

# Access to Financial Services and Project Success in the Construction Sector, Rwanda

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**Abstract**—Projects remain the instruments of choice for policy makers in international development. Yet, paradoxically, the poor performance of projects seems to have become the rule and not the exception in contemporary reality. The general objective of this study was to assess the role of access to financial services to project success in the construction sector in Rwanda. This study adopted a descriptive design, target population of this study included 169 permanent employees of Horizon construction limited. Using Yamane formula, the sample size was 66 people, this study applied the purposive sampling technique. The data collection instruments in this research were questionnaires. Descriptive and correlational statistics were used to analyze responses made to each research question. The frequency and percentage were used for respondent's profile and other general information, SPSS software was used to analyze data. The correlation of 0.607 were found, this leads to confirm that there is significant relationship between access to financial services and project success in the construction sector. The study recommended that In order to attain sustainable success, the project should continue to use financial services as the main driver that should affect their success. Horizon should also continue to assess the drivers and mechanisms that should affect the success of the project; this study focuses on the drivers and policies that influence financial services and success of the project.

**Index Terms**—Access to financial services, construction sector, financial services, project success.

## I. INTRODUCTION

All over the world, financial services are absolutely crucial to the success of projects; it directly impacts on their day-to-day operations, and, in turn, their performance. The concept of financial institution can be traced back to an obscure experiment in Bangladesh 30 years ago [1]. It has since become a worldwide movement as a development activity, as a way of helping low income people out of poverty. All-over the world, in the construction industry, the aim of project control is to ensure the projects finish on time, within budget and achieving other project objectives [2].

Getting financial services plays a key role in financing different countries economic projects. Success of any construction project strongly depends on the effective utilization of cash flow [3].

Although tremendous achievements in building construction have been made in Rwanda, the past initiatives to develop local firms were not sufficiently backed to sustain continued growth of the construction industry [4]. Projects remain the instruments of choice for policy makers

in development. Yet, paradoxically, the poor performance of construction projects in Rwanda seems to have become the rule and not the exception in contemporary reality.

## II. STATEMENT OF THE PROBLEM

Projects remain the instruments of choice for policy makers in international development. Yet, paradoxically, the poor performance of projects seems to have become the rule and not the exception in contemporary reality. According to [5] 39% of World Bank projects were unsuccessful in 2010. World Bank projects all too frequently fail to achieve their goals due to a number of problems that could be termed managerial skills and organizational, imperfect project design, poor stakeholder management, delays between project identification and start-up, delays during project implementation, cost overruns and coordination failure. The project failure rate at the World Bank was over 50% in Africa until 2012. The World Bank's private arm, the International Finance Corporation has discovered that only half of its African projects succeed [6]. The project management success indicators of time, cost and quality are subordinate to the higher product success objectives of goal and purpose [7].

Therefore, as the same case, some construction projects in Rwanda failed whereas other success, whereby they are financing by the same organization. Hence, the researcher was motivated to carry out this study called access to financial services and project success in the construction sector.

## III. OBJECTIVES OF THE STUDY

### A. General Objective

The general objective of this study was to assess the role of access to financial services to project success in the construction sector in Rwanda.

### B. Specific Objectives

- 1) To determine the drivers that influence the success of construction project in Rwanda;
- 2) To analyze the main policies applied by financial institutions to improve the efficiency of construction projects;
- 3) To establish relationship between financial services and success of the construction project in Rwanda.

## IV. RESEARCH QUESTIONS

- 1) What are the drivers that influence the efficiency success of construction project in Rwanda?
- 2) What are the main mechanisms applied by financial

institutions to improve the success of construction projects?

- 3) What is the relationship between financial services and success of the construction project in Rwanda?

## V. RELATED STUDIES

Using econometrics analysis, the study of [8] found that Agricultural Credit Guarantee Scheme Fund and Government fund allocation to agriculture produced a significant positive effect on agricultural productivity, whereas the other variables produced a significant negative effect.

The results of [9] study indicated that Nigeria's commercial and merchant banks lagged behind in financing different agriculture project when compared to manufacturing project. Even if other scholar carried out their studies related to financial services and success of the project, they did not establish the mechanism that should be applied by financial institutions services to improve succes of the construction projects financed especially in Rwanda.

## VI. CONCEPTUAL FRAMEWORK

Conceptual framework is defined as a systematic ordering of ideas about the phenomena being investigated or as a systematic account of the relations among a set of variables. Conceptual framework is a structure of what has been learned to best explain the natural progression of a phenomenon that is being studied [10].

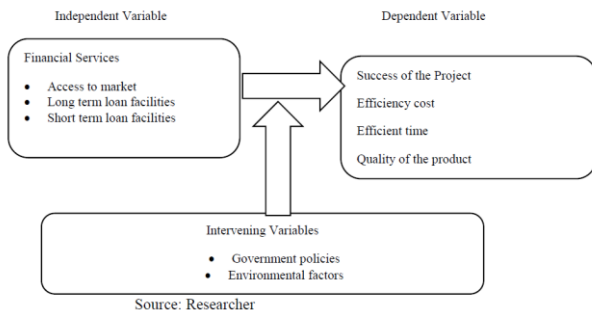


Fig. 1. Conceptual framework.

This research recognized the different factors that lead to financial services and success of the project. These have been identified in the literature review. According to Figure 1, the independent variable, which is financial services under different determinants like both long and short term loan, marking to market and provision of credit facilities, facilitates the performance of dependent variable (Success of the project) through different indicators like efficiency cost, efficient time, and quality of the product. Apart from dependent and independent variables, there is intervening variable with other influences under government policies and environmental factors.

The *project is a success* if it delivers all or most of what it said it would, regardless of schedule or budget performance. The project is also a success if it delivers what it said it would, on schedule and/or within the agreed budget. *Financial services* are the services delivered by the establishment that focuses on dealing with financial transactions, such as investments, loans and deposits.

*Access to Financial Services* is the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services.

## VII. RESEARCH METHODOLOGY

This study adopted a descriptive and correlational design to get results expected. Thus, the research design mainly focused on qualitative approach, but also quantitative approach was used to a certain extent.

According to the research objectives, the targeted population of this research included 169 permanent employees of Horizon construction limited including 3 in general manager's office, 23 in technical director's office, 97 in engineering equipment division department 20 in production plant department, 9 in corporate affairs department, 12 in finance department and 4 in procurement department lastly 5 project site.

As the sample size is calculated if the researcher has some constraints like financial or time constraints and when the population is of a big number, the researcher needed to calculate sample size using Yamane formula as follows:

$$n = \frac{N}{1 + N * e^2} = \frac{196}{1 + 196 * 0.1^2} = 66$$

where,  $n = 66$ : Sample size,  $N = 196$ : Target population and  $e = 10\%$  : Error of precision i.e Confidence level = 90% . This study applied the purposive sampling technique.

The data collection instruments in this research were questionnaires. This was an instrument that consisted of a set of questions where a number of people who were asked to answer so as to provide information. The questionnaires were designed using five point of Likert scale as indicated in the appendices.

The reliability was ensured by testing the instruments for the reliability of values (Alpha values) as recommended by Cronbach coefficient. Cronbach recommends analysis for Alpha values for each variable under study. Alpha values for each variable under study were 0.78 for the statements in the instruments to be deemed reliable. The validity of the data collection instruments was done with the help of external experts to correct the questionnaire.

Before analyzing the data, errors were first identified and eliminated as far as possible in order to enable the researcher to cross examine the relationship between the questions and the corresponding responses so as to ensure accuracy, consistency, and uniformity. This was done immediately after administering the questionnaires in order to guard against omission. The data analysis was done using Statistical Package for Social Sciences (SPSS). After collecting data, the researcher organized the questionnaire by numbering them for validation and checking purpose. Questions were coded and data were entered into computer system. Processed data was stored in form of tables and charts form which meaningful information was produced. Quantitative data were presented into table form and frequencies. For qualitative data, the researcher wrote them into paragraphs to explain the figures. The statistical analysis was used descriptive statistic to analyze responses

made to each research question. The frequency and percentage were used for respondent's profile and other general information.

#### VIII. SUMMARY OF FINDINGS

In relation to the first research objective, from respondents on project strategy formulation among the main policies applied by financial institution to improve the efficiency of construction projects, out of 66 respondents 77.3% strongly agree. Availability of training and mobilization among the main policies applied by financial institution to improve the efficiency of construction projects, out of 66 respondents 86.4% strongly agree whereas 13.6% agree. 86.4% strongly agree this means that availability of training and mobilization contribute for efficiency of construction project because it improves morale of employees. Types of financial services do the bank provide drivers that influence the success of the project out of 66 respondents 37.9% are advices on market trends, 33.3% are saving services whereas 28.8% are lending services. from respondents on the most factors consider in credit application among the factors influencing successful of construction projects out of 66 respondents 33.3% capital, 33.3% character, 24.2% capacity whereas 9.1% collateral. The study presents feedback from respondents on the different types of loans applied from bank among drivers that influence the success of the project out of 66 respondents 47% are medium-term loans, 37.9% short – term loans whereas 15.2% long –term loans. Strong credit check among the policies as per their importance applied by financial institutions to improve the success of the project out of 66 respondents 75.8% very important whereas 24.2% are important. managerial skills and availability of training members among the policies as per their importance applied by financial institutions to improve the success of the project out of 66 respondents 43.6% very important, 33.3% non-important whereas 22.7% least important. Figure 4.2; shows feedback from respondents on low processing fees among the benefits received from financial institutes out of 66 respondents 69.7% agree and 19.7% can't say whereas 10.6% strongly agree. This is benefits received from financial institution which affect positively successful of construction projects because it reduce cost.

According to the second research objective, out 66 respondents 75.8% strongly agree whereas 24.2% agree, from respondents on monitoring and evaluation among the drivers that influence the success of construction project in Rwanda out 66 respondents 92.4% strongly agree whereas 7.6% agree. Monitoring and evaluation to be strongly agree on 92.4% this indicates that it's have power for successful of construction project of Rwanda through because It provides a means for agencies seeking to learn from their experiences and to incorporate them into policy and practice. From respondents on owners of the project experience among the drivers that influence the success of construction project in Rwanda out 66 respondents 78.8% agree whereas 21.2% undecided. In relation to project delay among the drivers that influence the success of construction project in Rwanda out of 66 respondents 68.2% strongly agree whereas 31.8% agree. Project delay to be on 68.2% strongly

agreed this indicates that it's also one factor that influence successful of project because it may cause losses.

Accorsding to the third research objective, this study used SPSS and found that the coefficient r equal to 0.607. The variation of Pearson Coefficient correlation is between -1 and 1. According to Pearson, the correlation of 0.607 (60.7%) is categorized as positive correlation and this leads to confirm that there is significant relationship between access to financial services and project success in the construction sector. Therefore, this research found that there is a positive and high correlation between access to financial services and project success in the construction sector.

#### IX. CONCLUSION

According to the first research objective, the drivers that influence the success of the project, the majority of respondents confirmed that types of the project is among of drivers of project success in Horizon. The majority of respondents confirmed that contractor is also among of drivers of project success. Assuming that project success is repeatable, these findings provide clear understanding of contractors' performance and could potentially enhance existing contactor knowledge and project success. Therefore, concerning the quality, project owners are responsible for determining what will satisfy the business, and commissioning the proper project to create it. However, even if a project completes on time, on budget and produces exactly what was requested, it will still be considered as failure if the business customer does not perceive value in what the project produced.

Concerning the second research objective, this research found that the policies used by financial institutions that finance are strong credit checker, capacity to repay, intention to repay, previous banking history, applicants education. From these findings, the study confirmed that, the failures of some projects are caused by the low level of implementation of the above mechanisms. Therefore, control, monitoring and evaluation are needed so that the number of failure project should reduce. Lastly, this study also analyzed the contribution of financial services to the success of the project and found that owners of the projects get from financial institutions. The study found speedy process of loan, one time document, simple process, low processing fees, low interest rate, low repayment charge, transparency feedback. Moreover, the study found that the services offered have a significant contribution to the success of the project. Financial-service providers play a crucial role in fostering informed consumers, among others, by making information available in a manner suitable to small-scale clients.

#### X. RECOMMENDATIONS

In order to attain sustainable success, the project should continue to use financial services as the main driver that should affect their success. Owners of the projects should also continue to assess the drivers and mechanisms that should affect the success of the project.

Policy makers should encourage competitive provision of financial services to projects such as low- and middle-income households and small firm's projects. Policymakers should work with market participants to eliminate barriers and identify gaps in the institutional infrastructure relevant to small-scale supply. This includes ensuring that payments and collateral systems and hard infrastructure elements for retail transactions are available and have a low unit cost. In particular, collateral and information infrastructures need modern supportive legislation and regulations.

Governments should ensure collection of sufficient data to allow for the determination of the gaps in access to financial services that will facilitate private-sector solutions; provide accountability of public policy for monitoring and evaluation of the effectiveness of pro-access policies; and, help build a better, research-based understanding of what works in relation to access. Some forms of direct Government involvement in financial-service provision may be justifiable.

This study focused on large institution (Horizon), therefore future researchers should see for themselves how the financing solutions contribute to the success of SMEs projects and how financial Services can also help increase competitiveness and expand the project success.

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