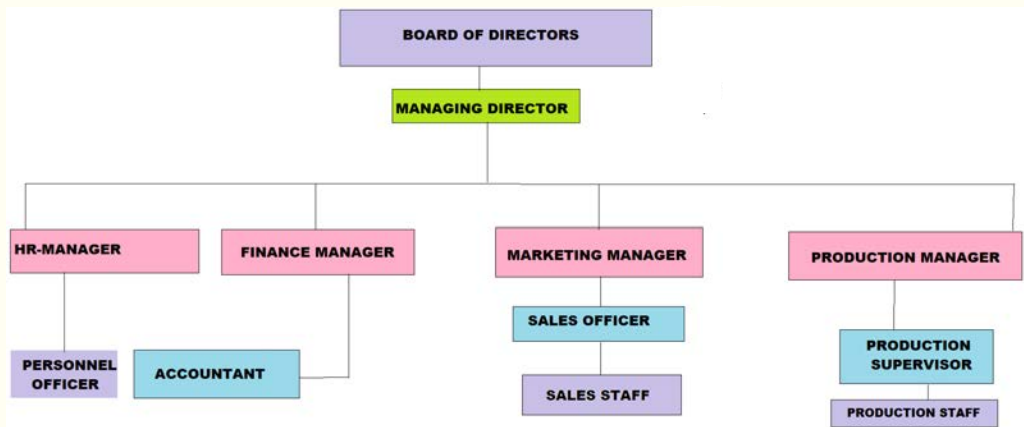


Figure A

Questions:

- a) Name the figure A' above and what key role does it play in business?
- b) What do you think business management means?
- c) Why is it important to manage the business?
- d) Why do you think it's important to recruit qualified workers in business? Give any two factors you can consider to recruit them.

7.1 Meaning of concepts and importance of business management



Learning Activity 7.1

Study the illustration shown below and use it to find solutions to the questions thereafter:

- a) Using the SBC experience and the above illustration, create a short story you would share with the rest of the class members. Start with "In our Students' Business club...."
- b) What is the difference between business, management, and business management?
- c) Why do some companies succeed and others fail? Explain your answers in reference to business management.

7.1.1 Meaning of business, management, and Business management

Business is the buying and selling of goods or services. It involves the exchange of goods or services for money. The main purpose of carrying out business is to make profits.

Management means the process of dealing with or controlling things or people in a given setting. It involves the coordination and administration of tasks to achieve a given goal.

Management in business is the process of getting things done by using people and resources such as capital, raw materials, and time. It is a way of achieving business objectives and goals.

Business management refers to the process which involves various methods and techniques used to run and operate a business or organization. This involves planning, organizing, staffing, directing, and controlling varying activities and resources of a business, primarily aiming at achieving its goals and objectives.

Business organization: an entity formed for the purpose of carrying on commercial activity.

7.1.2 Importance of business management

Below is a detailed explanation of the importance of business management:

- **Builds commitment among employees:** When in a business enterprise there is good and strong management described by recommended managerial styles, supporting the staff and listening to them, the employees become committed. This creates a sense of ownership in the staff and the output increases.
- **Helps to solve conflicts:** This is an aspect that must be handled with great urgency and wisely. Management in companies or businesses handles all the internal and external conflicts that may rise. This is important in the way that it strengthens teamwork and partnership management.
- **It gives a clear picture of running a business:** Good management reflects a clear pathway for the business or organization. All the personnel get to know and align on the organizational roadmap.
- **It helps to understand the value of each team player:** The business or organization with good management creates a strong teamwork spirit amongst members. Where each worker gets to value the other's presence and role. The sense of collaboration is set in.
- **It helps develop communication skills:** When there is good management, the communication channels are all streamlined. Therefore, there will be effective and efficient communication.
- **Application of varying leadership styles:** It helps to learn different leadership styles to use while managing people. This, therefore, helps to address all issues related to individual differences and abilities in favor of the attainment of the organizational goals.
- **Good reputation:** Management represents and defends the reputation or the public image of the business. When the public has respect for the management, the same extends to the entire team and organization they represent. This is great because it comes along with additional commercial advantages.

- **Designing a workable organizational structure.** Good management analyzes the goals of the enterprise and the human resources as well as the physical resources. This ensures that there is a proper and effective structure that is put in place which is able to make it possible for the enterprise's objectives and goals to be achieved.
- **Ideas are put to better use:** The management ensures that ideas are integrated with the available physical resources. This is important because ideas without application remain unachieved dreams.



Application Activity 7.1

Analyze the illustrations given below and use them to answer the questions that follow:



Question:

- Which activity is taking place in the two figures shown under 7.1 above?
- What is happening in the two figures?
- Suppose you are given a chance to work in one of the above enterprises, which one would you join, and why?
- Use the above figures to explain to someone the importance of business management.

7.2 Managerial functions



Learning Activity 7.2

Read the scenario provided below and use it to answer the questions that follow:

The students' business club has management that helps the club to achieve its predetermined objectives and goals. Without it, the SBC's activities would be at a standstill. Your students' business club operations have resulted in the easy accomplishment of goals and objectives, because of good leadership.

Using the SBC experience, you have attained, list at least five functions exercised by your SBC management. Discuss your findings in the group. Take note of the key points.

In every enterprise, there is a team that forms management and takes leadership roles at various levels. There is the Managing Director, Human resource manager, Finance manager, production manager, and a big group of employees. For the employees to deliver and enable the enterprise to achieve its goals and objectives, there must be functional management. Below, are the key managerial functions:

- **Directing:** It may be defined as the process of activating the efforts of employees toward the achievement of organizational objectives. It involves the implementation of plans by mobilizing individuals and group efforts through motivation, communication, leadership, and supervision.
- **Planning:** This enables the manager to set objectives and goals of a business and determine the ways in which they will be achieved for the success of the business.
- **Organization:** This involves the development of a framework where total work is divided into manageable components to facilitate the achievement of the set objectives and goals.
- **Coordinating:** The manager coordinates different workers and different departments of the business so that they work in harmony.
- **Controlling:** The manager measures and evaluates the work that other workers do to make sure that they are doing the right thing.
- **Staffing:** The manager ensures that the business has the right number and quality of people who can do what is required of them.

- **Budgeting:** It's the function of the manager to budget for the business as a whole or for specific departments to know what resources are required and where the resources are to be used.
- **Motivating:** Managers should inspire and encourage their workers by showing appreciation for the work well done, allowing them to participate in decision-making processes, paying their salaries regularly, and giving them incentives, bonuses, and benefits.
- **Communicating:** It's the function of the manager to pass on information regarding responsibilities, targets to achieve, suppliers, customers, laws, and regulations in the business organization.



Application Activity 7.2

Read the following questions and answer by choosing the most suitable choice

1. Which of the following is not a function of management?
 - A. Planning
 - B. Staffing
 - C. Co-operation
 - D. Controlling
2. The functions of a manager includes
 - A. Planning, organising, staffing, leading and controlling
 - B. Designing and operating
 - C. Planning, organising, staffing, procuring and reviewing
 - D. Forecasting, designing, planning, organising and controlling
3. Which of the following is not an element of the management process?
 - A. Leading
 - B. Planning
 - C. Pricing
 - D. Staffing
4. Which of the following is not part of management?
 - A. Planning
 - B. Staffing
 - C. Budgeting
 - D. Communication

5. Management is concerned with
 - A. Legislative functions
 - B. Administrative functions
 - C. Executive functions
 - D. All of the above
6. The fundamental components of management does not include:
 - A. Planning
 - B. Organisation
 - C. Motivation
 - D. Budgeting

7.3 Stakeholders in business




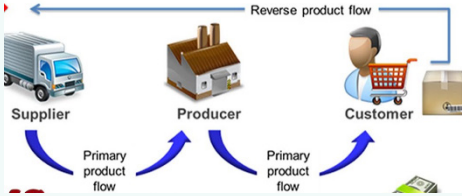



Learning Activity 7.3

There are many business ventures in and around your school. Either using your school or a nearby community, look at one of the businesses and identify the key stakeholders or people associated with it.

Use the findings to compile a short report to be shared with the rest of the groups in your class.

Stakeholder	Description	Pictorial reference
Owners	<ul style="list-style-type: none"> – These are entrepreneurs. – Business ventures are theirs. – They own both assets and liabilities of the business – Organizes and operates the business – These sometimes are known as an investor. 	

<p>Employees</p>	<ul style="list-style-type: none"> – These are workers – Form the human resource of the company – Engaged in in production of goods and services 	
<p>Communities</p>	<ul style="list-style-type: none"> – These are sometimes known as clients – They buy goods and services from enterprises or companies/business ventures 	
<p>Customers</p>	<ul style="list-style-type: none"> – They are people living around the enterprises. – When the enterprise lives in harmony with the surrounding community, both internal and external stakeholders become satisfied. 	
<p>Suppliers</p>	<ul style="list-style-type: none"> – These provide inputs to the companies or enterprises. – They usually sell raw materials to enterprises. 	 <p>The diagram illustrates the flow of goods and money in a supply chain. It shows three main entities: a Supplier (represented by a truck), a Producer (represented by a factory), and a Customer (represented by a person with a shopping cart). Two blue arrows labeled 'Primary product flow' show the path of goods: from the Supplier to the Producer, and from the Producer to the Customer. A blue arrow labeled 'Reverse product flow' shows the path of money: from the Customer back to the Supplier.</p>

<p>Government</p>	<ul style="list-style-type: none"> - These are various government agencies that are directly connected to the business operations. Such as the Rwanda standards board, Rwanda Food and drug authority (FDA), Rwanda Revenue Authority (RRA) - Collects taxes from enterprises and workers (income tax). - Enforces labor and commercial laws 	
<p>Shareholders</p>	<ul style="list-style-type: none"> - These are individuals who have shares in a given enterprise or company. - The more shares they have, the more the power of decision-making. 	

Application Activity 7.3



Read the case study below and use it to find solutions to the questions thereafter:

M/s Amahirwe has a big sugar producing company operating in one of the cities in Rwanda. Mugisha sells sugarcanes to the company which is used to produce sugar. Mahoro has a wholesale shop near Kigali. She buys 100 bags of sugar from M/s Amahirwe company and sells them to most retail traders, among them Umwiza. For Mahoro to start her business, she borrowed money from a microfinance company called Tuterimbere.

Recently, she was awarded because of paying well and timely taxes. All these business owners have many consumers who stay near the business premises.

Questions:

- a) Identify the different stakeholders mentioned in the case study.
- b) Suppose you are M/s Amahirwe, explain each stakeholder's role in relation to the business.

7.4 Factors considered in choosing people to work with



Learning Activity 7.4

You intend to operate a restaurant in your home area.

Explain the factors you would consider when recruiting employees in your business

There are several factors that entrepreneurs consider while choosing people to work with in a business organization.

- **Gender:** Naturally some jobs are better suited for men while others are better suited for women.
- **Age:** Some jobs require younger people who are physically strong while others require older people who are more stable, careful, and experienced.
- **Cost:** The cost of the employee in terms of the salary and other benefits the employee receives from the organization.
- **Experience:** Experienced people are more productive and do not require additional training than inexperienced ones.
- **Qualifications:** The level of education of the employee is another consideration as some jobs require highly qualified people while others don't require high skills.
- **Marital status:** The state of being married or single, as some jobs are better suited for single employees rather than married people.
- **Language and communication skills:** Employees who are able to use more than one language and have good communication skills tend to be preferred.
- **Character of a person:** Choose a person with a character you can handle and fits into the business.
- **Other business interests:** It is always better to have an employee whose other businesses do not conflict with the business.

- **Vision:** What is the vision of the person in the short term and long term? The person's expectation must match with the vision of the business.
- **Experience in business:** People with experience are better than those without any experience.
- **Honesty and integrity:** A good employee should be honest and with integrity as this creates trust and builds confidence in one another



Application Activity 7.4

Suppose during the holiday you are contacted by the cooperative society dealing in rice processing, and they ask you to guide them on recruiting two new employees.

Show how you would guide them in order to recruit the right employees based on different factors. Share your responses with the rest of the team members.

7.5 Organizational structure



Learning Activity 7.5

In your school there are student leaders and school leadership. While in our communities there are local authorities from the sector to the village level. These leadership teams have a structure they operate under.

Questions:

- a) Identify one of the groups mentioned above and list the leadership positions being exercised.
- b) Illustrate the various leadership positions that will represent students' leadership of your school showing various roles.
- c) Give a suitable title to your diagram or illustration.

7.5.1 Meaning of organizational structure and chart

An organizational structure

It is a plan that shows roles and flow of information within an organization" or "It is the reporting relationship between employees with an organization. It establishes authority, responsibility and accountability

An **organization chart** is the graphical representation of the organization's structure.

An **organizational chart** can also be defined as a diagrammatic presentation that shows how the flow of command, authority and responsibilities or tasks are distributed in a business organization.

7.5.2 The purpose of organizational structure

The organizational structure/chart plays a disputable role in ensuring the existence of a smooth running of various operations in the organization. Below is a detailed explanation of how important they are:

- It shows the reporting relationship/seniority in an organization to avoid misunderstanding in this regard.
- It improves communication through the appropriate channels. This plays a key role in determining how information flows in a given organization.
- It assists with categorizing employees according to an appropriate job grading system that is used for different purposes such as remuneration, employment equity and skills development.
- It reflects the relationship between the different departments in the organization to ensure best practice and alignment with good corporate governance.
- It clearly stipulates the line of authority, powers and responsibilities, therefore, enabling easy delegation, control and coordination.
- It also displays how the decisions are made in the organization. Superiors make decisions on behalf of the subordinates. Immediate supervisors take decisions in their various departments.

7.5.3 Various departments and their role in a business organization

Enterprises or business organizations are composed of various levels or sections known as departments, each executing specific responsibilities as shown below.

a. Accounting and finance department

- Preparing budgets i.e., projecting income and expenses within a given period.
- Receiving payments of cash and cheque and issuing receipts for such payments received.
- Keeping all the financial records of the businesses.

- Making appropriate payments to suppliers, contractors, employees and service providers.
- Banking all cash and cheque.
- Paying taxes and other obligations of the organization like social security contributions, salaries, wages, rent, etc.
- Monitoring the movement of financial resources within the organization and outside.

b. Production department

- Planning and designing production facilities.
- Purchasing raw materials and supplies.
- Scheduling processes to meet demands as well as ensuring that business products meet quality standards.
- Deciding on the location of the business machinery to ensure high production.
- Deciding on the quantity to be produced, machines to be used and the technology to use.
- Human resource department
- Determining the business's human resource needs.
- Recruiting and hiring new employees.
- Developing and administering employee benefits, training and performance appraisal programs.
- Dealing with government regulations concerning employment practices.
- Counseling and guiding workers.
- Preparing job descriptions and specifications.
- Laying off workers who are no longer needed by the organization.
- Keeping staff records.

c. Marketing and sales department

- Selling the goods and services of the business to customers.
- Generating demand for the products by identifying new markets.
- Managing and coordinating all marketing, advertising and promotional activities.
- Conducting market research to determine what customers need.
- Studying and analyzing competitor's strengths as a way of developing and selling better products.
- Developing and implementing marketing plans.

- Determining and managing the marketing budget.
- Expanding the market share of the enterprise by attracting new customers and retaining old ones.

d. Procurement department

- Evaluating price: A purchasing department is charged with a responsibility of continuously evaluating whether it is receiving materials at the best possible price to maximize profitability.
- Paperwork and accounting: Purchasing departments handle all the paperwork involved with purchasing and delivery of supplies and materials.
- Policy compliance: The purchasing department must ensure that it is complying with all company policies.
- To procure required services, materials, equipment while ensuring that quality, safety, and cost-effectiveness are achieved.
- To comply with procurement rules and applicable government laws and regulations as required.
- To solicit the participation of all qualified and responsible contractors and suppliers in the procurement process.

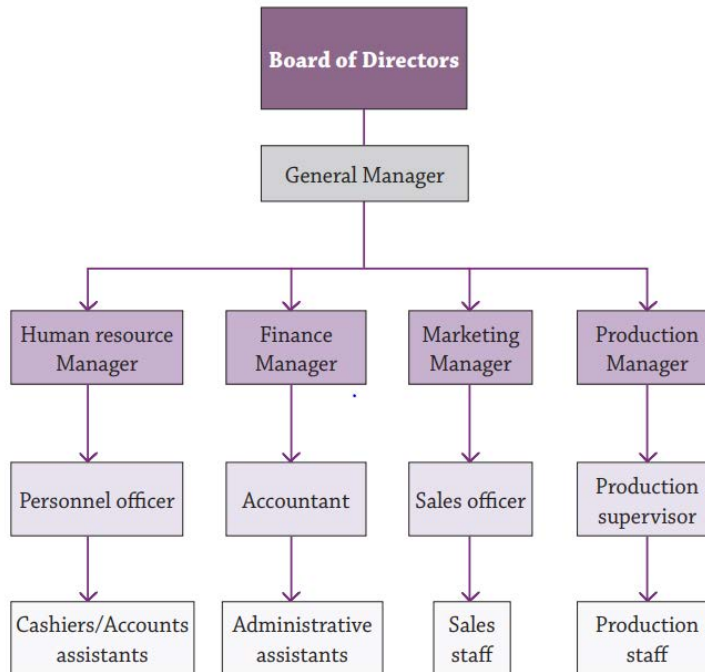
It is worth noting that under each department there could be sections each fulfilling specific roles. For example:

Department/managerial level	Sections
– Board of Directors	– General Director
– Human resource manager	– Personnel officer – Cashiers/Accounts assistants
– Finance manager	– Accountant – Administrative assistant
– Marketing manager	– Sales officer – Sales staff
– Production manager	– Production supervisor – Production staff

7.5.4 Organizational structure/chart

The nature of the organizational chart diverges from one another, depending on the size and type of the business activities concerned. However, there are key departments that various business organizations have in common regardless of the size and operational activities. Below is a sample organizational chart of a medium sized business organization.

A sample of the organizational chart/structure of a medium-scale business organization



Application Activity 7.5

In your students' business club one of the things emphasized is to have a democratically established leadership structure. Identify the key positions of management of your SBC and design its organization chart/structure.



End of Unit Assessment

I. Project Activity:

Using the school setting, identify the various departments engaged in the management of the school.

Create an organizational structure of the school and highlight the key responsibilities.

II. Assessment question

1. Examine the key role played by the following:
 - i. Marketing manager
 - ii. Production manager



Unit 8: Financial Management

Key unit competence

To be able to generate business ideas and take advantage of opportunities.

Introduction

Financial management is a crucial aspect in the proper functioning of any business organization. Regardless of size or industry, business organizations need finance to fulfill their business activities as it involves efficient use of financial resources to achieve the organizational goals and objectives. Business functioning becomes more efficient when entrepreneurs apply financial management skills in their own businesses. This helps them to optimize financial resources, maximize profits, and improve overall performance.

In this unit, you will acquire a wide range of financial management skills related to financial planning, budgeting, investing, controlling borrowings, among others.

Introductory Activity



Read and answer the questions below.

1. Think about the things that you personally need money for. Mention the different things you think you will need money for at each of the following stage of life:
 - a) Elementary school;
 - b) High school;
 - c) Looking after children and a family;
 - d) Running a business;
 - e) When you are much older.
2. In life we all often need things but we do not have enough money to pay for them. How would you or people get money to pay for something that they cannot afford immediately?

3. For the various sources of money for the things you need in life, which is the best way to access money, and the worst way of accessing money.
4. There are various ways people manage or mismanage their money or finances. Mention some of the ways you can manage your money properly.
5. Mention some of the factors you would consider before deciding to invest money in any business opportunity.

8.1 Meaning of concepts and functions of financial management



Learning Activity 8.1

1. **Read and complete the sentences below by filling in the correct word from the list provided in brackets (Finance, Money, Financial systems, Banking, Financial management)**
 - a)is a set of institutions and practices that facilitate and allow for the exchange of funds between borrowers, lenders, and investors.
 - b)is the management of money and it includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting.
 - c)is the process of planning, directing, and controlling the financial activities of a business organization to get maximum benefit from the resources
2. **What do you think are the functions of financial management in a business?**

8.1.1 Meaning of finance, financial systems and financial management

Finance is defined as the management of money and it includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting. It involves the analysis of financial data, the development of investment strategies, and the management of financial resources to achieve financial objectives.

A financial system is a set of institutions and practices that facilitate and allow for the exchange of funds between borrowers, lenders, and investors. It can be also defined as a combination of people, institutions, businesses, and processes that facilitate financial transactions.

Financial systems can be grouped into:

- Regional financial systems (banks, financial markets and financial services),
- Global financial system (International Monetary Fund, World Bank)
- National financial systems (Central banks, among others)

Financial management refers to the process of planning, directing, and controlling the financial activities of a business organization to get maximum benefit from the resources.

8.1.2 Functions of financial management

- **Financial planning and forecasting.** One of the financial management functions involves performing financial planning. It is the estimation of the value of the set of variables at some point in the future.
- **Cash management.** Decisions must be made in regards to what is to be done with the cash. Whether to pay back to creditors, pay bills, meet current liabilities or invest in maintaining stock.
- **Estimating capital expenses.** Another function of financial management is estimating the capital expense, such as promotional expenses, cost of current assets and cost of fixed assets
- **Determining capital structure.** Capital structure is the combination of debt and equity used to finance the overall operations and growth of a company.
- **choosing sources of funds.** This choice should be made after assessing the advantages and disadvantages of sources as well as the financing period.
- **Procurement of Funds to run the business.** This is performed after deciding on the sources of funds. The sources of procuring funds differ according to the period of financing.
- **Investment of funds.** While procuring funds is difficult, it is important to wisely invest these funds so that profit can be maximized. Proper calculation of the risk and ROI is crucial to prevent loss of funds.
- **Surplus disposal.** After investment and expenditure, financial management determines what to be done with the surplus profit. This can be reinvested in the business as retained profits or distributed as dividends.



Application Activity 8.1

1. Read the explanations in the table below to suggest the correct concepts that suit them.

The management of money includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting.
The combination of people, institutions, businesses and processes that facilitate transactions
The process of planning, directing, and controlling the financial activities of a business organization to get maximum benefit from the resources.

2. You have been employed to head the finance management department in a company operating in your area. Briefly describe the functions that will be performed by your department

8.2 Sources of business capital, advantages and disadvantages.



Learning Activity 8.2

You need money to start a small paper bag making project as a back home business. You have already estimated your capital needs and would like to decide on the source of that capital.

- a) Mention all various sources of capital that you may choose from
- b) Give reasons as to why you would choose or reject the sources of capital identified above

8.2.1 Sources of business capital

The money you need to start and run a business is called capital. Capital is the lifeblood of all businesses. It is needed to start, operate, and expand a business. Capital comes from several sources: personal savings, loans from financial institutions, trade credit, among others. How much you need and from where you get and the implications of each source are what we want to investigate. The following are some of the sources of business finance.

- **Personal savings.** An entrepreneur can begin his business using his/her own sources of money such as personal income and personal savings.
- **Loans or borrowing:** A loan is an amount of money that's given from one (the lender) person to another person (the borrower) with an expectation of repayment. Many businesses cannot survive without loans. In this case loans either in cash or kind are sources of business capital.
- **Trade credit:** Some small businesses might have suppliers willing to sell on credit. Such credit may range anywhere from one month to three months. Some people begin their business using goods which have been supplied on credit.

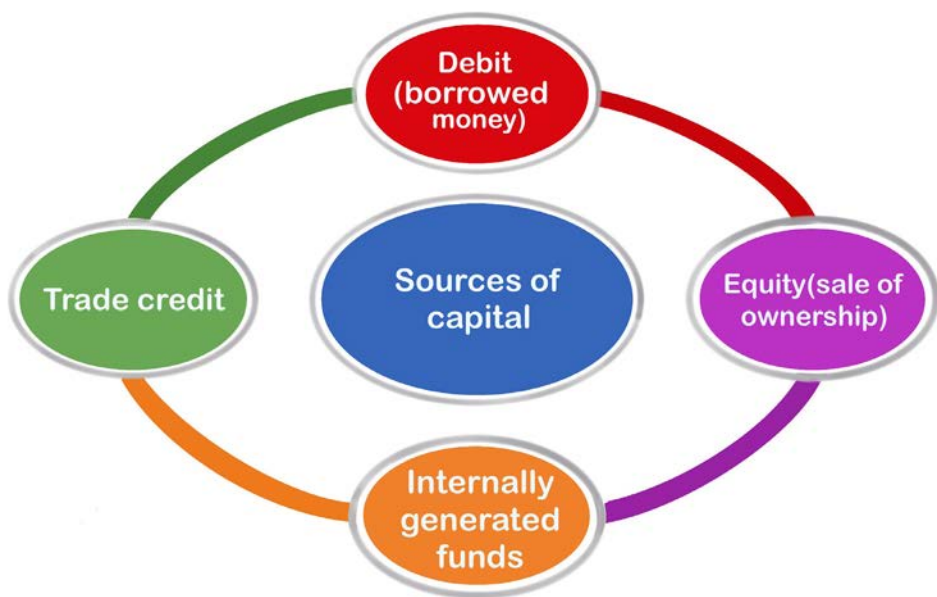


Figure 8.1 Sources of business capital

8.2.2 Advantages and disadvantages of sources of business capital

a. Personal savings.

Personal savings are an important source of startup financing for many entrepreneurs who are just starting out. Using personal savings to finance a startup can be a great way to jumpstart the business and get it off the ground without having to rely on outside investors or lenders.

Advantages:

- **Flexibility:** One of the biggest benefits of using personal savings to finance a startup is the flexibility it allows. When using your own funds, you do not have to worry about meeting certain criteria or adhering to specific guidelines set by outside investors or lenders. This means you can use the funds as you see fit and adjust your strategy as needed without having to worry about how it will affect other parties.
- **Control:** Financing a startup with your own funds also gives you full control of the business. You do not have to worry about giving up control of certain decisions to outside parties, as is the case when taking on investors or taking out loans. This can be especially important if you are looking to build a business that will ultimately be yours and yours alone.
- **Low Cost:** Financing your startup with personal savings is also a great way to keep costs low. Since you are not taking out loans, you do not have to worry about paying interest or giving away part of your profits to outside parties. This is especially important for startups that are working on a tight budget and need to keep costs as low as possible in order to survive and thrive in the early stages of growth.
- **Long-Term Benefits:** Using your own funds to finance your startup can also pay off in the long run. As your business grows, you will reap the benefits of owning all of your business, which can lead to higher profits and more freedom in terms of how you manage and run your business.

Disadvantages of personal savings

Using personal savings to finance a startup can be an attractive option for entrepreneurs, as it requires no debt or outside investment. However, there are several important disadvantages to consider before committing to this financing source.

- **Limited amount of capital:** Most people do not have enough savings to cover the full cost of launching a business, meaning that essential expenses may have to be cut back on or delayed. This could lead to under-resourcing the business in crucial areas such as marketing, product development, and staffing.
- **Loss of personal sources:** if the business fails, all of the personal savings invested in it will be lost and can't be recovered.
- **Limit business growth:** By relying on personal funds, the entrepreneur may

not have enough capital to attract outside investors or partners that could help grow the business. This could limit their ability to scale up operations and take advantage of opportunities that require additional resources.

- **Potential impact on credit score:** Having too much money tied up in a business can also affect an individual's credit score and borrowing power. If they need to take out loans in the future, they may find it more difficult to get approved due to their existing financial commitments.
- **Lack of professional advice and support:** By relying solely on personal funds, an entrepreneur may not have access to professional advice and support from experienced investors or mentors. This can make it harder for them to make sound decisions and get the most out of their resources.

b. Loans or borrowing

Advantages of loans/borrowing:

- Loans provide extra financial resources to an entrepreneur hence promoting business expansion.
- It boosts the capital structure of the enterprise hence enabling a firm to survive in the long run since it can pay its obligations.
- Even small and newly established firms can easily stay longer in the business as a result of borrowing. This is because borrowing boosts the financial base.
- There are firms whether newly established, small medium or large that cannot operate without external funding. As a result, such firms are compelled to borrow.
- In case the loan acquired is a soft loan, the entrepreneur is able to enjoy many profits since such a loan attracts less interest rate.
- Loan enables the entrepreneur to diversify his business. That is to say, the borrowed funds can be used to open up a new business.

Disadvantages of loans:

- Loan payment involves extra costs such as fines for delayed payments and interest rates which increases the cost of borrowing.
- Loan funds may not be available to the intended borrower at the time wanted.
- The borrower is in most cases subjected to external control over his business especially if there is defaulting of any kind.
- Failure to pay back the loan may lead to confiscation of business property through legal procedures.

- Acquisition of loans in most cases require a security/mortgage.
- The payment obligations may be too unfavorable or stressful and cause the borrower to have cash flow problems.

c. Supplier's credit/trade credit

Trade credit opens is where one business provides a line of credit to another business for buying goods and services. Before accepting trade credit, it is best to know the positives and negatives of any agreement.

Advantages of suppliers' credit:

a. Help start-up businesses get up-and-running

- Trade credit can be useful for new businesses unable to raise funding or secure business loans, yet need stock quickly.

b. Get a competitive edge

- Buying goods as required on credit gives businesses a competitive advantage over rival firms that may have to pay upfront.
- Using trade credit allows your business to be more flexible, adapting to market demands and seasonal variations so that you have a constant supply of goods despite any fluctuations in your finances.

c. No cash required upfront

- With no need to pay cash up front, buyers can stock up in time for peak demand, such as placing bigger orders to take advantage of key seasonal selling times such as Christmas.
- Trade credit is an advantage as cash flow may be low coming off less busy months, which might otherwise prevent enough stock to be purchased for peak selling times.

d. Fuels business growth

- It is one of the best ways to keep cash in your business, effectively providing access to working capital at no cost.
- There is less administration compared to arranging a short-term loan.

e. Easy to arrange

- If your business has a good credit history, is able to meet a supplier's requirements and has the ability to make regular payments then trade credit agreements are typically easy to arrange and maintain.
- There are usually few formal arrangements or negotiations to complete, making it quick-&-easy to use.

f. Increases your business's reputation

- Demonstrating your business can make regular payments against credit is a good way of establishing and maintaining it as a valuable customer.
- A good trade credit history can mean suppliers treat you as a preferred buyer.

g. Discounts and bulk buying

- Suppliers may offer appealing discounts to trade credit customers who pay early, making it a useful way to obtain a discount.
- Businesses with a good trade credit history may be offered discounts, especially for bulk purchases, or exclusive access to goods and services.

Disadvantages of suppliers' credit/ trade credit**a. Hard to obtain for startups**

- Trade credit is significantly harder for new businesses to obtain or it may be offered on restrictive repayment terms.
- Until your business has established itself and built up a consistent trading history, some suppliers will be reluctant to offer your business trade credit.

b. Penalties and interest

- Most trade credit terms and conditions include penalties for late payments and interest payable on outstanding credit.

c. Legal action

- Fall behind on trade credit payments and your business could face legal action, which could culminate in a court judgment, which will impact your credit rating.
- If the debt is not paid, this could result in enforcement action which may include goods and assets being seized to pay outstanding bills or even insolvency proceedings.
- Some trade credit terms and conditions include what is known as a "retention of title" clause, which could enable the supplier to take back all goods it has supplied if any payment is missed.

d. Negative impact on credit rating

- Prompt repayment of credit is good for your business's credit rating; missed deadlines and late payments can quickly harm your rating.

- That can have an impact when your business later seeks to raise finance such as obtaining a small business loan, as a poor credit rating can affect the amount of interest you will have to pay or even if you can secure a loan in the first place.

e. Loss of suppliers

- When faced with a poor-paying buyer, suppliers may be tempted to cut their losses and refuse to work with your business.
- Suppliers can stop on working with you, leaving your business unable to operate or meet customer demand – potentially resulting in the closure of your business.



Skills Lab Activity

The most challenging situation is raising funds or capital when starting a business for the young entrepreneurs in our country. Choose one of the sources of business capital below and create a plan of the strategies you will use to mobilize funds for your business club projects.

- Loans
- Fundraising
- Trade credits
- Donations



Application Activity 8.2

Read the following statements and decide which source(s) of business capital you would opt for in such a situation and give reasons for your choice

- If you only need a small amount of money
- If you have the time to repay the money over a longer period of time
- If you are comfortable with taking a risk
- If you need a quick infusion of cash
- If you are not comfortable with taking a risk
- If you need a large amount of money
- If you do not have enough funds/stock to start your business

8.3 Meaning, types and calculation of Interest



Learning Activity 8.3

Scenario: Interest and Borrowing

Joy and Blessing decided to borrow 100,000FRW from Umurenge Sacco to expand their business which has been operating for 2 years now. While at the offices of Umurenge Sacco, the manager brought to their notice that to get the money, they have to pay a certain amount on the return of borrowed money in addition to the requirements of getting a loan. The credit officer at the Sacco guided them on the difference between simple and compound interest used on borrowers. From the advice of the loans' officer, they discovered that for compound interest, they would pay more charges but would get enough time to pay back compared to simple interest. He also added that they have to choose on the options of either paying back using a simple or compound interest rate. The SACCO was to charge them 6% interest rate for the period of 2 years.

1. Using the scenario, what do we call 'a certain amount of money' charged on borrowed money
2. Given the knowledge you have on interests. Assist Joy and Blessing to calculate the interest they will pay for simple or compound interest.
3. A person has deposited a sum of 100,000FRW in the bank at a 10% interest rate for a period of 5 years. How much interest will the person earn after 5 years if interest earned in each year is added to the initial deposit, and the interest for the next period is calculated based on the new balance.

8.3.1 Meaning of interest

Debt (total amount to be paid back) comes from two components, that is, principal and interest. The **principal** is the actual sum of money borrowed by the business or individual, and the **interest** is the additional charges, which are, in a way, a form of income for the lender to provide the debt.

Interest refers to the cost of borrowing money or the income earned on invested capital. When a person or an organization borrows money from a lender, they agree to pay back the loan amount along with an additional amount of money known as interest.

Interest is typically expressed as a percentage of the principal loan amount, known as **interest rate**, and the rate of interest may vary depending on factors such as the borrower's creditworthiness, the length of the loan period, and prevailing market conditions.

8.3.2 Types of interest and calculation

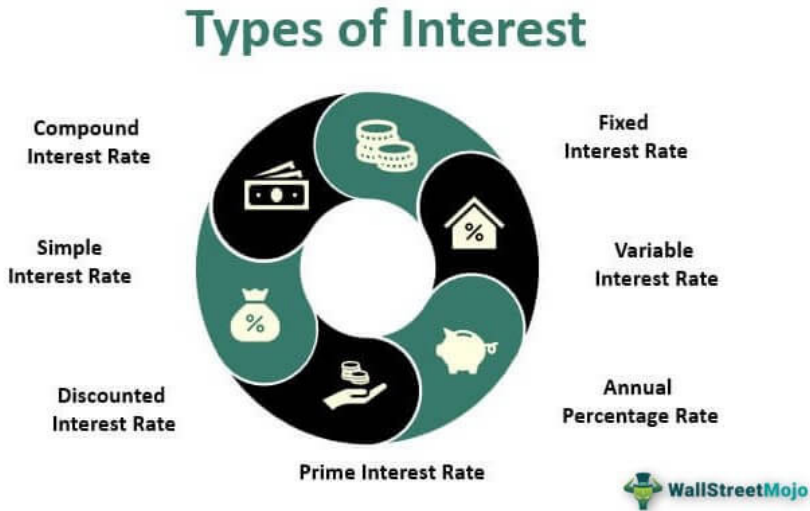


Figure 8.1: Types of interest

Interest comes in various forms, and its primary types include: Fixed Interest, Variable Interest, Annual Percentage Rate, Prime Interest Rate, Discounted Interest Rate, Simple Interest, and Compound Interest. In this unit we shall focus on simple interest and compound interest.

Simple Interest

Simple Interest is a bank's rate of interest for charging its customers. The calculation is basic and generally expressed as the multiplication of principal (P), interest rate (R), and the number of periods (T). Simple interest is generally used for short-term loans or investments, and the interest rate is fixed over the term of the loan or investment

Example 1

Suppose a bank is charging a 10% rate of interest on a loan for 10,000FRW for three years; the simple interest calculation stands to be

$$\begin{aligned}
 &= \text{Principal /loan (P) } \times \text{ Interest rate (R) } \times \text{ Time (T)} \\
 &= 10,000 \times 10\% \times 3 = 3,000\text{FRW}
 \end{aligned}$$

Examples 2

Tare, a businessman, borrowed a sum of 65,000FRW from a local bank which is to be paid in 6 years at a rate of 11% per annum. Calculate the simple interest Tare will pay for the loan?

Solution:

Interest (I) = Principal (P) × Interest rate (R) × Time (T)

Where

P = 65,000, R = 11%, T = 6 years, I = ?

$$I = 65,000 \times \frac{11}{100} \times 6$$

$$I = 65,000 \times \frac{11}{100} \times 6$$

$$I = 4,290,000 / 100$$

Tare will pay interest of = **42,900FRW**

Exercise

Patrick is an entrepreneur working from Gasabo district. Recently he got a loan from Umurenge Sacco in his village which amounted to 400,000Frw at the interest rate of 24% per annum for the period of 5 years. Calculate the amount of interest Patrick will pay using a simple interest method.

Compound Interest Rate

Compound Interest methodology is called interest on interest. Compound interest is calculated on both the principal and the accumulated interest from previous periods. The interest earned in each period is added to the principal, and the interest for the next period is calculated based on the new balance. As a result, the interest earned on the investment or the cost of borrowing increases over time. Compound interest is used for long-term loans and investments, and the interest rate may be fixed or variable depending on the terms of the loan or investment.

Example 1

For example, we have invested in the bank for 10,000FRW at 10% interest. First-year we will earn 1,000FRW and second-year the interest rate will be calculated not on 10,000FRW but on 10,000FRW + 1,000 = 11,000FRW. Thus we will earn slightly more than what we would have earned under a simple interest format.

Compound interest is calculated by deducting the principal amount from the compounded amount. The compounded amount is calculated using the formula below:

$$\text{Compounded amount (A)} = \frac{\text{Principal (P)} \times (1 + \text{Rate (r)})^{\text{Time (t)}}}{100}$$

$$\text{Compound interest} = A - P,$$

Which means

$$= P(1+r)^t - P$$

Example 2

TEC Ltd deposited 980,000FRW with their bank for 2 years. If the bank offers an interest of 8% p.a and allows for interest to be added to the principal so that it also earns interest, find the interest after 2 years.

Solution:

Calculate the compounded amount (A):

$$\begin{aligned} A &= P(1+r)^t \\ &= 980,000(1+8/100)^2 \\ &= 980,000(1.08)^2 \\ &= 980,000(1.1664) \\ &= \mathbf{1,143,072FRW} \end{aligned}$$

So, compound interest = Compounded amount - Initial amount (P)

$$\begin{aligned} &= 1,143,072 - 980,000 \\ &= \mathbf{163,072FRW} \end{aligned}$$

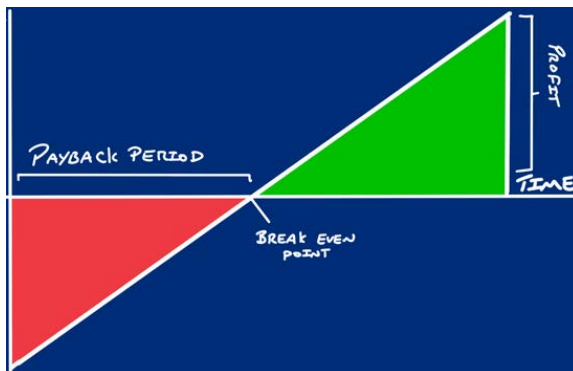


Application Activity 8.3

1. Analyze the following situations and decide which type of interest you would opt for and give reasons for your choice.
 - a) You want to borrow 30,000FRW from a bank at a rate 10% per year for 2 years.
 - b) You want to deposit 30,000FRW to a bank at a rate 10% per year for 2 years.

2. Gakuba wants to borrow 500,000FRW from his area SACCO at a rate of 11% for 3 years. Calculate the amount of interest Gakuba will pay using
 - a) Simple interest
 - b) Compound interest

8.4 Investment appraisal techniques



Learning Activity 8.4

Read and answer the following questions

- a) Gakuru used 10,000FRW to buy 100 avocados for selling in their local market at 250FRW each avocado. Help Gakuru find out how many avocados he should sell in order to recover the amount used and also start to realize profits.
- b) Suppose Gakuru sells on average 10 avocados per day. Help Gakuru find out how many days it will take him to recover the money he used to buy the avocados.

- c) From questions a) and b) above, how do call:
- i. the amount of money or the quantity Gakuru has to sell in to recover the amount used and also start realizing profits?
 - ii. the period or number of days it will take Gakuru to recover the money he used to buy the avocados?

Investment appraisal techniques refer to the techniques used by companies and investors primarily to decide whether an investment is profit-making or not. These techniques include the following:

- Break-even analysis
- Pay-back period analysis
- Return on investment analysis

The investors or companies use the techniques to assess the profitability and affordability of investing in either long-term projects or short-term projects, new products and machinery.

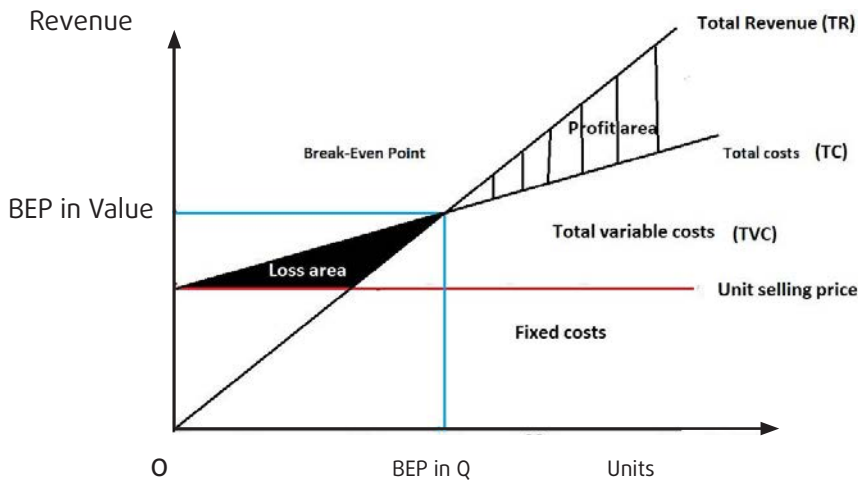
8.4.1 Break-Even Analysis

The Break Even analysis refers to that technique that helps an entrepreneur to evaluate when (in terms of sales or outputs) different projects would stop making losses and start making profits.

The break-even analysis uses the break-even point to determine that point when projects will start making profits.

The break-even point allows an entrepreneur to know when the project will start to be profitable. If a business's revenue is below the break-even point, then the project is operating at a loss. If it is above, then it is operating at a profit.

Break even point can be represented graphically as below



Decision: In choosing a project to invest in, an entrepreneur would prefer a project that would break even with as little quantity/units or minimum sales/revenue as possible.

Calculation of break even point.

Break even can be calculated in terms of:

- Units, the amount or quantity of a product that needs to be sold or produced
- Value, the sales or revenue that needs to be made in terms of money

a. Break even point in units

$$\text{Break even point (unit)} = \frac{\text{Fixed costs}}{(\text{Sales price per unit} - \text{variable costs per unit})}$$

Or

$$\text{BEP in units} = \frac{\text{Fixed costs}}{\text{Contribution margin}}$$

Where,

Fixed costs (TFC) – are costs that typically do not change, or change only slightly. Examples of fixed costs for a business are monthly utility expenses and rent.

Sales price per unit (USP)- how much a business is going to charge consumers for just one of the products that the calculation is being done for.

Variable costs per unit (UVC)- are costs directly tied to the production of a product, like labor hired to make that product, or materials used. Variable costs often fluctuate, and are typically a business's largest expense.

Contribution margin - the selling price per unit, minus the variable cost per unit.

Contribution margin= (USP - UVC)

Example 1

Tom's Sodas is a soft drink manufacturer in Eastern Province. The owner is considering introducing a new soft drink, called Tom's Silly Soda. He wants to know what kind of impact this new drink will have on the company's finances. So, he decides to calculate the break-even point, so that he and his management team can determine whether this new product will be worth the investment, if it can break even with less than 2.000 bottles of new soda sold.

His accounting costs are as follows, for the first month the product will be in production:

Fixed Costs = 200,000FRW (total, for the month)

Variable Costs = 40FRW (per bottle produced)

Sales Price = 150FRW (a bottle)

Calculate the break-even point in units to determine how many bottles of the new soda the owner should sell in a month in order to break-even

Break-even point (bottles) =
$$\frac{\text{Fixed Costs}}{\text{Sales price per unit} - \text{Variable costs per unit}}$$

$$\frac{200.000\text{FRW}}{150 - 40} = \frac{200,000}{110}$$

=1818 units

This means Tom needs to sell 1818 bottles of the new soda in a month, to break-even.

Therefore, this new product/project is worth investing in because it requires units below 2000 new bottles to break-even.

a. Break-even point in sales (FRW)

$$\text{Break even point in sales (FRW)} = \frac{\text{Fixed costs} \times \text{Sales price per unit}}{\text{Sales price per unit} - \text{Variable costs per unit}}$$

Or

$$\text{BEP in sales} = \frac{\text{Fixed costs}}{\text{contribution margin ratio}}$$

Where,

Contribution Margin Ratio - the contribution margin, divided by sales price per unit

$$\text{CMR} = \frac{\text{Sales price per unit (USP)} - \text{Variable costs per unit (UVC)}}{\text{Sales price per unit (USP)}}$$

Example 2

Tom's Sodas is a soft drink manufacturer in Eastern Province. The owner is considering introducing a new soft drink, called Tom's Silly Soda. He wants to know what kind of impact this new drink will have on the company's finances. So, he decides to calculate the break-even point, so that he and his management team can determine whether this new product will be worth the investment, if it can break even with less than 300.000FRW of sales made from the new soda sold.

His accounting costs are as follows, for the first month the product will be in production:

Fixed Costs = 200,000FRW (total, for the month)

Variable Costs = 40FRW (per bottle produced)

Sales Price = 150FRW (a bottle)

Calculate the break-even point in sales to determine how much revenue the owner should earn in a month in order to break-even

$$\text{Break even point in sales (FRW)} = \frac{\text{Fixed costs} \times \text{Sales price per unit}}{\text{Sales price per unit} - \text{Variable costs per unit}}$$

$$\frac{200.000 \times 150}{150 - 40} = \frac{200,000 \times 150}{110}$$

$$= 1818.18 \times 150 = 272727.27$$

This means Tom needs to earn or make sales of 272.727RW from the new soda in a month, to break even

Therefore, this new product/project is worth investing in because it requires sales/revenue below 300.000FRW to break-even.

Example

Akariza Enterprise is planning to make plastic buckets. Her first trial production resulted in 6200 buckets sold at a unit price of 650FRW. The expenses of this trial production were divided up in the following way. Total variable costs = 850,500FRW,

Fixed costs = 520,600FRW

Akariza will only continue with the project if it can break-even with less than 900 buckets or with sales of less than 600.000FRW

Use the above information help Akariza to make an investment decision by calculating:

- i. Break- even point in units (Buckets)
- ii. Break-even point in sales (FRW)

Answers:

$$i. \text{ Break-even point in quantity (buckets)} = \frac{\text{Fixed costs}}{\text{Sales price per unit} - \text{Variable price per unit}}$$

Where,

Fixed costs - 520,600FRW

Sales price per unit - 650FRW

$$\text{Variable costs per unit} = \frac{\text{Total variable costs}}{\text{Total units (buckets)}} = \frac{850,000}{6200} = 137,18 \text{ FRW}$$

So,

$$\text{Break-even point in quantity} = \frac{520,600 \text{ FRW}}{650 - 137.18} = \frac{520,600}{512.82} = 1015.17$$

Break even in quantity is 1015 buckets, which is above the desired quantity of 900 buckets to break-even, therefore Akariza may reject the project

$$\text{Break-even point in sales (FRW)} = \frac{\text{Fixed costs}}{\text{Contribution margin ratio}}$$

Where,

$$\text{Contribution margin ratio} = \frac{\text{Contribution margin}}{\text{Unit selling price}} = \frac{650 - 137.18}{650} = 0.789$$

$$\text{Unit selling price} = 650$$

So,

$$\text{Break even in sales} = \frac{520600}{0.789}$$

$$= 659.823 \text{FRW}$$

Break even point in sales is 659.823FRW which above the desired minimum sales of 600.000FRW to break-even, therefore Akariza may reject the project

Exercise 1:

Read the scenario below and use it to answer the questions that follow:

After a long period of operation, your students' business club has managed to establish a medium soap production project. There are some costs incurred in its operations. The club leadership team has calculated the fixed costs and have found out to be 60,000Frw. They also established the variable costs associated with one box of bar soap as 8,000Frw. These include all the expenses on raw materials, project labor and sales commission.

The club leadership plans to sell each box 12,000Frw. The business club will only continue with the project if it can break even with less 20 bars of soap or with sales less than 200.000FRW

Use the above information to advise the club on the decision to make by calculating the break even point:

- i. In quantity
- ii. In value/sales

8.4.2. Payback Period (PBP)

The payback period is the time you need to recover the cost of your investment. It is time an investment takes to reach the break-even point.

It is the length of time a project takes to pay back the money which has been invested in a business. It can be calculated for constant/uniform cash flows or for uneven cash flows.

Under this method, the selection criteria are that the best project is that of the shortest payback period

Calculation of the payback period

a. Projects with constant or uniform cash flows

When future project cash flows are expected to be constant, the payback period is given by

$$\text{Payback period (PBP)} = \frac{\text{Initial investment}}{\text{Cashflows per period}}$$

Example:

Kalisa plans to invest in a poultry project with an amount of 2,000,000FRW. The project is expected to generate a net cash flow of 500,000FRW per year for 5 years. Kalisa wants a project that will return his investment in less than 5 years. Help Kalisa make an investment decision by determining the payback period for Kalisa's project.

$$\text{Payback period (PBP)} = \frac{\text{Initial investment}}{\text{Cashflows per period}}$$

$$= \frac{2,000,000}{500,000} = 4 \text{ years.}$$

The payback period is 4 years, which is less than the desired 5 years and therefore Kalisa can go ahead to invest in the project.

Exercise 1. GAKUBA'S business total investment is 300,000FRW and the investment is expected to generate an annual cash flow of 10,000FRW.

Required:

- Find out how much time it will take GAKUBA to get back his invested money?
- Should Gakuba go ahead and invest in the project if he wants his money back in less than 10 years.

b. Projects with uneven cash flows

It is rare /not common for project cash flows to necessarily be constant. Where cash flows are not constant, the payback period is obtained / calculated by first working out the cumulative cash flow over the life of the business / project.

Example: GABC enterprise plans to invest 100,000FRW. The projected net cash flows of GABC Enterprise for 5 years are given below. GABC will only continue with the investment if it can recover its initial investment in less than 4 years. Calculate the payback period and advise GABC Enterprise on the investment decision.

Year	Cash flow	Net cash flow
0	-100,000	-100,000
1	40,000	- 55,000
2	50,000	-5,000
3	45,000	40,000
4	50,000	90,000
5	50,000	140,000

Notice that after two years' net cash flow is still negative (-100,000+40,000+50,000= -5,000) while after three years the net cash flow is positive (-100,000 + 50,000 + 40,000 + 45,000 = 40,000) thus the payback period, or breakeven point, occur between year 2 and 3.

From this, Payback period can be calculated as below:

Payback period = Years before full recovery + Unrecovered cost at the start of the year before full recovery

Cash flow during the year of full recovery

$$PBP = \text{Last year of Negative Net Cashflow} + \frac{\text{Absolute value of Negative Net Cashflow}}{\text{Cashflow of the following year}}$$

$$PBP = 2 \text{ years} + \frac{5,000}{45,000} = 2 \text{ years} + 0.1$$

Therefore, PBP= Last year of negative Net cashflow + Absolute value of negative Net cashflow / Cash flow of the following year. Payback period is 2.1 years which is below the 4 years and therefore, Gakuba may accept the project

Example 2

You plan investing 1900 FRW in Avocados to sell in the home market. Your projected daily cash flows are given below. You will only continue with the project if it can pay back your money in less than 4 days. Calculate the Payback period and make a decision.

Days	Cash flows (FRW)
0	(1900)
1	300
2	500
3	600
4	800
5	500

Calculate the cumulative cash flows

Days	Cash flow (FRW)	Cumulative cash flow (FRW)
1	300	300
2	500	800
3	600	1400
4	800	2200
5	500	2700

Payback period = Days before full recovery + Cash flow for the day before full recovery

Cash flow in day of full recovery

$$PBP = \text{Days before full recovery} + \frac{\text{Cash flow for the day before full recovery}}{\text{Cashflow in day of full recovery}}$$

$$PBP = 3 \text{ years} + \frac{600}{800} = 3 \text{ years} + 0.75 = 3 + (0.75 \times 12)$$

Therefore, the payback period is 3.75 days which is less than 4 days, and you can accept the project

8.4.3. Return on Investment (ROI)

Return on investment is an appraisal technique that helps the business owner to determine the benefit of his or her investment against the costs. The return on investment is usually expressed as a percentage. If you invest your money in mutual funds, the return on investment shows you the gain from your mutual fund schemes. If the return on investment is lower than 100%, you are actually losing money on the investment. And if the return on investment is higher than 100%, you are gaining. You must pick an investment that may offer you the maximum return over a period.

$$\text{ROI} = \frac{\text{Net Return on Investment}}{\text{Cost of Investment}} \times 100\%$$

Example: Kabatesi invested 90,000FRW into a business venture and spent an additional 10,000FRW researching the venture. The investor's total cost would be 100,000FRW. If that venture generated 300,000FRW in revenue but had 100,000FRW in personnel and regulatory costs, then the net profits would be 200,000FRW

Solution:

Total investment = 90,000FRW + 10,000 = 100,000FRW

$$\text{ROI} = \frac{200,000}{100,000} \times 100\%$$

ROI = 200 %

Let us compare the first example to another example where Kabatesi puts 10,000,000FRW into a venture without incurring any fees or associated costs. The company's net profits were 15,000,000FRW. It is significantly more than the 200,000 in net profits generated in the first example. However, the ROI offers a different view as shown below;

$$\text{ROI} = \frac{15,000,000}{10,000,000} \times 100\%$$

ROI = 150%

Decision rule: Higher ROI indicates a more productive investment. Therefore, the decision would be advising Kabatesi to invest his or her money on the first project.



Application Activity 8.4

Raisa invested RWF 500,000 in a salon business in Kigali. The salon is expected to increase the cash-flow per year as below:

Year	Project A	Project B
0	(500,000)	(500,000)
1	100,000	100,000
2	150,000	100,000
3	50,000	100,000
4	200,000	100,000
5	250,000	100,000

- What are the total cash flows for each project?
- Calculate the payback period for each project.
- Based on the decision rule, which project will Raisa choose?

End of Unit Assessment

I. Project Activity

As students of senior 4 identify a business project that you would want to implement in your local communities and write down a report on how you will solicit/ acquire the funds for the business club project.

II. Assessment questions

1.
 - a) Find the compound interest on 80,000FRW for five 10 years at 6% p.a.
 - b) Find the simple interest on 40,000FRW for 4 years at 2% p.a.
 - c) Batamura enterprises deposited 1,200,000FRW with their bank for 4 years. If the bank offers an interest rate of 16% p.a and allows the interest to be added to the principal so that it also earns interest, how much interest will her money bring her after four years.
2.
 - a) Which factors should one consider when choosing sources of finance to his or her business activities?
 - b) Identify the various sources of capital and their advantages and disadvantages
3.
 - a. Explain the meaning of finance, financial systems and financial management.
 - b) Explain the functions of financial management
4. a) Define the following investment appraisal techniques:
 - i. Break-even point
 - ii. Payback period
 - iii. Returns on investment
 b) Use the table below to answer questions that follow.

Year	Project A	Project B
0	(100000)	(100000)
1	400000	50,000
2	40,000	0
3	40,000	0
4	40,000	50,000
5	40,000	250,000

- a) What is the total cash flow for each project?
- b) What is the payback period for these projects
- c) Comparing the projects above, which projects would you choose to take up, and why?



Unit 9: Financial Institutions

Key unit competence

To be able to use banking and non-banking institutions' services

Introduction

Financial institutions are the backbone of the global economy, providing a wide range of financial services to individuals, businesses, and governments. From traditional banking services such as savings and loans to more specialized services like investment management and insurance, financial institutions play a vital role in the functioning of the modern economy. In this unit, you will acquire knowledge and skills on the meaning of financial institutions, understand the different types of financial institutions, their functions, and their roles in the economy among others. This will help you to effectively use banking and non-banking institutions' services.



Introductory Activity

Read the dialogue between Jolly and Jolyn and answer the questions that follow.

Jolly: Hey Jolyn, how are you doing?

Jolyn: Hey, Jolly. Am doing well. Nice to see you, it's been long.

Jolly: Yeah, it's been long. I have been busy lately.

Jolly: Well, Jolyn, do you know what financial institutions are?

Jolyn: Hmm, not really. Aren't those like banks and stuff?

Jolly: Yes, you're on the right track. Financial institutions are organizations that provide financial services to their clients, such as banks, credit unions, insurance companies, and investment firms.

Jolyn: Oh, I see. So, what exactly do these institutions do?

Jolly: Well, they play a crucial role in our economy by managing and investing money. For example, banks accept deposits from customers and use that money to make loans to other customers. They also offer other services like checking accounts, savings accounts, and credit cards.

Jolyn: Okay, that makes sense. What about insurance companies?

Jolly: Insurance companies offer financial protection to individuals and businesses in case of unexpected events, such as accidents, illnesses or fire. They collect premiums from their clients and use that money to pay out claims when needed.

Jolyn: Got it. And what about investment firms?

Jolly: Investment firms manage and invest money on behalf of their clients, such as individuals, corporations, and governments. They may offer services like mutual funds, exchange-traded funds, and retirement accounts.

Jolyn: Wow, I had no idea there were so many different types of financial institutions.

Jolly: Yes, it's a complex industry, but it's important for our economy to function properly. Without financial institutions, it would be difficult for people to access the financial services they need to manage their money and plan for their future.

Jolyn: Thanks for explaining that, Jolly. I learned a lot today!

From the dialogue between Jolly and Jolyn

- a) What do you think financial institutions are?
- b) What types of financial institutions did they talk about?
- c) What role do financial institutions play in the economy?
- d) What services do financial institutions offer?

9.1 Meaning of financial institutions



Learning Activity 9.1

The images below represent different financial institutions that operate in our communities. They conduct different financial activities while dealing with the public.



Bank of Kigali



Access Bank
Rwanda



Ecobank



Urwego Bank



Compagnie
Générale de
Banque



National Bank
of Rwanda

From the above illustration and personal experience, what do you think financial institutions mean?

Financial institutions are institutions that deal in providing financial services to their clients. They offer both short- and long-term finance to entrepreneurs for their business operations. They are involved in handling transactions such as loans, deposits, investments and exchanging currencies. Financial institutions include; Central bank, commercial banks, microfinance institutions, merchant banks, development banks, savings and credit societies and insurance companies etc.

Business operations are their integral part in any economy as they handle different financial activities. Therefore, people and businesses rely on financial institutions to handle their transactions and, at times, investments.



Application Activity 9.1

Using the table below, identify a financial institution by using a symbol (V) and (X) on those which are not financial institution.

Institutions	Put a tick v or x
Bank of kigali	
GT bank	
Nyirangarama Bank	
Mukamira Bank	
Prime insurance company	
Rwanda plastics ltd	
Gikundiro Forex exchange ltd	
Umurenge SACCO	
Agaseke Bank Ltd	
Rwanda Revenue Authority bank	
Rwanda Development Board bank	

9.2 Types of financial institutions



Learning Activity 9.2

1. What are different kinds of financial institutions that you know in Rwanda?
2. From the picture below, differentiate between banking institutions and non-banking institutions

Financial institutions are companies in the financial sector that provide a broad range of business and services including banking, insurance, and investment management.



3. Give two examples of banking institutions and non-banking institutions you know in your country.

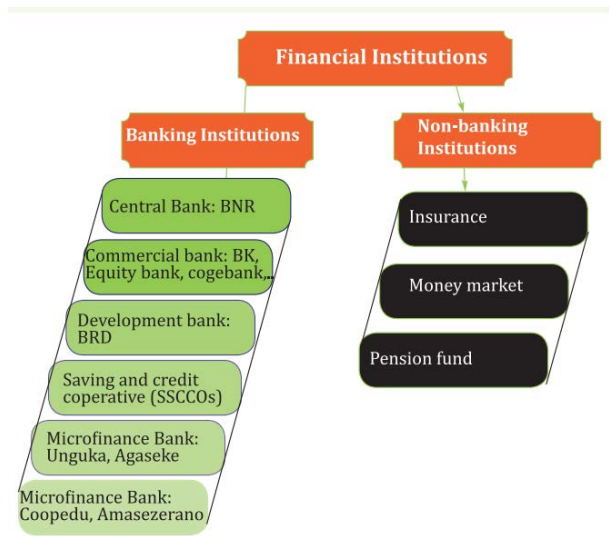


Figure 9.1 Types of financial institutions.

There are two main types of financial institutions: banking and non-banking. Banking institutions include; world bank, central bank, investment banking, development banks, commercial banks, savings and loan associations, and credit unions. Non-banking financial institutions include; insurance companies, pension funds, and hedge funds.

9.2.1. Banking Institutions

Banking institutions are financial institutions that provide a variety of financial services to their clients, including accepting deposits, giving loans, facilitating transactions, managing investments, and providing other financial services. These institutions are licensed and regulated by government agencies to ensure their safety and soundness. These institutions trade money as their major commodities and they charge a price known as interest. There are several types of banking institutions, including; commercial banks, microfinance institutions, credit unions, and investment banks.

a. Central bank



Figure 9.1. National bank of Rwanda, BNR an example of a Central Bank

This is the institution that shows exclusively the commitment of handling the nation's currency, the money supply, and regulates interest rates. In other words, it is involved in the inauguration and implementation of monetary and fiscal policies of the country. It is universally branded as the National bank. A typical example is the National Bank of Rwanda (Banque Nationale du Rwanda, BNR).

There are several functions played by the central banks. They are explained hereunder:

- i. Issuing currency. It is the only bank that has the right to issue or renew currency notes and coins.
- ii. It acts as a banker to the government by
 - Keeping government funds
 - Paying interest on public debts
 - Marketing government securities
 - Advising the government on economic policies
- iii. It acts a banker to commercial banks in the following ways
 - It is a clearing house for all commercial banks. i.e. they settle their debt through the central bank.
 - Every commercial bank must keep a certain percentage of its deposits with the central bank (legal reserve requirement).

- iv. It is a manager and custodian of foreign currencies. That is to say, it tries to ensure and maintain the stability of its currency exchange rate in relation to foreign currencies.
- v. It uses monetary policies to influence the level of economic activity.
- vi. Credit control. central banks control the lending capacity of commercial banks in order to control the amount of money in circulation so as to avoid inflation and deflation.
- vii. Carrying out research and publishing journals. The central bank carries out research on the performance of the economy as well as publishing annual reports on economic development, balance of payment and interstate trade which benefits the government and the public.
- viii. It controls and regulates the operations of commercial banks
- ix. It acts as a fiscal agent and advisor to the government e.g. formulating budget, taxation, devaluation policy.
- x. It is a lender of last resort to commercial banks
- xi. It is a banker to international institutions working in the country e.g.: WFP (World food program), Red Cross, WHO (World Health Organisation) among others.

b. Commercial banks

Commercial banks are financial institutions that are involved in accepting deposits from the public as well as offering loans and overdrafts for purposes of registering profits. Examples include: Access Bank Rwanda, Bank of Kigali, I&M Bank Group, BPR Bank Rwanda Plc, Compagnie Générale de Banque (Coge banque), Ecobank, Equity Bank (Rwanda)



Figure 9.2 Operations in a commercial bank

Functions of commercial banks include, but are not limited to the following:

- i. Commercial banks accept and safeguard deposits from the public.
- ii. Commercial banks offer credit services in form of loans, advances, overdrafts, and cash credits to ensure economic stability and growth of the economy.
- iii. Commercial banks also provide facilities for transferring money from one place to another or even from one country to another.
- iv. Commercial banks also provide commercial advice to their customers. They advise them on how to use their money and in business.
- v. Commercial banks also keep valuable possessions such as academic documents and other precious materials such as gold. The bank charges a minimum annual fee for this service.
- vi. Commercial banks offer training services to the public on how to start and manage small businesses
- vii. Commercial banks use different instruments like promissory note, cheques, and bills of exchange for paying and gathering the credit.
- viii. Commercial banks offer facilities for purchasing and selling securities e.g shares.
- ix. Commercial banks play a vital role in the economy by facilitating the circulation of money through providing loans, accepting deposits, and extending credit, thus creating greater acceptability for individuals and businesses alike.

c. Development banks

Figure 9.3 Rwanda development bank, an example of a development bank

A development bank is a financial institution that provides loans and other financial services to support economic development initiatives in a specific region or country. Development banks are typically owned and operated by governments, although they may also be owned by private investors or international organizations. The primary goal of a development bank is to promote long-term economic growth and stability by financing projects that might not otherwise attract funding from traditional commercial banks or investors. These projects may include infrastructure development, small business support, agriculture, education, healthcare, and other initiatives that are critical to improving the overall quality of life for people in the region. Their functions include the following:

- **Promoting sustainable development:** Development banks also prioritize sustainability and environmental protection in their lending practices and seek to support projects that promote sustainable development.
- **Mobilizing private sector investment:** Development banks can also help to mobilize private sector investment by providing guarantees and co-financing arrangements that reduce the risk of investing in new projects.
- **Offering technical assistance:** Development banks provide technical assistance and advisory services to support the development of new projects and to help businesses and entrepreneurs access financing.
- **Supporting innovation:** Development banks also play a key role in supporting innovation by providing funding for research and development in various sectors of the economy.
- **Providing long-term financing:** Development banks provide long-term loans and credit to support investment in various sectors of the economy, such as infrastructure, energy, agriculture, and manufacturing.
- **Facilitating economic growth:** By providing financing for development projects, development banks help to stimulate economic growth and create employment opportunities.

d. Microfinance institutions(MFIs)

Microfinance institutions is a category of banking institution that targets low-income individuals or groups who would not have access to financial services. The revolution of microfinance institutions aims at bridging the gap between the unbanked and the formal financial system. By offering small loans and other financial services to individuals and businesses, microfinance institutions help to foster economic growth and alleviate poverty. These institutions, which include savings and credit co-operatives (SACCOs) and some limited companies, provide a range of financial products tailored to the needs of low-income individuals and groups.

Saving and Credit Cooperatives.



Figure 9.4 Umwalimu SACCO, an example of SACCO in Rwanda

Savings and Credit Co-operative (SACCO) is a financial institution in which members save their money and can get loans. They are **user-owned** and members have equal voting rights regardless of their deposit amount or shareholdings. Their main products are savings and credits. Members normally make deposits on a weekly or monthly basis. Examples include: Umwalimu SACCO, Zigama CSS, COOPEC Zamuka, Umurenge SACCO

Functions of Saving and Credit Cooperative Association

- Mobilization of savings: SACCOs encourage their members to save money regularly, which is then pooled to provide loans to members who need them.
- Provision of credit: SACCOs provide affordable credit to their members for various purposes. The loans are usually provided at lower interest rates than those offered by commercial banks.
- Financial education: SACCOs offer financial education to their members to help them manage their finances better. This includes training on budgeting, saving, and investing.
- Provision of other financial services: SACCOs offer a range of other financial services, such as insurance, money transfer services, and financial advisory services.
- Social function: SACCOs also serve a social function by promoting a sense of community among their members and encouraging them to work together towards common goals. They also promote social responsibility and help to uplift the living standards of their members

9.2.2. Non-banking institutions

These are financial institutions that accept deposits but do not create credit like banks. These institutions provide financial services that complement those provided by traditional banks. Examples of non-banking institutions include insurance companies, Social Security funds, money exchange, and others .

a) Insurance companies: These collect monies from the public through the sale of insurance policies. That is to say, allowing them to receive the premiums. They are engaged in investing in short-term investments for example purchasing bonds. Examples in Rwanda include: Military Medical Insurance (MMI), RSSB/RAMA, Britam Insurance, Prime Insurance, etc.



Figure 9.5 Examples of insurance companies in Rwanda

a. Social security funds

These are also non-banking financial institutions that collect savings from employees and invest them in long-term investments. In most cases they are executed by insurance companies or social security fund institutions. Good example is Rwanda's Social Security Board .



Figure 9.6 Example of social security fund in Rwanda

Functions of non-banking institutions include the following:

- They assist in the establishment and development of various sectors especially transport and infrastructure in the country.
- Non-banking financial institutions extend specialized credit facilities to various entities, especially those engaged in mega projects.
- The non-banking financial institutions aim at the creation of wealth and economic development in the country.
- The weaker sectors or sections of society need to be strengthened and fully supported, and this is one of the functions of non-banking financial institutions



Application Activity 9.2

Giving examples in each category, differentiate banking from non-banking institutions according to their functions in your community.

9.3 Roles of financial institutions in promoting entrepreneurial culture



Learning Activity 9.3

Read the dialogue below and answer questions that follow.

Muhiza: Hey Imena, have you thought about what financial institutions can do for us as senior four students?

Imena: Hmm, not really. What do you mean by financial institutions?

Muriza: Well, financial institutions are organizations such as banks, credit unions, and microfinance institutions that provide financial services to individuals or organizations. They offer different types of accounts, loans, and investment opportunities that can help us improve our lives, grow our economy, potentially build wealth etc.

Imena: Oh, I see. But how can they help us as senior four students?

Muriza: Good question. Financial institutions can help us in many ways. First, they can provide us with student accounts that often come with benefits like no monthly fees or minimum balances. We can use these accounts to deposit our allowances or savings, and learn how to manage our money effectively.

Imena: That sounds useful. What else can they do for us?

Muriza: Second, financial institutions can also offer us educational resources, such as financial literacy workshops or online courses. These can teach us important skills like budgeting, saving, and investing, and help us make informed financial decisions in the future.

Imena: Wow, I had no idea. What about loans or credit?

Muriza: Well, that's another way financial institutions can help us. While we may not need loans at our age, understanding how loans work and how to build credit is important for our future financial health. And if we do need a loan, such as for higher education or starting a business, financial institutions can offer options like student loans or small business loans.

Imena: I never thought about it that way. Thanks for explaining it to me, Muriza.

Muriza: No problem, Imena. Financial institutions can be a valuable resource for us as we grow older and take on more financial responsibilities. It's important to start learning about them now so we can make informed decisions in the future.

- a) What is the conversation between Muriza and Imena about?
- b) According to Muriza, why is it important to use financial institutions?
- c) According to their dialogue, what services are provided by financial institutions?

Financial institutions can play a crucial role in promoting entrepreneurial culture in Rwanda by providing access to finance and other support services to entrepreneurs. Here are some specific ways in which financial institutions can promote entrepreneurship:

- **Access to Capital:** Financial institutions can provide access to capital for entrepreneurs to start or grow their businesses. This can include loans, lines of credit, and other forms of financing.
- **Financial Education:** Financial institutions can provide financial education and training to entrepreneurs to help them better understand their finances and make informed financial decisions.
- **Technical Assistance:** Financial institutions can offer technical assistance to entrepreneurs to help them develop business plans, market their products or services, and access new markets. This

can include mentorship programs, networking events, and access to industry experts.

- **Risk Management:** Financial institutions can help entrepreneurs manage risk by providing insurance products, such as property or liability insurance, to protect their businesses against unforeseen events.
- **Innovation:** Financial institutions can promote innovation by investing in new technologies and providing support to startups and other innovative ventures.
- **Brokerage services:** These institutions provide their investors access to several investment options available in the market, ranging from stock bonds.
- They help to balance economic growth since all the different sectors in an economy rely on financial institutions. The primary, secondary and tertiary sector industries all need sufficient funds from these institutions.
- They help to attract foreign capital through the capital market authority. Foreign companies can buy shares, stocks in another country. Such as KCB, IM bank, equity bank among others.
- Financial systems of different countries can promote economic integration. This is when common economic policies, such as common employment laws, commercial laws are applied. For example, the East African Community (EAC).

Overall, the role of financial institutions in promoting entrepreneurial culture in Rwanda is essential, as access to capital and other support services can help entrepreneurs to start and grow their businesses, create jobs, and contribute to the economic development of the country



Application Activity 9.3

Some villagers in Gatake village still have a mentality that their money is safe when they use the ways their forefathers used before the coming of the formal banks. That is, they keep it under the mattresses, in pots, and some dig holes to keep their money there. They believe that you cannot get your money anytime you need it when it's kept in a bank. They also say that they charge them fees that they don't have.

Recently one of the villagers, Karema, who had kept his money in the hole went to check on it and found out that the ants had eaten all the **notes**. He cried loudly in a lot of tears and all the villagers came to find out what had happened to him. He displayed the remains of the notes and it was evident to everyone that his money had been destroyed by the ants. In this vision and with a lot of banking institutions around the country, all the onlookers who came there were surprised by this incident.

Imagine you were one of the onlookers there at the incident and you have knowledge about banking, what advice would you give to Karema so that he cannot lose his money again in future.

9.4. Procedures of loan application



Learning Activity 9.4

Soma is a young entrepreneur in Karongi district. For 3 years he has been doing his pottery project on a small scale and now wants to expand his business to the next level. He is thinking of getting a loan from the village Microfinance called 'HAGURUKA SACCO. After approaching the credit officer at the SACCO, he found out that he needed to go through many steps such as filling loan application forms, preparing a business plan among others in order to get the loan.

From the above scenario, explain the procedures Soma will have to go through when applying for the loan.

It is important to note that the loan application process may vary slightly depending on the lender and the type of loan you are applying for. It's always a good idea to consult with the lender or a financial advisor for more information on the specific loan application requirements and process. Therefore, the following procedures may guide you while applying for a loan.

- **Eligibility criteria:** When applying for a loan from a bank, the eligibility criteria can vary depending on the type of loan you're applying for, the specific lender, and the country or in region. so some common factors for eligibility check can be; credit score, income and employment history and debt-to-income ratio

- **Determine the type of loan you need:** The second step in applying for a loan in Rwanda is to determine the type of loan you need. There are various types of loans available in Rwanda, such as personal loans, business loans, mortgage loans, and more.
- **Check the interest rate and other charges:** Different lending institutions have different interest rates on different types of loans to their customers. So, it is important to gather information related to the interest charged on the loan and all insurance fees the client is supposed to pay for him/her to access the loan.
- **Identify a lender:** Once you have determined the type of loan you need; the next step is to identify a lender that offers the type of loan you require. You can research online or visit the nearest bank or microfinance institution in your area to get more information.
- **Gather necessary documents:** Before applying for a loan, you will need to gather the necessary documents, which typically include identification documents, proof of income, bank statements, and collateral documents, depending on the type of loan you are applying for.
- **Fill out the loan application form:** Once you have identified a lender and gathered the necessary documents, the next step is to fill out the loan application form. The form will typically require you to provide personal and financial information, such as your name, address, employment status, business plan
- **Submit the loan application:** After filling out the loan application form, you will need to submit it to the lender along with the required documents. You may be required to pay a processing fee at this stage.
- **Wait for approval:** After submitting your loan application, the lender will review your application and make a decision on whether to approve your loan or not. This process can take several days to a few weeks.
- **Sign the loan agreement:** If your loan is approved, you will need to sign a loan agreement that outlines the terms and conditions of the loan, including the interest rate, repayment period, and other fees.
- **Receive the loan funds:** After signing the loan agreement, the lender will disburse the loan funds to your account, and you can start using them according to the purpose of the loan.

Note: It's important to note that different lenders follow different procedures during the loan application process. So, it is important to do thorough research when looking for a lending institution.



Skills Lab Activity

Based on the knowledge acquired on financial institutions, Identify the banking and non-banking institution you intend to operate with while handling the activities of your School Business Club (SBC) What are your financial goals for choosing that financial institution?

- a) What are the procedures one can go through when opening an account and also when applying for a loan.



Application Activity 9.4

After S.4 you intend to start a small soft drink processing business in your community, but it's likely to require you to get a loan from one of the financial institutions in your home village. Describe the process you would pass through while applying for a loan.

End of Unit Assessment

I. Project Activity

Suppose that you have a new project you want to start in your business club and you require funding through getting a loan. Identify a banking financial institution you may use and find out the procedures that are required while acquiring a loan.

II. Assessment questions

1. Identify one microfinance institution and analyze its role in the development of the country
2. Distinguish between a central bank and commercial bank according to their functions or purpose.
3. What are the key factors to consider when choosing a financial institution to meet your financial needs?
4. What role do financial institutions play in the global economy, and how do they contribute to economic growth and stability?

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