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Business associations, Social Capital and the performance of Small and Medium Enterprises in East Africa: a comparative study of food processing enterprises of Rwanda and Tanzania

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The study examined the contribution of Social Capital (SC) in Business Associations (BAs) to enhancing the performance of Small and Medium Enterprises (SMEs) in East Africa with reference to food processing in Tanzania and Rwanda. The objectives were to establish the performance of BAs, analyse SC in BAs, determine the contribution of BAs to SMEs and identify the outcomes associated with BAs' work. Two BAs were studied from each country under review. The study used both quantitative and qualitative research techniques and primary data from 145 SMEs. Semi-structured questionnaire and unstructured interviews were used. The analysis employed the composite constructs of SC using multi-indicators of every SC variable for comparison between BAs. Overall, the study findings show that based on 12 BAs performance indicators, Rwanda's BAs perform better than those in Tanzania; there was more SC in Rwanda's BAs than Tanzania's BAs in terms of trust and social cohesion, collective action and information sharing; and Rwanda's BAs contribute relatively more to the SMEs' performance than Tanzania's BAs.

SC's Trust and social cohesion had indicators such as members' feeling valued by BAs, members trust to BA leaders and fellow members, tendency of visiting each other, possibility to get help and freedom to speak. Collective action gauged the ability and willingness of BA members to confront issues on unitary joint approach. Information sharing tracked the extent of information sharing in BAs, members' choice of source of information, and BAs' facilitation of information sharing. BAs contribution to SMEs is through facilitating access to finance, R&D, management and marketing, production quality and technology and trade fair and exhibitions. As an emergent issue, the study found also that BA members dealing with specialized products tend to create different social relations from those dealing with diversified business portfolios. It is recommended integrate SC in policy, strategy and operation reforms and machineries and the use of BA, SC and Stakeholders

Relational Model for decision making and prioritization. The implication is that countries with more SC and efficient BAs can develop faster than others.