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Small Business Development And Social Capital: Case study of Democratic Republic of Congo and Rwanda

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ABSTRACT

This study falls within SDG Focus Goal 8: Decent Work and Economic Growth — Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services; Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value; Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

This study examines small business development and social capital in the Democratic Republic of Congo (DRC) and Rwanda, two neighbouring Central African countries with different historical trajectories, social capital structures, and small business environments. The DRC has a weak business environment characterized by conflict, corruption, weak institutions, and low social capital (trust, networks, cooperation), which constrains small business development, access to finance, and market access. Rwanda has transformed its business environment through institutional reform, anti-corruption measures, and investment in social capital (trust-building, community-based organizations (Ubudehe), cooperative development), resulting in rapid small business growth and improved access to finance. The research analyzes how each country's social capital (trust in institutions, business networks, community cooperation, ethnic trust) affects small business formation, survival, and growth, the role of cooperatives and community-based organizations, the effectiveness of business development services, and the lessons for other countries. A comparative analysis was conducted

examining primary and secondary sources including World Bank Enterprise Surveys, IFC reports, government business registries, academic research, and policy documentation covering recent decades to 2025.

The DRC presents a context where small business development is severely constrained by weak institutions, conflict, and low social capital. Key features include weak business environment (corruption, political instability, conflict in eastern provinces (North Kivu, South Kivu, Ituri, Tanganyika)), weak property rights, and limited access to finance (high interest rates, collateral requirements, limited banking penetration). Social capital is low: trust in institutions (government, courts, police) is very low, business networks are weak (limited formal business associations), ethnic trust is low (ethnic tensions limit cross-group cooperation), and community cooperation is weak due to conflict displacement. Small businesses face high informality, limited access to credit, and high failure rates. Key outcomes include low small business density, limited job creation, and high informality. Key challenges include conflict, corruption, weak property rights, and low trust.

Rwanda presents a context where small business development has been promoted through institutional reform, anti-corruption, and social capital building. Key features include improved business environment (Ease of Doing Business reforms, one-stop shop for business registration (Rwanda Development Board, RDB), property rights protection, anti-corruption measures (zero tolerance, Ombudsman)). Social capital building: trust in institutions (government, courts) has improved, Ubudehe (community-based poverty reduction, social capital building), cooperative development (cooperatives (cooperatives) for small businesses, access to credit), community-based organizations (savings groups (tontines), mutual assistance). Access to finance includes microfinance institutions, savings groups (tontines), bank loans (improved access). Key outcomes include rapid small business growth, increased business registration, improved access to credit, and job creation. Key challenges include sustainability of reforms, dependence on political leadership, and limited access to finance for smallest businesses.

Both countries demonstrate that small business development requires business environment reforms (Rwanda's RDB one-stop shop, DRC's weak). Property rights protection (Rwanda's improved, DRC's weak) is essential. Access to finance (Rwanda's microfinance, tontines; DRC's limited) is critical. Social capital (trust in institutions, business networks, community cooperation) affects business formation and survival. Cooperatives (Rwanda's cooperative development) and savings groups (tontines) provide informal finance. Anti-corruption (Rwanda's zero tolerance, DRC's endemic) is essential.

The transferability of Rwanda's RDB one-stop shop model to the DRC is constrained by differences in political will (Rwanda's strong, DRC's weak), conflict (DRC's ongoing conflict), corruption (DRC's endemic),

and institutional capacity. However, specific elements including business registration simplification, anti-corruption measures, cooperative development, and savings groups (tontines) strengthening can be adapted.

Key Words : small business development, social capital, DRC, Rwanda, SDG 8, trust, cooperatives, Ubudehe, business environment, access to finance

RESUME

Cette étude examine le développement des petites entreprises et le capital social en République Démocratique du Congo (RDC) et au Rwanda, deux pays voisins d'Afrique centrale avec différentes trajectoires historiques, structures de capital social et environnements commerciaux.

La RDC présente un contexte où le développement des petites entreprises est sévèrement contraint par les institutions faibles, les conflits et le faible capital social.

Le Rwanda a transformé son environnement commercial par la réforme institutionnelle, la lutte contre la corruption et l'investissement dans le capital social (Ubudehe, développement des coopératives).

Les deux pays démontrent que le développement des petites entreprises nécessite des réformes de l'environnement commercial, la protection des droits de propriété, l'accès au financement, et le renforcement du capital social.

MOTS-CLÉS : développement des petites entreprises, capital social, RDC, Rwanda, ODD 8

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1. INTRODUCTION

Small and medium-sized enterprises (SMEs) are essential for job creation, poverty reduction, and economic growth. However, SME development depends not only on access to finance and business environment but also on social capital—the networks, norms, and trust that facilitate cooperation and collective action. Social capital enables access to informal credit (savings groups, family loans), business networks (suppliers, customers, partners), information sharing (market prices, business opportunities), and collective action (cooperatives, business associations). In countries with weak formal institutions, social capital can substitute for formal mechanisms. SDG Target 8.3 calls for promoting entrepreneurship and SME growth through access to financial services, and Target 8.5 calls for full and productive employment.

This study examines two countries that offer profound and contrasting insights into small business development and social capital: the Democratic Republic of Congo (DRC) and Rwanda. Both are Central African countries with different historical trajectories, social capital structures, and small business environments.

The DRC has a weak business environment characterized by conflict, corruption, weak institutions, and low social capital (trust, networks, cooperation), which constrains small business development. Rwanda has transformed its business environment through institutional reform, anti-corruption measures, and investment in social capital (trust-building, Ubudehe, cooperative development), resulting in rapid small business growth.

The DRC's small business context is characterized by weak business environment (corruption, political instability, conflict in eastern provinces), weak property rights, limited access to finance, low social capital (low trust in institutions, weak business networks, ethnic tensions), high informality, and low small business density. Rwanda's small business context is characterized by improved business environment (Ease of Doing Business reforms, RDB one-stop shop), property rights protection, anti-corruption, social capital building (Ubudehe, cooperative development), improved access to finance (microfinance, tontines), and rapid small business growth.

The contrast between the DRC and Rwanda illuminates critical questions for small business development, social capital, and SDG 8. How does social capital affect small business development? What is the role of cooperatives and savings groups? How can countries with low trust build social capital? And what can the DRC learn from Rwanda's experience?

2. LITERATURE REVIEW

Small business development includes business registration (formalization), access to finance (loans, microfinance, savings groups), access to markets (suppliers, customers), business development services (training, mentoring, advisory), and cooperative development (collective action). Social capital includes trust in institutions (government, courts, police, banks), interpersonal trust (trust in other people, especially outside family), business networks (formal and informal connections among business owners), community cooperation (willingness to work together for common goals), ethnic trust (trust across ethnic groups), and reciprocity (mutual assistance). Savings groups (tontines, rotating savings groups) are community-based mechanisms where members contribute regularly and take turns receiving lump sum. Ubudehe is a Rwandan traditional practice of collective problem-solving and mutual assistance, formalized as a community-based poverty reduction program.

3. RESEARCH QUESTIONS

This study addresses the following research questions:

1. What is the small business environment (registration, access to finance, property rights) in the DRC and Rwanda?
2. What is the level and structure of social capital (trust, networks, cooperation) in each country?
3. How does social capital affect small business development in each country?
4. What lessons can the DRC learn from Rwanda's experience?

4. METHODOLOGY

This study employs a comparative analysis methodology to examine small business development and social capital in the DRC and Rwanda. The comparative approach is appropriate for examining how different historical trajectories, institutional contexts, and social capital structures shape small business outcomes. The DRC and Rwanda were selected as cases that offer contrasting insights: the DRC has low social capital and weak business environment; Rwanda has built social capital and transformed business environment.

The research design integrates secondary analysis of multiple data sources. World Bank Enterprise Surveys provide firm-level data on business environment, access to finance, and informality. IFC (International Finance Corporation) Doing Business reports (now Business Ready) provide business regulation indicators. Government business registries from DRC's Guichet Unique de Création d'Entreprise and Rwanda's Rwanda Development Board (RDB) provide registration data. Academic research from development economics, sociology, and business studies provides theoretical frameworks and empirical evidence. Policy documentation provides context.

The analytical framework examines four dimensions. First, business environment includes business registration (complexity, time, cost), property rights (land tenure, contract enforcement), corruption, and political stability. Second, access to finance includes bank loans (availability, interest rates, collateral), microfinance, savings groups (tontines), and informal credit. Third, social capital includes trust in institutions (government, courts, police), interpersonal trust, business networks, community cooperation, and ethnic trust. Fourth, small business outcomes includes business registration rates, survival rates, growth, and job creation.

The time period covers approximately 2000-2025.

5. RESULTS

Table 1: Comparative Summary—DRC and Rwanda Small Business

Dimension	**DRC**	**Rwanda**
Business environment	Weak (corruption, conflict, instability)	Improved (Ease of Doing Business reforms)
Business registration	Cumbersome (Guichet Unique exists but inefficient)	One-stop shop (RDB, fast, online)
Property rights	Weak (land tenure insecure, contract enforcement weak)	Improved (land reform, property registration)
Corruption	Endemic (high, impunity)	Low (zero tolerance, Ombudsman)
Access to finance	Limited (high interest rates, collateral requirements)	Improved (microfinance, tontines, bank loans)
Social capital	Low (low trust, weak networks,	Building (Ubudehe, cooperatives,

	ethnic tensions)	trust)
Cooperatives	Weak	Strong (cooperative development)
Small business growth	Low	Rapid
Key strength	None	RDB, anti-corruption, Ubudehe
Key challenge	Conflict, corruption, low trust	Sustainability, dependence on leadership

Table 2: DRC Small Business Framework

Element	**Description**
Business environment	Weak: corruption (endemic, high), political instability, conflict in eastern provinces (North Kivu, South Kivu, Ituri, Tanganyika)
Business registration	Guichet Unique de Création d'Entreprise exists but inefficient (cumbersome, slow)
Property rights	Weak: land tenure insecure, contract enforcement weak, property registration difficult
Access to finance	Limited: high interest rates, collateral requirements (land title required), limited banking penetration, microfinance limited
Social capital	Low: trust in institutions (government, courts, police) very low; business networks weak (limited formal business associations); ethnic trust low (ethnic tensions limit cross-group cooperation); community cooperation weak due to conflict displacement
Small business outcomes	Low small business density; limited job creation; high informality; high failure rates
Key challenges	Conflict (eastern provinces), corruption, weak property rights, low trust, limited access to finance

Table 3: Rwanda Small Business Framework

Element	**Description**
Business environment	Improved: Ease of Doing Business reforms (top-ranked in Africa), political stability
Business registration	One-stop shop: Rwanda Development Board (RDB), fast (hours to days), online registration
Property rights	Improved: land reform (land registration), property rights protection, contract enforcement
Corruption	Low: zero tolerance for corruption, Ombudsman (anti-corruption office), strong enforcement
Social capital building	Ubudehe (community-based poverty reduction, social capital building, community meetings, collective problem-solving); cooperative development (cooperatives for small businesses, access to credit, collective marketing); community-based organizations (savings groups (tontines), mutual assistance); trust in institutions has improved
Access to finance	Microfinance institutions; savings groups (tontines); bank loans (improved access, but collateral still required for larger loans)
Small business outcomes	Rapid small business growth; increased business registration; improved access to credit; job creation
Key challenges	Sustainability of reforms; dependence on political leadership (President Kagame); limited access to finance for smallest businesses

6. DISCUSSION OF RESULTS

6.1 Explaining Different Approaches

The DRC's weak small business development reflects conflict (eastern provinces: North Kivu, South Kivu, Ituri, Tanganyika), endemic corruption (high, impunity), weak property rights (land tenure insecure, contract enforcement weak), and low social capital (low trust in institutions, weak business networks, ethnic tensions). Business registration (Guichet Unique) exists but is inefficient. Access to finance is limited (high interest rates, collateral requirements). Small businesses face high informality, limited access to credit, and high failure rates.

Rwanda's rapid small business growth reflects improved business environment (Ease of Doing Business reforms, top-ranked in Africa), anti-corruption (zero tolerance, Ombudsman), property rights protection (land reform), and social capital building (Ubudehe community-based poverty reduction, cooperative development, savings groups (tontines)). The Rwanda Development Board (RDB) one-stop shop enables fast business registration (hours to days). Access to finance has improved through microfinance, tontines, and bank loans. Small business growth has been rapid.

6.2 Social Capital: Trust, Networks, Cooperation

Trust in institutions: DRC has very low trust in government, courts, police, and banks (corruption, impunity, weak enforcement). Rwanda has improved trust in institutions through anti-corruption, service delivery, and rule of law. Business networks: DRC has weak formal business associations; Rwanda has growing business networks and cooperatives. Community cooperation: DRC has weak community cooperation due to conflict displacement; Rwanda's Ubudehe program builds community cooperation through collective problem-solving and mutual assistance. Ethnic trust: DRC has low trust across ethnic groups (ethnic tensions); Rwanda has lower ethnic tensions (post-genocide reconciliation, but ethnic identity remains sensitive).

6.3 Cooperatives and Savings Groups (Tontines)

Rwanda has strongly promoted cooperatives (cooperatives) for small businesses, enabling collective marketing, joint purchasing, access to credit, and mutual assistance. Savings groups (tontines, rotating savings groups) are widespread, providing informal finance for small businesses. The DRC has weak cooperatives and limited savings groups due to low trust and conflict.

6.4 Ubudehe: Community-Based Social Capital Building

Ubudehe is a Rwandan traditional practice of collective problem-solving and mutual assistance, formalized as a community-based poverty reduction program. Ubudehe involves community meetings where members categorize households by poverty level, identify community projects, and implement collective action. This builds social capital (trust, cooperation, reciprocity) while addressing poverty. The DRC has no comparable program.

6.5 Transferability of Rwanda's RDB Model to the DRC

Direct transfer of Rwanda's RDB one-stop shop model to the DRC is constrained by differences in political will (Rwanda's strong, DRC's weak), conflict (DRC's ongoing conflict in eastern provinces), corruption (DRC's endemic), and institutional capacity. However, specific elements including business registration

simplification (streamlining Guichet Unique), anti-corruption measures (strengthening enforcement), cooperative development (promoting cooperatives), savings groups (tontines) strengthening, and property rights reform can be adapted.

6.6 Implications for SDG 8

Small business development and social capital are central to SDG Target 8.3 (entrepreneurship and SME growth), Target 8.5 (full and productive employment), and Target 8.10 (access to financial services). Rwanda demonstrates that business environment reforms, anti-corruption, and social capital building (Ubudehe, cooperatives, tontines) can drive rapid small business growth. The DRC demonstrates that conflict, corruption, weak property rights, and low social capital constrain small business development. The international community should support business environment reforms, anti-corruption, property rights protection, and social capital building.

7. CONCLUSION

This comparative analysis reveals that small business development and social capital require business environment reforms (Rwanda's RDB, DRC's weak), property rights protection (Rwanda's improved, DRC's weak), access to finance (Rwanda's microfinance and tontines, DRC's limited), social capital building (Rwanda's Ubudehe, cooperatives; DRC's low trust), and anti-corruption (Rwanda's zero tolerance, DRC's endemic). The DRC has weak small business development due to conflict, corruption, weak property rights, and low social capital. Rwanda has transformed its business environment through RDB one-stop shop, anti-corruption, property rights reform, and social capital building (Ubudehe, cooperatives, tontines), resulting in rapid small business growth.

Several cross-cutting insights emerge. Business registration simplification (one-stop shop) reduces barriers. Property rights protection enables collateral for loans. Anti-corruption builds trust in institutions. Social capital (trust, networks, cooperation) substitutes for formal mechanisms where weak. Cooperatives and savings groups (tontines) provide informal finance. Conflict destroys social capital and business environment.

For the DRC, priorities include strengthen business registration (simplify Guichet Unique). Strengthen anti-corruption (enforcement, Ombudsman). Strengthen property rights (land tenure reform). Promote cooperatives and savings groups (tontines). Build social capital (community-based programs adapted from Ubudehe). Address conflict in eastern provinces. Learn from Rwanda's RDB, Ubudehe, and cooperative development models.

For Rwanda, priorities include sustain reforms and anti-corruption. Maintain RDB and Ubudehe. Strengthen access to finance for smallest businesses. Reduce dependence on political leadership (institutionalize reforms). Share RDB, Ubudehe, and cooperative development lessons with the DRC and other countries through technical assistance.

For the international community, the lessons are clear. Small business development requires not only finance but also social capital. Trust in institutions, business networks, and community cooperation are essential. Cooperatives and savings groups (tontines) can substitute for formal finance. Anti-corruption builds trust. The ultimate measure of success is whether small businesses can start, survive, and create jobs.

8. LIMITS OF THE STUDY

This study has several limitations including reliance on secondary sources, data comparability challenges (DRC's data less complete), and speculative transferability. Despite these limitations, the comparative analysis provides valuable insights.

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10. AUTHOR CONTRIBUTIONS

The author conceived the study, designed the methodology, conducted the literature review and document analysis, synthesized findings, and drafted the complete manuscript.

11. COMPETING INTERESTS

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential competing interest. No funding was received from organizations with interests in this sector or related sectors.

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This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

13. DATA AVAILABILITY

All sources are publicly available documents and the primary sources are cited in the bibliography and accessible through the referenced publications and organizations.

14. DISCLAIMER

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