



SOCIAL CAPITAL IN SELECTED BUSINESS ASSOCIATIONS OF FOOD PROCESSING SMES IN TANZANIA AND RWANDA: A SYNTHETIC BASED APPROACH



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ABSTRACT

The presence of social capital has been instrumental for effective performance and development of business associations, the private sector and the economy at large. Sometimes social capital has been equated to networking and associational undertakings in socio-cultural and economic settings. This study analyses the extent to which social capital is experienced in selected business associations of food processing SMEs in Tanzania and Rwanda in terms of trust and social cohesion, collective action and information sharing. Target population of the study was food processing SMEs. Sample size was 145 SMEs. Responses of the subjects were collected through questionnaires and comparative analysis was used. Based on World Bank Declaration of twin initiatives which states that: "Institutional reform and the promotion of social capital are key elements on the road to empowerment"? It is observed that Rwanda had put the twin initiative into practice and enabled the shift of socio-cultural and economic paradigm. It is concluded that Rwandan business associations have more social capital than Tanzanian ones and so would influence the private sector and the economy. The implication is that Rwanda as a country with organised and empowering social capital structures can develop faster than Tanzania.

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Keywords: Social capital, Business association, SMEs, Trust, Collective action, Information sharing.

Contribution/ Originality

This study contributes in the existing literature by comparing social capital in business set-up in countries belonging to the same regional block. Available literature concern largely with measuring it at the aggregate national and cross-country frameworks in informal groupings, political and democratic aspects lacking focus on business and regional orientations.

1. INTRODUCTION

This paper aims at analysing and comparing social capital (SC) in selected business associations (BAs) of food processing SMEs in Tanzania and Rwanda in terms of trust and social cohesion (TSC), collective action (CA) and information sharing for attempting to explain differences in development considering that institutional reform is visibly adopted to both countries. Other social capital elements such as networking, values and norms are embedded in associations' structures (Cote and Healy, 2001). Dimensions of SC categorize BAs as one of the types of networks, which is a key element in structural SC (Granovetter, 1973; Hazleton and Kennan, 2000). This implies that BAs are among the constructs of SC. SC and BAs are recognised as catalysts for private sector development in both developed and developing economies (Bennett and Ramsden, 2007). Though BAs role to provide services that SMEs

utilise in economies is well documented in literature less is done in national and regional priority sectors (Pedersen, 2003). Food processing sector is one of priority sectors for economic development in East African countries (URT, 2003; Rotich, 2005; URT, 2005; 2009; Republic of Kenya, 2010; Republic of Rwanda, 2012) where national programmes such as NSGRP- 2005, Kilimo Kwanza – 2009 and NDV 2025 are promoted in Tanzania, whereas, Kenya Vision 2030 and Rwanda Vision 2020 are described in Kenya and Rwanda Respectively. Therefore, this sector commands huge development impact and is documented in various national and regional policies. Elements or components of SC are described to enrich the analysis of this study (Cote and Healy, 2001; Dudwick *et al.*, 2006; Sabatini, 2009; Nuzzo, 2010). Moreover, the nexus of SC and BAs is displayed in literature (Hazleton and Kennan, 2000; Goldsmith, 2002; Miruka, 2007). Miruka (2007) assertion that SC is “the organic development of the whole society” triggers the need for general comparison between East African countries where specificities of Tanzania and Rwanda can be visualized for a start.

The contexts of Rwanda and Tanzania have been taking opposite directions. Rwanda cultural and economic trends have been alerting the need of more understanding. It is controversial for example, how the economy of Rwanda has improved dramatically after the 1994 genocide. The ethnic discrimination associated with lack of trust between ethnic groups has characterized Rwanda since Belgium colonialism. Historically, Rwanda had strong exclusive bonding SC within the two giant ethnic groups; the Tutsi and the Hutu. However, lack of trust, social cohesion and minimal sharing of economically constructive information was dominating (Sullivan *et al.*, 2006). These shortcomings had resulted to ethnic discrimination, lack of empowerment to entrepreneurs and difficult of building transparent and focused business networks and associations. Tanzania in the other hand with more than 120 tribes has experienced peace and tranquillity, free movement of people, and lack of visible ethnic discrimination. However the business performance and change has not been noticeably connected to the context. This implies that while Rwanda had bonding SC, Tanzania had not put SC into political and productive processes (Fukuyama, 1995; Healy, 2001). Other Demographic Parameters of Tanzania and Rwanda that can instigate skepticism and need of understanding performance and development enablers are such that (1) Tanzania’s geographical area is 39 times larger than Rwanda’s area; (2) the Tanzania’s population is 4.1 times larger than Rwanda’s population; (3) Rwanda’s population density is 8.5 times larger than Tanzanian; (4) More rural populated in Rwanda than Tanzania, whereas, Urban population is bigger in Tanzania than Rwanda; (5) Rwanda’s population is growing faster than Tanzanian; (6) Tanzania has experienced peaceful change of political power while violence has been observed in Rwanda before the genocide in 1994, Rwanda now is exercising democracy; (7) Entrepreneurs and Business Managers are younger in Rwanda than Tanzania; The government leaders are younger in Rwanda than in Tanzania. Despite the described context of Rwanda, the rank that Rwanda holds in the world of economy by now can instigate need of investigating the reasons and compare with other economies with historically stable political and economic pillars. The experience of civil wars in Rwanda was an undeniable evidence of lack of SC (Schiff, 1998; Narayan and Pritchett, 1999). There is a paradigm shift in Rwanda that needed to be understood and in social relations, this can be described as “*shifting from bonding social capital to higher level of social capital*”(emphasis added) namely bridging and linking social capital.

2. METHODOLOGY

The sample size was 145 food processing SMEs belonging to four BAs, two from Rwanda and two from Tanzania. Responses of the subjects were collected through questionnaires, which were administered among them and unstructured interview were employed for seeking more insight. The non-response rate was 13%. Questionnaires were administered among the SMEs operating in Dar es Salaam, Coast and Arusha in Tanzania and Kigali and its outskirts such as in Rwandex, Kinamba 1 and 2, Giticyinyoni, Giticyi Industrial Area, Muhanga, Nyagatare, Kabuye and Kigali Industrial Area in Rwanda. Convenient sampling technique was used. The analysis is based on synthetic approach of measuring SC which uses unit-weighted composite variable, where data from each variable are being

equally weighted (Dudwick *et al.*, 2006; Sabatini, 2009; Nuzzo, 2010). The approach combines various SC aspects and determines the average into a single synthetic measure. The reason of using synthetic approach is the multi-dimensional nature of the concept of SC.

3. LITERATURE REVIEW

3.1. What is Capital and Social Capital?

The term capital originated from economics. According to Marshall (1920) capital is that part of wealth which can be used for further production except free gifts of nature. Therefore, money, machines, factories are included in capital provided they are used in production. Later, the modern forms of capital bearing productive economic meaning such as human, physical, financial and social capital came into being (Bourdieu, 1986). The term capital has been commonly used in accounting and finance using terms like initial capital, working capital, share capital, equity capital, debt capital, paid up capital, and fixed capital. On the other hand Social capital (SC) is “the ability of people to work together for common purposes in groups and organizations” (Fukuyama, 1995). “SC is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common. One, they all consist of some aspect of social structure, and two, they facilitate certain actions of individuals who are within the structure” (Coleman, 1990). SC is a common property resource whose value depends on the level of interaction between people. Therefore, it includes features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit (Putnam, 1993). Cote and Healy (2001) define SC as "networks together with shared norms, values and understandings that facilitate co-operation within or among groups". The World Bank (WB) is more expansive and suggests: “SC refers to the institutions, relationships, and norms that shape the quality and quantity of a society’s social interactions. SC is not just the sum of the institutions which underpin a society; it is the glue that holds them together”. Miruka (2007) described SC as the organic development of the whole society. Like Fukuyama (1995) and Coleman (1990); Warren (2008) asserts that the fundamental function attributed to SC is the ability of people to group together to obtain some collective benefit. These benefits are for the entire group as well as captured by individuals within the group. Mwangi and Ouma (2012) demonstrated that SC enables people to attach greater value in their groups which facilitate collective action. Mwangi and Ouma (2012) further reflects on Bowles and Gintis (2002) who argue that a group is comprised of people who interact directly, frequently and in multi-faceted ways for creating value. Bowles and Gintis (2002) further propose that groups lower uncertainty and reduce transaction costs, thereby fostering economic activity at the micro level, while at the same time providing a new analytical tool to explain some macro phenomena. Bennett and Ramsden (2007) argues that associations enable access to private information unavailable to markets, monitor members’ behaviour and punish individual members who go against the social norms. According to Mwangi and Ouma (2012) sharing information among members reduces transactions costs, increases the sense of belonging that facilitates collective decision making while the solidarity and reciprocity that emerge from the networks diminish opportunistic behaviour.

3.2. The Relationship between Social Capital and BAs

The relationship between SC and BAs is important for establishing their interdependence and co-existence. First, according to Fukuyama (1995) SC presides when people work together in formal or informal setting. This means BAs are some of settings that enable group tasks, which is argued by Fukuyama (1995) as important for social and economic progress. This can mean that having an association of people or an institution implies the presence of SC. However, SC is a precondition and prerequisite for forming and running a BA (Goldsmith, 2002). Second, the three dimensions of SC namely, structural, relational and cognitive; categorize organizations and associations as one of the types of networks, which is a key element in structural SC (Granovetter, 1973; Hazleton and Kennan, 2000). This implies that BAs are among the constructs of SC. Third, SC is an infrastructure as they are economic infrastructure

and enables formation of various voluntary or statutory, and formal or informal social institutions such as civil society organizations (CSOs) and Professional associations (PAs) which in turn depending on the context, produce different forms of SC (Granovetter, 1973; Hazleton and Kennan, 2000). Fourth, the co-existence of BAs and SC; There are debates about the co-existence of BAs and SC. BAs as one of the networks and being voluntary and formal organizations of business firms based on 'acquired' status (Miruka, 2007) and informal and birth based status engage in different negotiations (Moore and Hamalai, 1993). They negotiate and bargain over public policy issues and internal operations; this needs quality SC (Fukuyama, 1995). The SC builds trust among actors who are within and without the BA and therefore promotes transparency, freedom of expression and collective action for group endeavours. This suggests that the presence of SC enables creation of vibrant and well functioning BAs.

Social Capital is one of factors for effective BAs. Doner and Schneider (2000a) gave three factors for ensuring effective performance of BAs namely; (1) high density of membership which enables BAs' adequate member representation and transparency; (2) valuable selective benefits - the services provided by BAs that promote opportunities, members' motivation to join, commitment and prolonged life span of the BA; and (3) effective internal mediation for member interests. Bennett (2000) and Bennett and Ramsden (2007) concurred with the factors that they enable a BA to resolve internal obstacles to collective actions. Dudwick *et al.* (2006) showed that collective action is one of SC elements and is about how people work with others in associations in response to crisis. Moreover, Gabbay and Leenders (2002) noted that collective action is used to deal with constraints beyond enterprise ability. However, Fukuyama (1995) and others asserted that the effective performance of BAs are facilitated by social capital which is reflected through participation, trust, norms and values, and freedom of expression, advocacy and information sharing, collective action and empowerment which are important to members in a BA (Woolcock, 2001). Fukuyama (1995) mapped connectivity between BAs and SC arguing that a well built SC is important for BAs' advocacy and effective support to members. According to Woolcock (2001) SC being the value of social networks, should produce relations with productive benefits to promote networks such as BAs.

SC contributes not only to the BA performance, but also to enterprise performance through information, influence, control and power and solidarity benefits to actors (Granovetter, 1973; Coleman, 1988; Ahrne and Brunsson, 2008). *First*, Information benefits such as information quality, timeliness, and relevance, backed by mutual continuous interactions are shared amongst BA members. Information about opportunities such as acquisition of contract opportunities and current industry innovations and trend, and some externalities such as brokering and agency activities based on reciprocal flow of information can be shared (Agalo, 2010). *Second*, SC-generated influence, control and power benefits include the creation of influence zone that allows actors to get things done and achieve set goals. This promotes interests and commitment of members towards the social relation and enables them to negotiate favourably to their interest and become powerful players. According to Ouchi (1980) people who gain relatively more influence, control and power usually tend to play leadership roles for the future of the relationship and enterprise performance. *Third*, solidarity benefits as addressed by Ouchi (1980) and others show that social capital's established norms and beliefs associated with trust and exclusivity in the network allows compliance with set rules and customs and reduce the need of formal control. This result to lower monitoring costs, higher commitment and reduced conflict due to more focus to super-ordinate goals (Ouchi, 1980; Adler and Kwon, 2002). Therefore, SC facilitates BAs in acquisition of resource and functional capabilities necessary for their members' enterprise performance such as financial, physical, technological as well as human capital (Firkin, 2003; Mbura, 2007). It is also a base for collective action, cost saving and simplification of business operations through acquisition and sharing of market information and facilities, joint marketing, purchasing and sub-contracting (McCord, 2005; Mbura, 2007; Rutashobya and Shimba, 2009). Though availability of such SC generated capabilities can enable improved performance of enterprises, their contribution to SMEs performance is more critical due to SMEs challenging business environment (OECD, 2013).

3.3. Elements of Social Capital

Elements of SC are (1) trust and social cohesion (TSC), (2) collective action (CA), (3) information sharing (IS) and (4) network. Trust and social cohesion go together in this study because they are both off-springs of a relational SC perspective (Hazleton and Kennan, 2000; Dudwick *et al.*, 2006). *Social cohesion* is the tenacity of social bonds and their dual potential to include or exclude members of the association. This can be demonstrated through social events such as weddings, funerals and other seasonal occasions (Hazleton and Kennan, 2000). *Trust* is referred to as a sense that members of the social structure (such as BAs) are conducting their relations in good faith and the absence of individuals who act out of self interest. Trust is the key component of the relational dimension of SC. The formation of effective and stable relationships depends on the existence of relational SC. Trust is frequently cited as a major element of SC and is central to relational dimension (Grootaert and Bastelaer, 2002b). Trust has been seen as both pivotal to developing relationships (Cowles, 1997; Lewicki *et al.*, 1998) and a product of effective relationships. There two types of trust which are particularly important to SC, benevolence based trust and cognitive based trust. Benevolence based or affective trust is established upon the perception that others' intentions and motives are mutually beneficial, and that both parties have interpersonal caring. Therefore an individual trusts when they express confidence in others intentions and motives (Lewicki *et al.*, 1998). Competence based or cognitive trust is grounded in the belief that others' are dependable and reliable. When individuals trust, they believe that others will behave as expected and meet their obligations (Lewicki *et al.*, 1998)

Collective action (CA) as SC element was primarily mapped by Olson (1965). According to Dudwick *et al.* (2006) and World Bank (2006) CA is how depth people work with others in their association on joint projects and/or in response to a problem or crisis. For business community, CA is used to deal with constraints beyond enterprise ability (Labianca *et al.*, 1998; Hedaa, 1999; Gabbay and Leenders, 2002). This shows that CA takes place in organizations or structural social relations. As observed by Meinzen-Dick *et al.* (2004) CA definitions have in common the following features: the involvement of a group of people, shared interests, common and voluntary actions to pursue those shared interests. They also noted that the CA can take a form of cooperation and coordination. Uphoff (1993) noted that people in CA consider the consequences of violating association expectations regarding participation norms. Ostrom (1990) described as "the logic of CA" and focuses on getting individuals to pursue their joint benefits rather than their individual welfare. According to Hirschman (1984) CA happens in two aspects. One is when there are multiple cases where CA is instigated by adverse experience to which a group of people is affected, and two, focuses on probing on the conditions under which people take action when there is no expected actions from regulatory mechanisms. CA is an alternative where formals fail to deliver (Ostrom, 2004). It is carried out by formal and informal organizations settings, where local networks or local groups organize, cooperate and coordinate actions to achieve specific short-term purposes. CA can be influenced by a number of factors. First, the characteristics of resources involved and the knowledge and predictability of such resources (Pretty, 2003). The second factor is the characteristics of the group involved, which should have an appropriate size and homogeneity; and above all, it should allow the participants involved in the CAs to increase their social relationships through trust, norms, reciprocity, obligations and expectations, values and attitudes, culture, information and knowledge, associations/institutions, rules and sanctions. The third factor is the involved institutional arrangements (North, 1990; Ostrom, 1990; Evans, 1995). The success will depend on set rules and effective monitoring and sanction systems. According to Mantino (2010) the rules implemented for CA should be linked to the combination of 'human capital' (knowledge resources), social capital (trust, reciprocity and other social relations) and 'political capital' (capacity for CA). Fourth, external forces and authorities also affect CA to a large extent.

Another element of SC is communication and information sharing (IS). These are patterns and means by which BA or network members receive and share information regarding such issues as BA performance, market conditions, investment opportunities, and the extent of access to media infrastructures. Networks and trust are the key components of SC in structural and relational perspectives respectively but communication and IS is one of the

cognitive relations of SC enabling learning and sharing of knowledge. Scholars support that long term economic change is through the coordination of economic activities, the facilitation of collaborations across social, political, economic, and cultural divides and the institutionalization of cooperation in a society. The coordination, collaboration and cooperation is possible only if there is communication and IS between different actors (Murphy, 2002). The information asymmetry has been a major hindrance in acquiring, distributing and utilizing resources such as economic/financial, human, physical, organizational and technological capital. SC for example, facilitates policies formulation, reforms and economic performance through enabling participation, trust, freedom of expression, advocacy and policy formulation and implementation through effective communication and IS (Fukuyama, 1995). For SMEs to get public services for legal and statutory operations such as registration, licensing, taxation and government guarantees need to access information from the sources and share them with trustful people for filtration and reduction of risks. The acquisition of capabilities such as accessing markets and technical business services, sub-contracting arrangements, joint marketing, advocacy for a better business and policy environment, depend on access to information, its infrastructure and information flow (Kotler, 2001; Goldsmith, 2002; Mburu, 2007; Agalo, 2010).

Nuzzo (2010); Sabatini (2009); Putnam (1993) and others have proposed social capital synthetic indicators based on the combination of different social attitudes. The main reason of this approach is the multi-dimensional nature of the concept of social capital as advocated by many social scientists (Putnam, 1993; Cote and Healy, 2001). The synthetic approach combines many different social aspects and determines the average (such as family and friends network, interest in public affairs, trust in people and institutions and so on) into a single synthetic measure. The indicator is called synthetic properly because it represents a virtual construction. In other words, is very difficult to define. On the other hand, outcome-based indicators enable to establish the impact of social capital to a targeted society (Guiso et al., 2004).

<p>Trust and Social Cohesion - Synthetic based on Sabatini (2009);Nuzzo (2010);Putnam et al. (1993)</p> <ul style="list-style-type: none"> • Feeling Valued by the BA • Trust of BA Leaders • Trust of Members of Business Associations • Visiting fellow BA members for business discussions • Possibility to Ask / Get Help to man Business on Absence • Freedom to Speak in BAs 	<p>Collective Action - Synthetic based on Sabatini (2009);Nuzzo (2010)</p> <ul style="list-style-type: none"> • Participation in collective action • Collective action by confronting the government • Knowing committee members of BAs • Extent of cohesiveness among members
<p>Information sharing - Synthetic based on Sabatini (2009);Nuzzo (2010)</p> <ul style="list-style-type: none"> • BA members attendance of events • Likelihood of visiting fellow members • Telephone conversation with fellow members • Knowledge of sources of appropriate information. • Members choice of information source • BA involvement in promoting information sharing 	<p>Empowerment/ Provision of Functional/ Operational Capabilities and Network - Outcome based on Guiso et al. (2004). This is not covered in this study</p> <ul style="list-style-type: none"> • Financial Services • Research & Development • Marketing services, • Management & Leadership • Production, Quality of Products and Technology • Trade mission, Trade Fair & Exhibitions

4. FINDINGS

4.1. Social Capital in terms of Trust and Social Cohesion

This section presents findings about levels of trust and social cohesion in BAs. The composite means are established using SPSS formular for creating Unit-Weighted Composite Variable

$$TSCC = \text{Mean} (TSC_1, TSC_2, TSC_3, TSC_4, TSC_5, TSC_6, TSC_7, \dots, TSC_n)$$

Where TSCC, is Trust and Social Cohesion Composite

TSC_{1-n}, are various trust and social cohesion variables

Multi-indicators of trust and social cohesion were used to construct SC variable composites, these included: Members' feeling valued by BAs, members' trustful to BA leaders, members trust to fellow members, tendency of visiting businesses of fellow members, Possibility to ask/get help to man business on absence, freedom to speak when having disagreement to everyone.

Feeling Valued by the BA: The respondents were asked the following question: "Do you feel valued by the business association?" The results show that AMMIRWA, APPROBUJAAR and AMAGRO members felt mostly valued by their associations. Most of TAFOPA members felt not valued. Figure.1 shows the extent to which of BA members were valued:

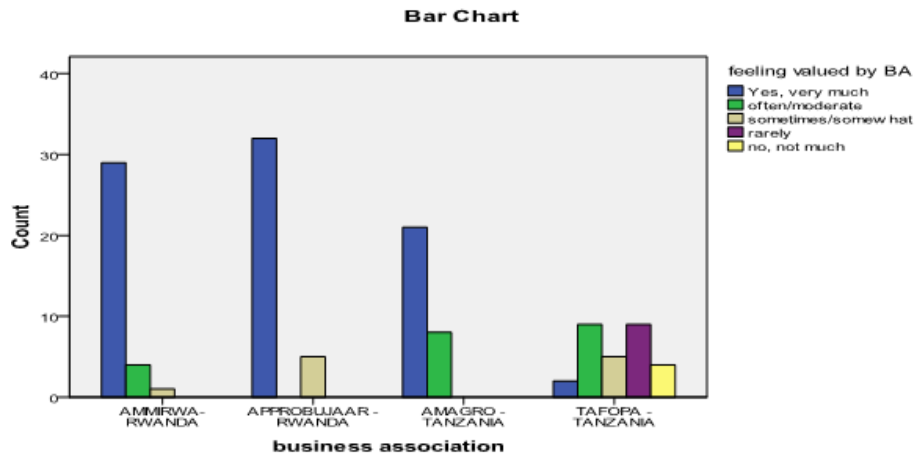


Figure-1. Members' feeling valued by BAs

Trust of Business Association Leaders: It was found that all AMAGRO respondents (100%) had trust in their leaders, because no respondent had indicated any element of lack of trust. Similarly, AMMIRWA leaders attracted such trust to varied extents. Though there is high trust to APPROBUJAAR leaders, there were few respondents who showed that the leaders were sometimes or somewhat trusted. It was established that there is little trust to TAFOPA leaders. The results are presented in the Figure 2:

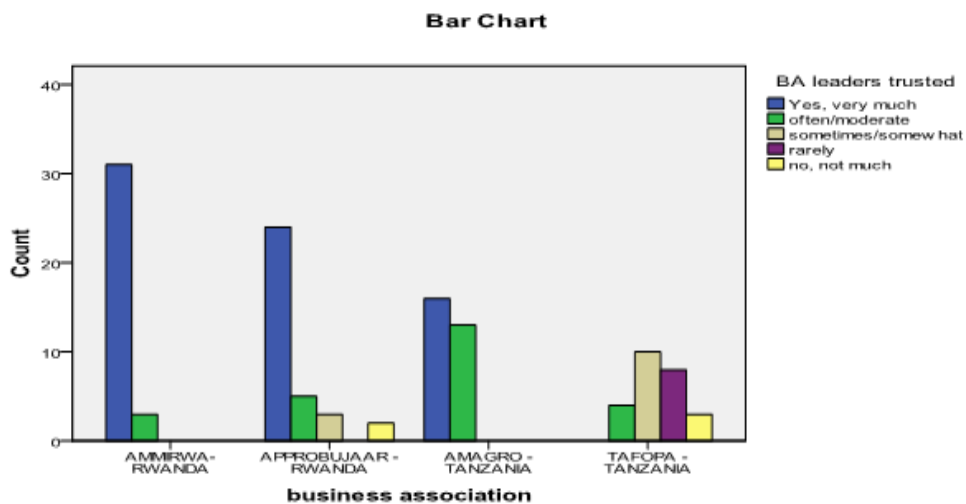


Figure-2. Members Trust of Business Association Leaders

Trust of Members of Business Associations: The BA members were also asked to determine the percentage of business association's members who were trustful. The results showed that 49% and 77% of AMMIRWA and APPROBUJAAR of Rwanda respectively are excellently trustful, hence making 63% of members to be regarded as excellently trustful in Rwanda. In Tanzania, only 15% of members were regarded as excellently trustful. On average,

it was determined that 49% and 23% of AMMIRWA and APPROBUJAAR of Rwanda were trustful above average. In Tanzania, 100% and 20% of AMAGRO and TAFOPA members, respectively, reported to have above average trust. It was also determined that 50% of TAFOPA members were averagely trustful.

Visiting Fellow BA Members for Business Discussion: Respondents were asked to indicate their extent of visiting each other within one month. The results in Figure 3 show that members of AMMIRWA and AMAGRO visited their fellow members most frequently followed by APPROBUJAAR. TAFOPA members were not visiting.

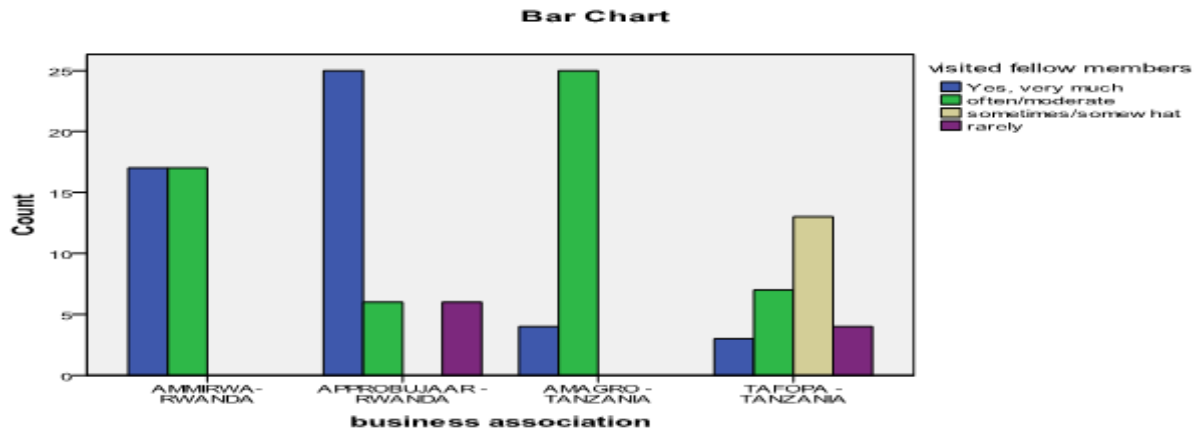


Figure-3. Tendency of Visiting Fellow Members for Business Discussion

Possibility to Ask/Get Help to man Business on Absence: Entrepreneurs in Rwanda were more readily to ask/get help than entrepreneurs from Tanzania. Figure 4 presents the results:

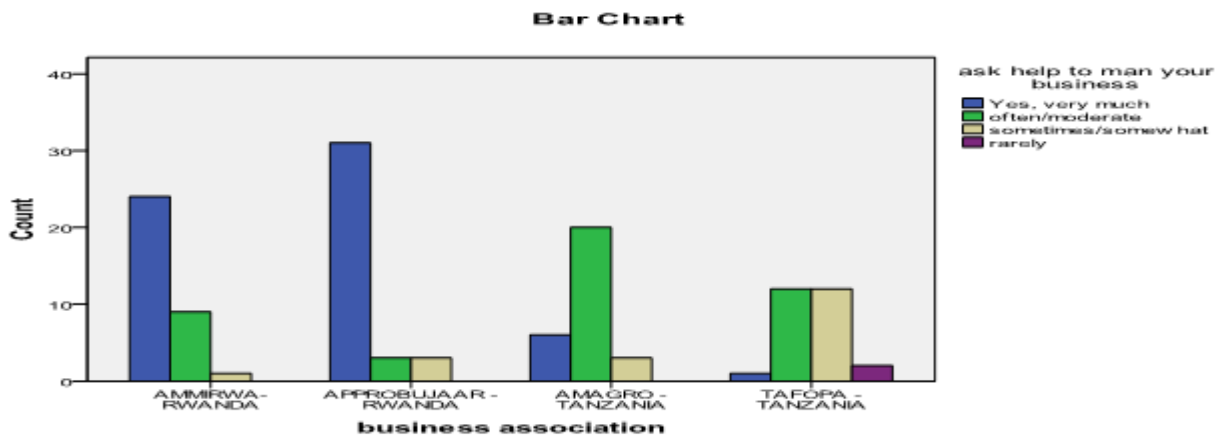


Figure-4. Possibility to Ask/Get Help to Man Business on Absence

Freedom to Speak in BAs: When responding to a question “If you disagree with what everyone else agreed on in a BA meeting, would you feel free to speak out?” Figure 5 presents the results. It is showing that with AMAGRO, a member can disagree with everybody in the association meeting and still feel free and safe to speak out without fear. There is a mixed results from other associations, about 20% of AMMIRWA respondents that they cannot speak out their views freely, and 22% of APPROBUJAAR respondents reported to reserve their opinions in case they do not accept on issues. The TAFOPA respondents indicated that 45% would not speak in case of total disagreement.

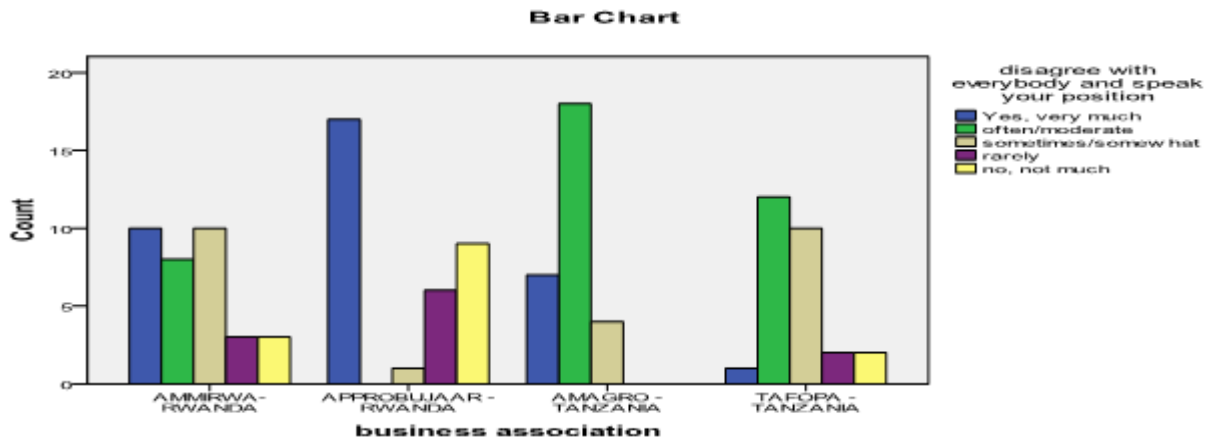


Figure-5. Freedom to Speak when Having Disagreement to Everyone

4.2. Trust and Social Cohesion Composite

Results of the multi-indicators were used to construct a Trust and Social Cohesion Composite. The indicators are members' feeling valued by BAs, members' trustful to BA leaders, members trust to fellow members, tendency of visiting businesses of fellow members, Possibility to ask/get help on absence, freedom to speak when having disagreement. 1 is scaled the highest and 5 the lowest. Table 6.2 presents the distribution of trust and social cohesion composite variable in BAs: Therefore, in terms of trust and social cohesion, Rwanda is better than Tanzania having a composite mean of 1.6 against 2.3. Further, data showed that 66% of Rwandan respondents noted "yes, very much" trust and social cohesion and 27% noted that there is moderate trust and social cohesion. This speaks that 92% of Rwandan respondents showed that there is higher trust and social cohesion in Rwandan BAs and enterprises. In comparison, to Tanzanian results, only 25% of Tanzanian respondents indicated that there is high level trust and social cohesion and 24% indicated that there is moderate trust and social cohesion in BAs. The results indicated that all AMAGRO respondents accepted that there is trust and social cohesion in their BA. It was also discovered that only 27% of TAFOPA members indicated that there is trust and social cohesion in their association, while 59% were indifferent and 14% indicated that there is no trust and social cohesion. Table 6.3 shows the levels of trust and social cohesion in BAs:

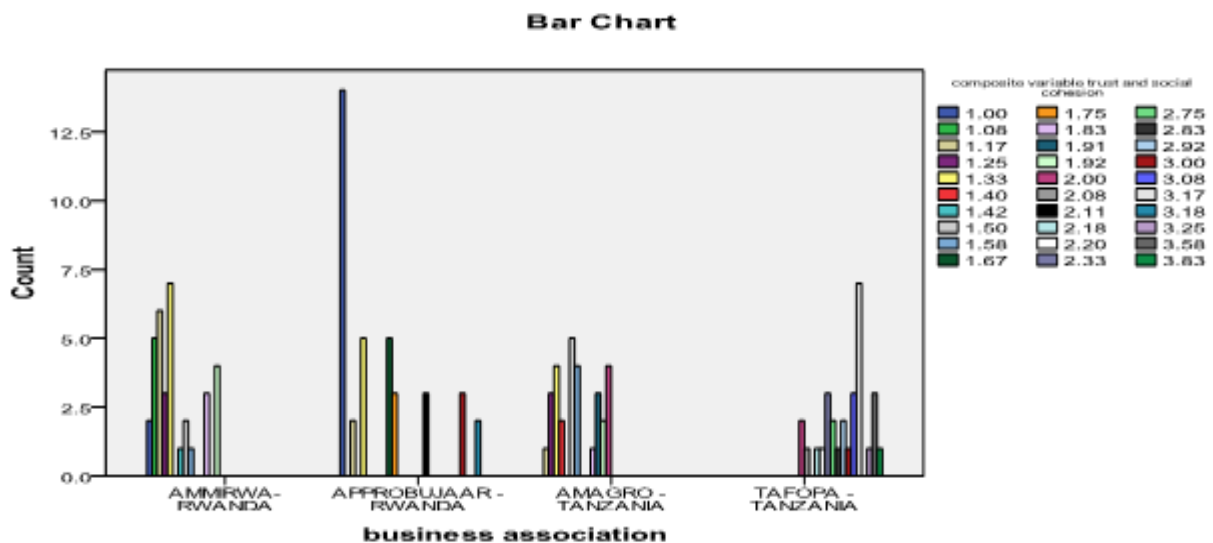


Figure-6. Summary of Trust and Social Cohesion Composite in BAs

Table-2. Comparative Composite Variable Trust and Social Cohesion in BAs

Country	Business Association	Mean	N	Std. Deviation
	AMMIRWA	1.3725	34	.29675
Rwanda	APPROBUJAAR	1.5751	37	.69734
	AMAGRO	1.5958	29	.27723
Tanzania	TAFOPA	2.8925	29	.51086

Trust and social cohesion composite in each BAs shows that in Tanzania, AMAGRO Composite Mean = 1.59 and TAFOPA’s Composite Mean = 3.0. The Tanzanian mean for trust and social cohesion is 2.3. Trust and social cohesion composite mean in BAs in Rwanda, AMMIRWA Composite Mean = 1.4 and APPROBUJAR Composite Mean = 1.57. This shows that there is more trust and social cohesion in Rwanda than in Tanzania.

4.2. Social Capital in Terms of Collective Action in BAs

The findings display the ability and willingness of business association members to confront issues, constraints and challenges in unitary joint approach. Collective action goes towards government legal and administrative institutions, development community and socio-economic and cultural barriers in doing business. In this area four questions were asked in the questionnaire, all of them composing the collective action as a composite variable. The composite variable mean was established by the formula:

$CAC = \text{Mean} (CA_1, CA_2, \dots, \dots, \dots, CA_n)$. Where CAC, is Collective Action Composite and CA_{1-n} , are various Collective Action variables.

BA Members Participation in Collective Action: The findings indicate that Rwandan members of BAs participate more in collective action for demanding improved business environment. Specifically, 100% of AMMIRWA members indicated that they participated in collective action and 85% of APPROBUJAAR indicated the same. In Tanzania, TAFOPA members indicated that 17% had very much participate in demanding improved business environment, 17% had moderate participation and 66% had no participation. The AMAGRO respondents indicated that 11%, 48% and 30% had very much, moderate and somewhat participation respectively, while 11% had not much participated in collective action. Figure 7 presents the findings:

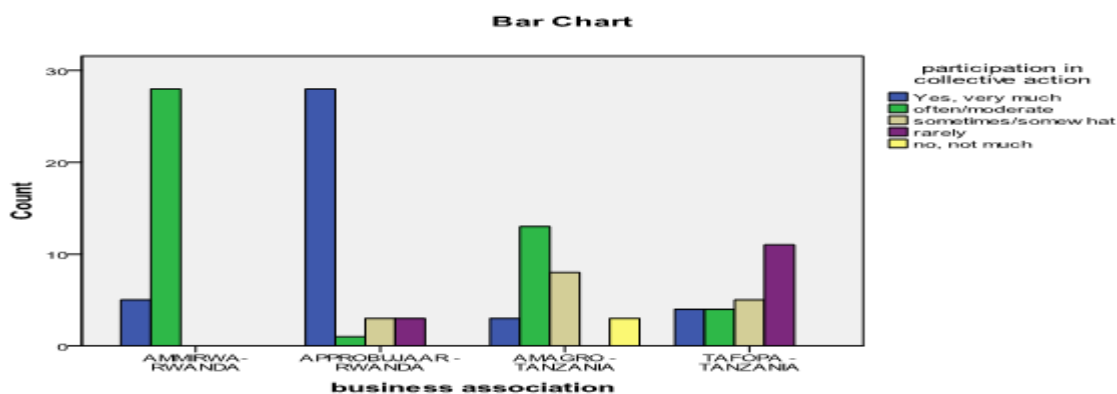


Figure-7. BA Members participation in Collective action

Collective Action by Confronting the Government: The BA members participation in confronting the government for improvement of business environment in Tanzania indicates that TAFOPA respondents reported to have no confrontation with government authorities while AMAGRO indicated to have very much confrontation by 11%, moderate confrontation by 44%, and somewhat confrontation by 33%. The Rwandan respondents revealed that their association members are more aggressive in confronting the government as 74% and 26% of APPROBUJAAR

members reported to have very much and moderately participated in confronting the government. On the other hand 21% and 70% of AMMIRWA members reported to have participated in confronting the government “very much” and “moderately” respectively. Figure 8 summarise the results.

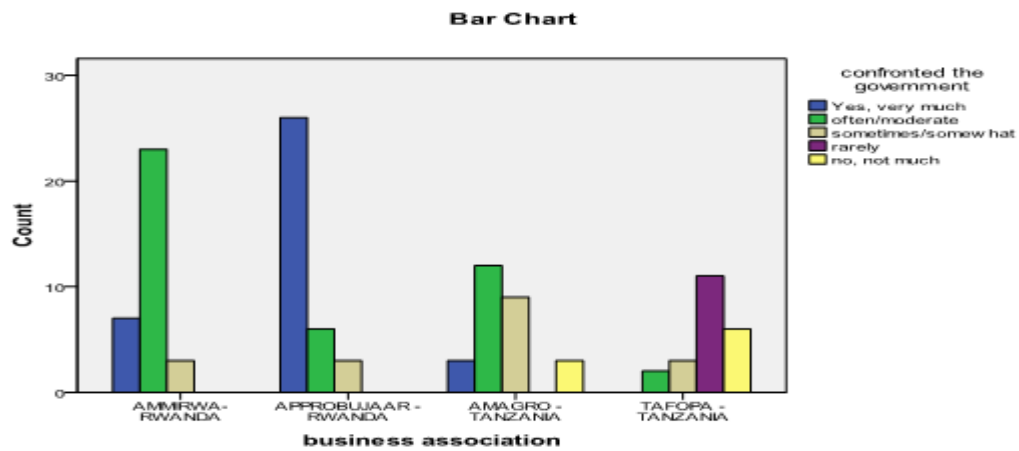


Figure-8. BA Members Participating in Confronting the Government

Members Knowing Committee Members of BAs: Further, the findings showed that BA members in Rwanda know all members in committees running handling important aspects in the BA while that is not the case in Tanzania. This has an impact in timely reporting, action planning and knowing the right people in handling sensitive collective action endeavours. This proves that Rwandans know where to go and whom to approach in case of any business or association related issues or crisis. Figure 9 shows whether a respondent knows some members in committees who are involved with various issues for promoting collective action.

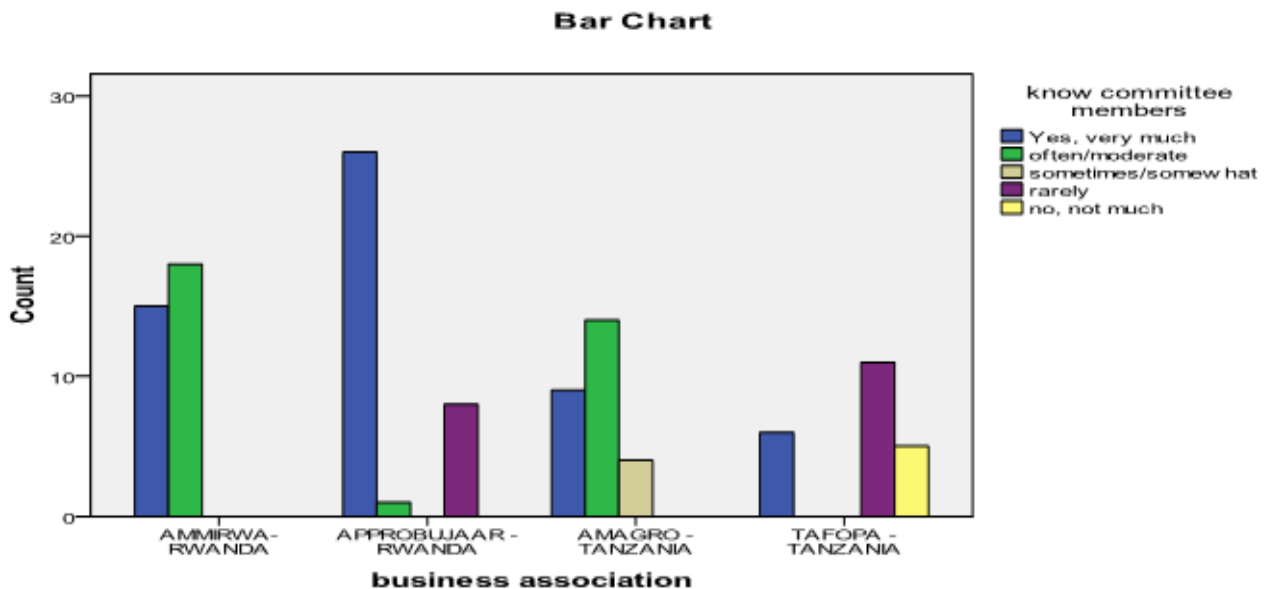


Figure-9. Committee Members Known by Members

Extent of Cohesiveness among Members of Business Associations

A question was administered to respondents so that to know the extent to which members think about the presence of cohesiveness in their business association. In ascertaining the extent, it was revealed that there was no cohesiveness among TAFOPA members and great extent of cohesiveness was found in AMAGRO with 100% of respondents. In Rwanda, on average their associations’ members were more cohesive than Tanzanian, 24% had

cohesiveness at a large extent and 76% had judged cohesiveness at moderate extent. APPROBUJAAR members indicated that 53% had cohesiveness at large extent, 38% indicated moderate extent and 9% showed no cohesiveness. These results are in Figure 10:

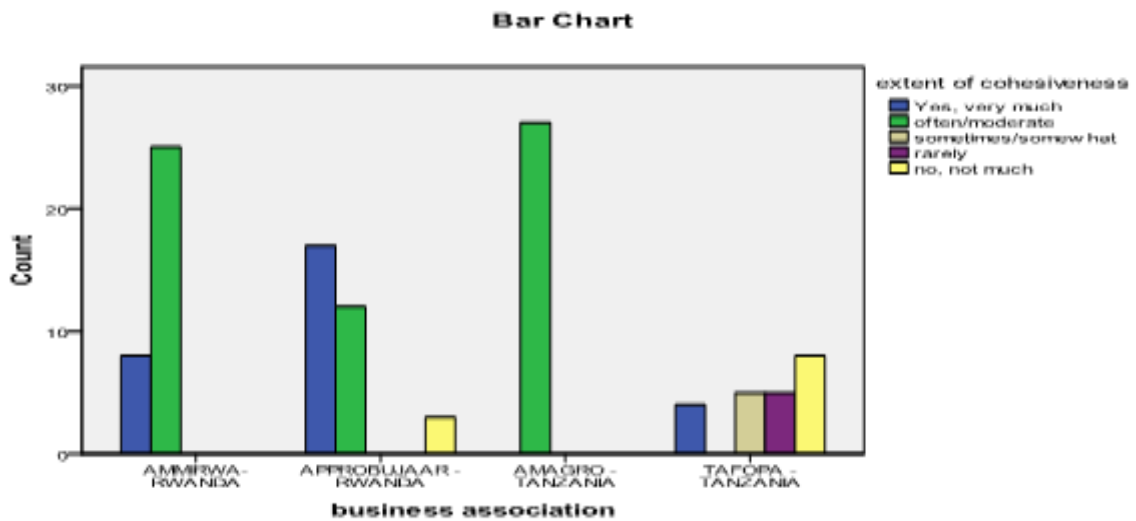


Figure-10. Extent of Cohesiveness in BAs

4.3. Collective Action Composite in BAs

The results of multi-indicators of collective action which are analyzed above were averaged to ascertain the composite construct for collective action for BAs in the study. Figure 6.11 depicts the results and 6. 9 displays the comparative collective action composite for BAs:

The BA members whose composite mean is 1.00 or closer to 1.00 indicated more collective action and those close to 5 indicate poor collective action. The results indicate that the members of APPROBUJAAR engage more in collective action followed by far by AMMIRWA, and AMAGRO. The results indicated that TAFOPA members do not engage much in collective action. Figure 11 and Table 8 facilitate comparison collective action between BAs is concerned.

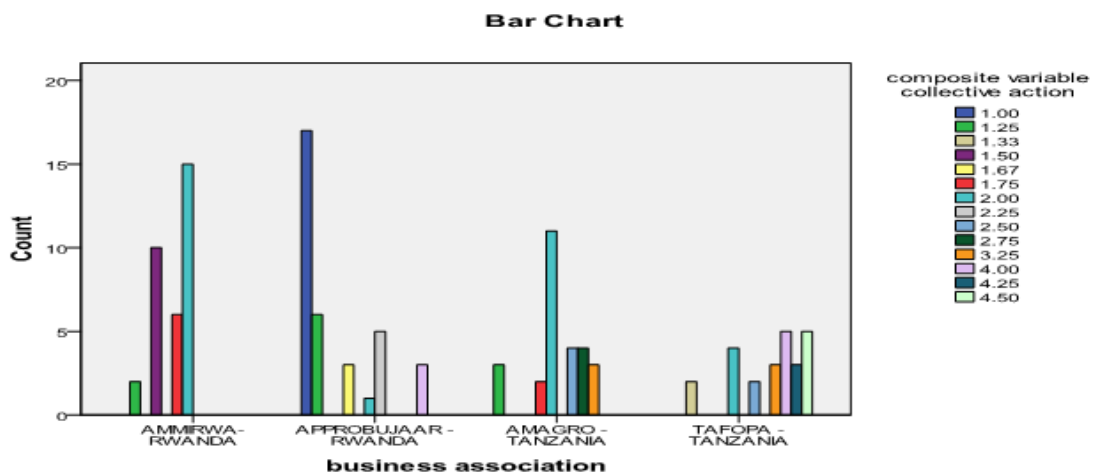


Figure-11. Summary of Collective Action Composite Mean

Table-8. Comparative Composite Variable Collective Action

Country	Business association	Mean	N	Std. Deviation
Rwanda	AMMIRWA	1.7576	33	.25376
	APPROJUBAAR	1.5643	35	.88078
Tanzania	AMAGRO	2.2222	27	.56896
	TAFOPA	3.3611	24	1.10436
Total		2.1296	119	.99698

The tables shows that there is more social capital in terms of collective action in Rwandan BAs than Tanzanian BAs. APPROJUBAAR is leading with a composite mean of 1.56 and TAFOPA is the last with a composite mean of 3.36.

4.4. Social Capital in Terms of Communication and Information Sharing in BAs

Sharing of information is one of the key aspects of SC and healthy BA. In principle, lack of information is being identified as a major constraint in doing business. Though, it is a SC aspect, it is also the reason for establishing BAs so as to reduce the cost of business operations to entrepreneurs through reducing information assymetry. Information shared can come from varied sources, shapes and timing; therefore sharing can enable information customization and validation for business decisions. This sections presents the responses to some questions that were combined to form a sharing of information composite. These questions are multi-indicators of a single concept of sharing information. The composite construction of Information Sharing used the following formula:

$$\text{INFOC} = \text{Mean} (\text{INFO}_1, \text{INFO}_2, \text{INFO}_3 \dots \text{INFO}_n)$$

Where INFOC, is Information Sharing Composite

INFO_{1-n}, are various Information sharing variables

The questions which were asked to ascertain the extent of information sharing included three parts; first part had four questions attempting to establish the sharing of information among members or intensity of information sharing, second part had three questions attempting to establish the understanding and choice of members about the source of information and whether the BA was a main choice as a source of information, the last part had one question that traced if the BAs were facilitating sharing of information among members. Most sharing of information include attending events, visiting a fellow member's business, telephone conversations and personal conversation. The sharing of information is possible when members have information to share, knowing the right source of information when needing to make a decision without enough information and are ready for sharing information.

4.5. Intensity of Information Sharing in BAs

The intensity of information sharing shows the magnitude of interactions, occasions and connections between members that gives more opportunity to share information. This intensity is explained in terms of members attendance to events, visiting their fellow members and telephone conversation made with fellow members. The empirical findings are as follows:

BA Members Attendance to Events: The data indicate that 67% of respondents of both Rwandan AMMIRWA and APPROBUJAAR accepted to have very much attending events in the last past months, whereas, AMMIRWA had 51% and APPROBUJAAR had 82%. The AMMIRWA respondents indicate 100% participation in events when very much and moderate attendance is combined. In Tanzania, while TAFOPA respondents indicate 20% participation, the AMAGRO respondents indicated 100% participation in events when very much and moderate attendance are combined. The results in Figure 6.12:

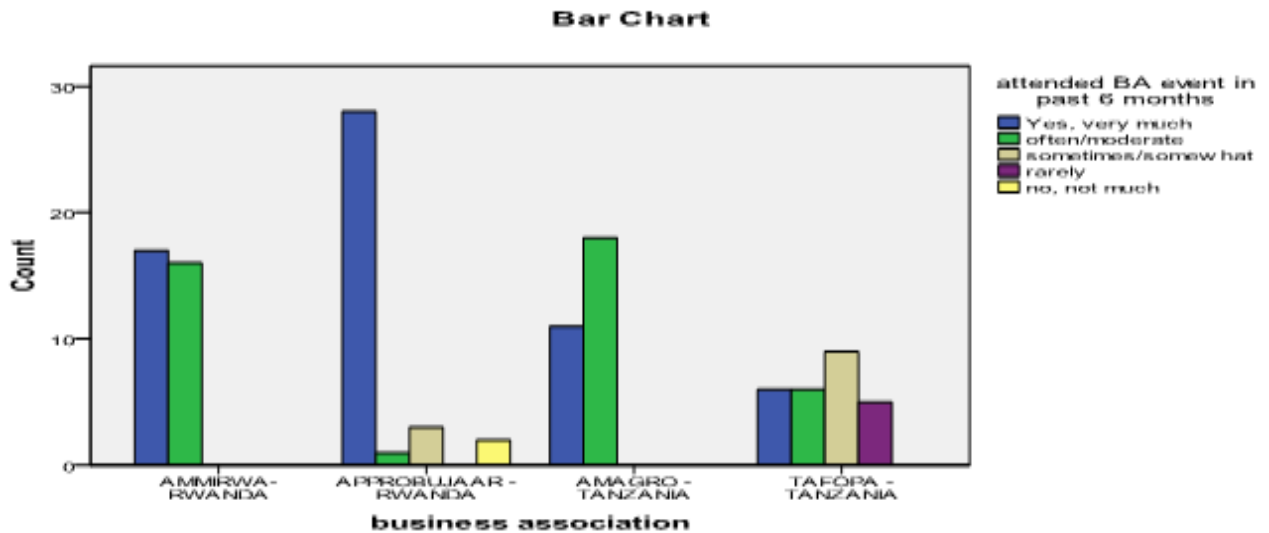


Figure-12. BA Members' Attendance of Events

Likeliness of visiting their fellow members: When examining the intensity of information sharing in terms of members visiting each other, the data showed that except TAFOPA members, who indicated that 46% of respondents showed “very much” and “moderate” likeliness of visiting their fellow members. Other BAs have indicated to have 100% very much and moderate visiting to their fellow members. Figure 6.13 presents the situation:

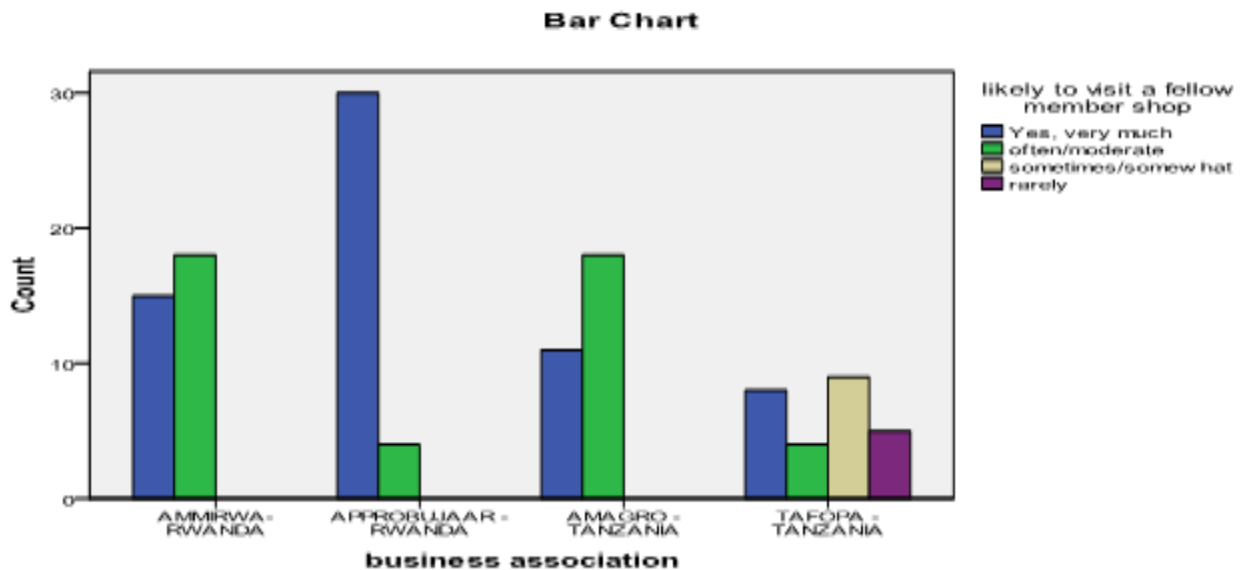


Figure-13. Members Visiting fellow BA Members

Source: Field Data, 2015

Telephone Conversation with Fellow Members: The telephone conversations made by members were also traced so as to understand the intensity of information sharing. Two weeks were used as a benchmark in order to know how much someone has communicated to other members within the period. It was revealed that members communicate very much by telephone with their fellow members though what is communicated was not traced. Figure 6.14 illustrates about telephone conversations by members of BAs within two weeks:

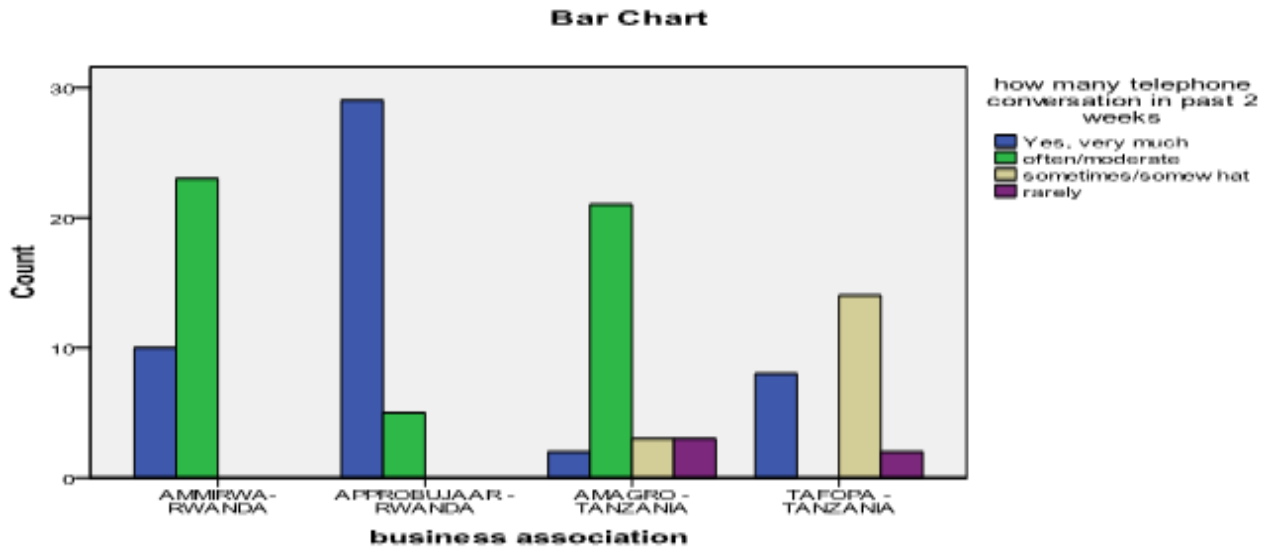


Figure-14. Telephone Conversation with Fellow Members Within Two Weeks

Knowledge and Choice of Source of Information by Members: The knowledge of source of appropriate information is crucial for right decision making and choice of source of information. The results show that the members of AMMIRWA, APPROJUBAAR and AMAGRO know very much and moderately where to get appropriate information (see Figure 6.15). Nevertheless, APPROJUBAAR and TAFOPA members seem to have not expected their business association as a main source of information. The statistics show that 100% of both AMMIRWA and AMAGRO members who were respondents to this study see their association as a main source of information in “very much” (by 60%) and “moderate” (by 40%). Figure 6.15 shows the members’ choice of BAs as a source of information:

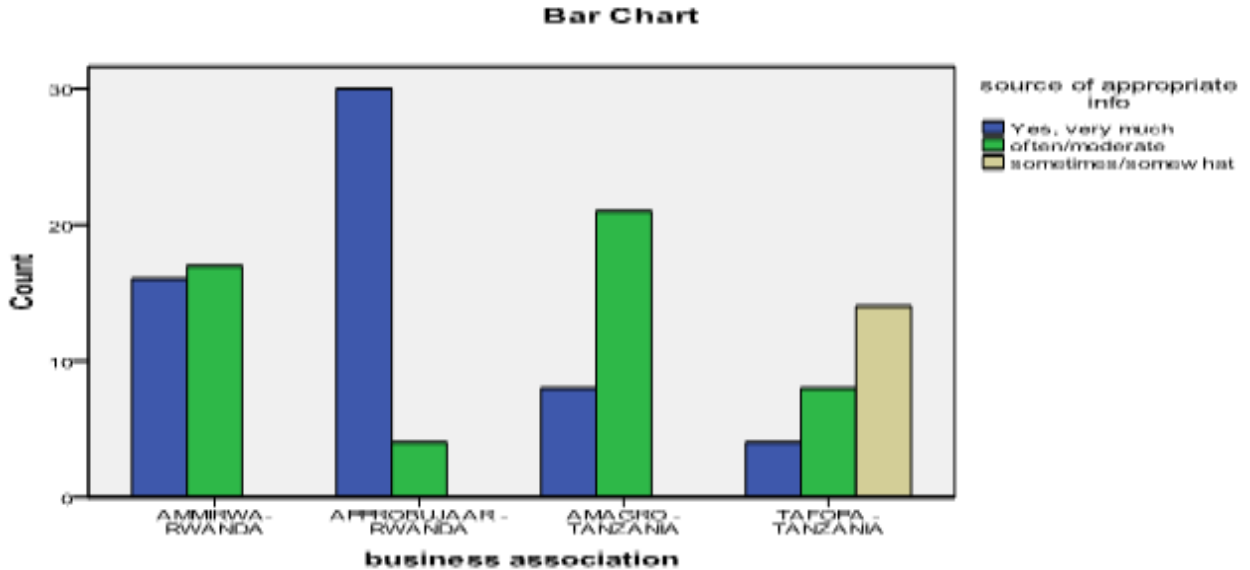


Figure-15. Members Knowing Source of Appropriate Information

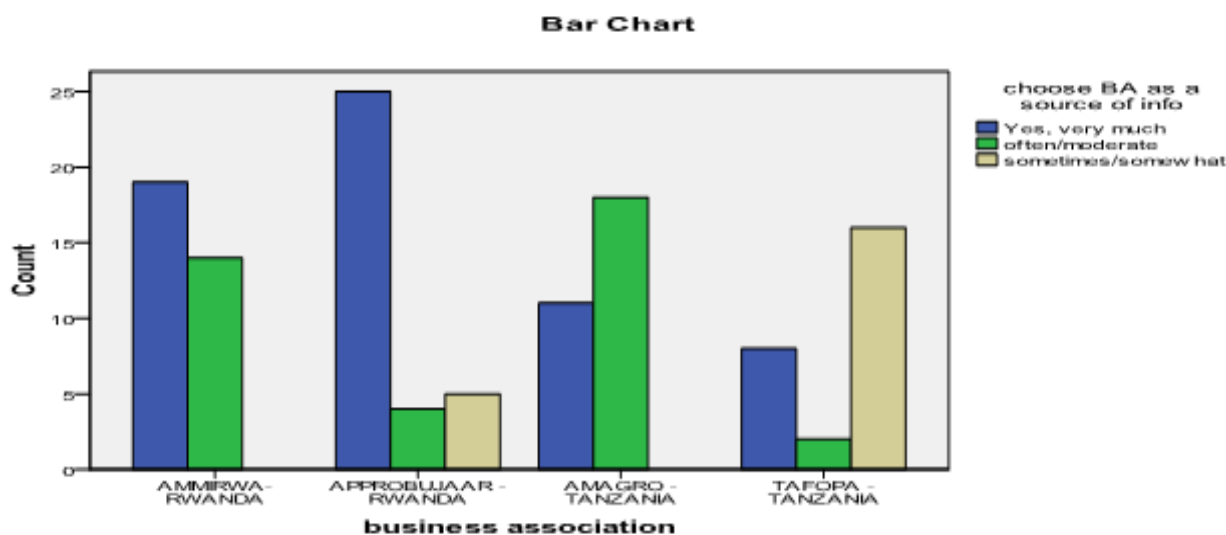


Figure-16. Members Choice of a BA as a Source of Information

Involvement of BAs in Promoting Information Sharing: The results indicate that BAs in Rwanda engage more in promoting of information sharing than Tanzanian associations. Though that is the amalgamated fact, it shows that the AMAGRO in Tanzania is equally promoting information sharing as Rwandan associations while TAFOPA is lagging far behind. The analyzed data indicate that 15 out of 33 AMMIRWA respondents responded that their association was “very much” promoting information sharing, this is 45% of AMMIRWA respondents while 55% showed that sharing of information was promoted “moderately”. In APPROBUJAAR, 28 out of 34 respondents responded that their association was “very much” promoting information sharing. This is 82% of APPROBUJAAR respondents while 18% showed that sharing of information was promoted “moderately”. It is noted that there was no Rwandan respondent who denied the engagement of their association in promoting information sharing. On the other hand all AMAGRO members (of Tanzania) also did not deny the participation in information sharing; 10 out of 29 and 19 out of 29 respondents being 34% and 66% indicated that their association was promoting information sharing “very much” and “moderately” respectively. However, 70% of TAFOPA members indicated that their association did not promote information sharing at all. Table 6.12 shows the results about the extent BAs involve in promotion of information sharing:

Table-11. Business Associations’ Promotion of Information Sharing

BA Promote info sharing	Business association				Total
	RWANDA		TANZANIA		
	AMMIRWA	APPROBUJAAR	AMAGRO	TAFOPA	
“Yes, very much”	15	28	10	4	57
“often/moderate”	18	6	19	4	47
“sometimes”	0	0	0	18	18
Total	33	34	29	26	122

4.6. Information Sharing Composite in BAs

Information sharing construct made from questions bearing multi-indicators of information sharing showed the concentrated mean scored for sampled BAs. The results indicate that the members from AMMIRWA, APPROBUJAAR and AMAGRO are used to share information while those from TAFOPA hardly share information. The members whose composite mean is 1.00 or closer to 1.00 indicated more information sharing and those close to 5 indicate poor information sharing. The composite mean for TAFOPA for example, concentrated between 2.88 to 3.32

showing that 60% of their members were not sharing information. APPROJUBAAR members indicated to have highly sharing information.

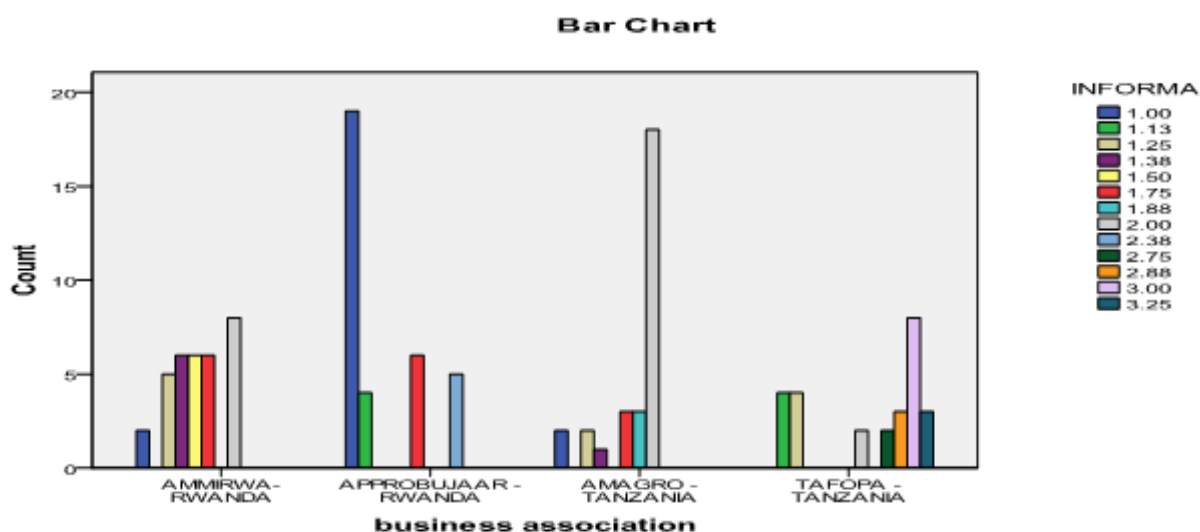


Figure-17. BA and Information sharing composite means

Table 6.14 summarizes the composite comparative statistics of various BAs on information sharing. The findings indicate that Rwandan BAs engage more in information sharing than Tanzanian BAs. APPROJUBAR members are engaged most in sharing information with a composite mean of 1.35. AMMIRWA follows with a composite mean score of 1.57. AMAGRO of Tanzania has composite score of 1.8 and TAFOPA has a composite score of 2.36

Table-12. Comparative Composite Variable Information Sharing in BAs

Country	Business association	Mean	N	Std. Deviation
	AMMIRWA	1.5758	33	.31084
Rwanda	APPROBUJAAR	1.3493	34	.51473
Tanzania	AMAGRO	1.8190	29	.31620
	TAFOPA	2.3606	26	.84950

Table-13. Comparative Composite for Social Capital Variables in BAs

Business Association		Trust and Social Cohesion	Collective Action	Information Sharing	Total
AMMIRWA- RWANDA	Mean	1.3725	1.7576	1.5758	1.568
	Std. Dev.	.29675	.25376	.31084	
APPROBUJAAR RWANDA	Mean	1.5751	1.5643	1.3493	1.496
	Std. Dev.	.69734	.88078	.51473	
AMAGRO – TANZANIA	Mean	1.5958	2.2222	1.8190	1.879
	Std. Dev.	.27723	.56896	.31620	
TAFOPA – TANZANIA	Mean	2.8925	3.3611	2.3606	2.871
	Std. Dev.	.51086	1.10436	.84950	
Total	Mean	1.8225	2.1296	1.7377	1.896
	Std. Dev.	.75886	.99698	.63604	

5. GRAND SOCIAL CAPITAL IN BAs IN RWANDA AND TANZANIA

This section presents and compares grand Social Capital in Business Associations in Rwanda and Tanzania namely, AMMIRWA and APPROJUBAAR of Rwanda and AMAGRO and TAFOPA of Tanzania. Social capital is a composite construct variable from composite mean scores of its elements, namely (1) trust and social cohesion, (2) collective action, (3) information sharing and (4) empowerment or capabilities. The multi-indicators of social capital or calculated social capital variables are summarised in Table 6.15, the columns show the SC variables which are the inputs for SC composite construct. Each social capital element’s composite construct is formed by a number of multi-indicators as shown in previous sections.

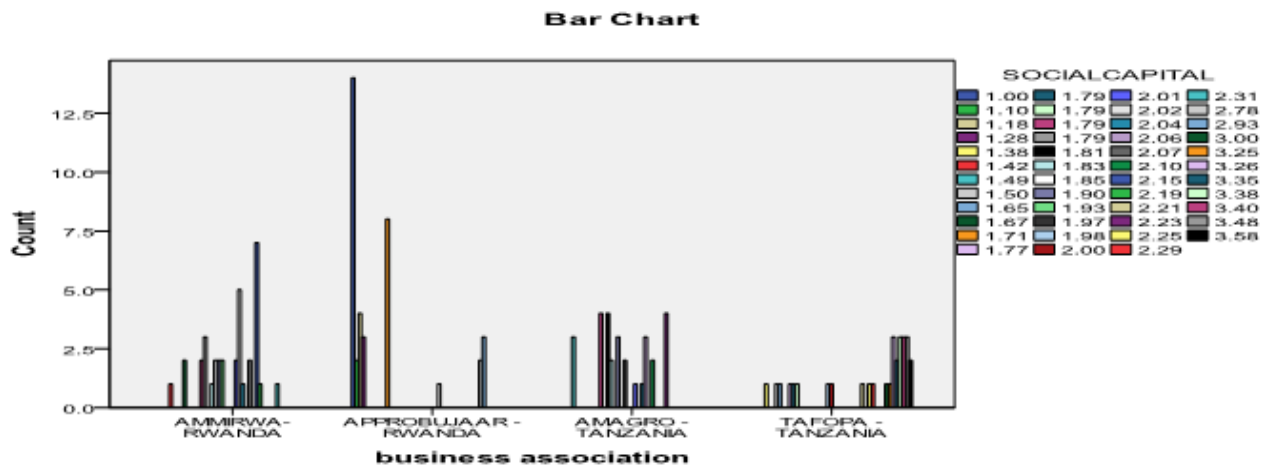


Figure-18.Social Capital Composite

6. CONCLUSION

The empirical findings of this study which sought to analyse and compare social capital in terms of trust and social cohesion, collective action and sharing of information in BAs of Rwanda and Tanzania. In terms of trust and social cohesion as elements of social capital, Rwanda is better than Tanzania having a grand composite mean of 1.6 against 2.3. Empirical results in terms of collective action indicate BAs of Rwanda have more social capital than Tanzanians. BAs of Rwanda have composite mean of 1.76 for AMMIRWA and 1.6 of APPROJUBAAR against Tanzanian composite mean of 2.2 of AMAGRO and 3.4 of TAFOPA. The findings about social capital in terms of information sharing indicate that members of Rwandan BAs engage more in sharing information than Tanzanian BAs. AMMIRWA and APPROJUBAAR of Rwanda had information sharing composite mean of 1.6 and 1.3 respectively as compared to 1.8 and 2.4 of Tanzanian AMAGRO and TAFOPA respectively. When data were combined on country basis, it was established that 69% of Rwandan respondents had social capital composite mean of between 1.0 and 2.0 against 48% of Tanzanian respondents with the same social capital score. The study also established that 92% of Rwandan respondents including the 100% respondents of AMMIRWA had composite mean social capital scores between 1.0 and 2.19 against 50% of Tanzanian respondents commanding the same scores. Based on this it can be concluded that there is more SC in Rwandan business associations belonging to food processing SMEs than in Tanzanian business associations belonging to the same sub-sector. If the general tendency of BAs in all sectors in Rwanda in terms of possession of social capital is likely to be the same as researched BAs, it is likely to expedite the innovation and development of the private sector countrywide in Rwanda. It is therefore, concluded that, Rwandan business associations have more social capital than Tanzanian ones and so would influence the private sector and the economy. The implication is that Rwanda as a country with organised and empowering social capital structures can develop faster than Tanzania.

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