

**PRIVATE SECTOR DEVELOPMENT AND ECONOMIC GROWTH IN
RWANDA**

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ABSTRACT

This study investigated the impact of private sector development on economic growth in Rwanda. The following objective guided the study: ii) to assess the behavior of private sector development in Rwanda ii) to assess the behavior of economic growth in Rwanda. iii) To determine the impact of private sector development on economic growth in Rwanda. This study used descriptive correlation design. This study adopted two models: Solow's swan model and endogenous growth models; however, endogenous growth was preferred in this study. This study used secondary data from the National Bank of Rwanda, National Institute of Statistics of Rwanda, and World Bank reports. Data was analyzed using Autocorrelation Function and Partial Autocorrelation Function and regression analysis. stationary test was conducted on each of the variables, a multiple regression model was then fitted using ordinary least squares method. Financial sector development, foreign direct investment, capital and export were found to be statistically significant with positive coefficients at 0.05 level of significance. Population growth rate was statistically insignificant though with a positive coefficient. The study concluded that the Rwandan economy depends on basically foreign direct investment, capital, export and financial sector development which positively impact on the growth rate. Population growth rate was also found to have a positive effect on economic growth though it was statistically insignificant. The study recommended that for Rwanda to achieve a desired economic growth rate, it must invest in attracting foreign direct investments and development of the financial sector and to some extent the quality of the human capital. The government of Rwanda should try and work hand in hand with the private sector and give them better business environment. This good business environment gesture should be widely extended to the foreign investors so as to attract them to bring in more foreign direct investment.