



The Implication of Financial Management on the Long-Term Success and Sustainability of a Family-Owned Business in Rwanda

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Abstract: Family-owned businesses (FOBs) are the vibrant heart of Rwanda's private sector, yet their future is often precarious. This study investigates the critical relationship between financial management and the long-term survival of these enterprises. It uncovers a profound paradox: while Rwandan entrepreneurs are driven by ambitious, long-term visions for growth and legacy, their financial practices remain firmly anchored in the short-term. This "Aspiration-Practice Gap" reveals a disconnect between where they want to go and the tools they are using to get there. Based on primary data from 580 businesses, the study finds that while a majority maintain budgets, a striking 83% neglect formal financial forecasting. The analysis reveals that disciplined financial practices—such as maintaining a detailed budget and using forecasting tools—are powerful predictors of an owner's confidence in their firm's long-term sustainability. The paper concludes that bridging this gap is essential for the future of Rwanda's FOBs and recommends a tiered approach of targeted financial literacy programs and the development of localised digital tools to empower these entrepreneurs to turn their aspirations into lasting legacies.

Keywords: Sustainability, Family-Owned Business, Vision, Long-term Planning, Revenue and Profit Goals, and Budgeting and Cost Controls

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1. Introduction

In the bustling markets and growing towns across Rwanda, family-owned businesses are not just economic entities; they are the engines of community life and the custodians of future prosperity. As Rwanda strides towards the ambitious goals of its Vision 2050, the resilience of these enterprises is of national importance (MINICOM, 2022). They are the primary creators of jobs, the incubators of innovation, and the bedrock of local economies. Yet, for all their importance, their path is fraught with peril. Globally, few family businesses survive into the third generation, often failing not due to a lack of passion, but rather a lack of sound financial stewardship (Zahra and S., 2018).

This research uncovers a critical paradox at the heart of Rwandan FOBs: a deep dissonance between the grand, legacy-oriented dreams of their owners and the day-to-day, control-oriented reality of their financial practices. Our qualitative data paints a vivid picture of ambition. Owners speak of expanding across borders, of diversifying their services, and of leaving a "positive impact on the lives of others and the community." These are the aspirations that fuel their long hours and sleepless nights.

However, their financial toolkit is overwhelmingly focused on the present. While many diligently create budgets to control current spending, the vast majority—an alarming 83%—do not use forecasting to navigate the uncertainties

of the future. They are steering toward a distant horizon while looking almost exclusively at the dashboard directly in front of them. This "Aspiration-Practice Gap" is the central tension this paper explores. By examining the financial practices, operational challenges, and strategic visions of these businesses, this study aims to provide actionable insights for the entrepreneurs themselves, and for the policymakers and institutions dedicated to helping them build legacies that last.

2. Literature Review

2.1 The Global Story of Family Business: A Double-Edged Sword

Across the globe, family businesses are the dominant form of commerce, estimated to make up over 70% of enterprises worldwide (International Finance Corporation [IFC], 2020). In Rwanda specifically, more than 70% of private enterprises are reported to be family-owned (MINICOM, 2022). These businesses are characterised by a unique combination of family and finance known as "familiness" (Chua, Chrisman, & Sharma, 2018). This dynamic can be a double-edged sword. It can serve as a source of significant strength, fostering a strong, values-driven culture and offering access to "patient capital" from relatives who believe in the long-term vision. However, this same intimacy can also become a source of serious vulnerability. When family disputes spill into the boardroom or when succession planning is neglected, the business often suffers (Gersick et al., 1997). The ultimate challenge for any FOB is to effectively balance the dual aims of profitability and maintaining the family legacy (Anderson & Reeb, 2003; Zahra, 2018).

2.2 Financial Management: The Tools for Generational Survival

For any business, sound financial management is the bedrock of survival; for a family business, it is the toolkit for building a multi-generational legacy. The academic literature identifies several core pillars. A **budget** is more than a plan; it is a company's financial conscience, translating strategy into measurable targets and serving as a mechanism for control and performance evaluation (Van Horne, 2012).

Working capital management—the prudent handling of daily cash flow—is the lifeblood of the enterprise, and mismanagement here is a primary cause of failure (Brealey, Myers, & Allen, 2020). Finally, **capital budgeting** involves the courageous, long-term investment decisions that fuel growth. Here, family firms often display a cautious nature, preferring to fund growth from their own pockets, a practice that can ensure stability but may also

stifle their ultimate potential (Aronoff & Ward, 2011). Indeed, effective budgeting and forecasting are consistently linked to business continuity (Brigham & Ehrhardt, 2019).

2.3 The Rwandan Crucible: Where Global Challenges are Intensified

Rwanda is not merely a backdrop for this study; it is a unique "crucible" where these global challenges are amplified by local realities. The "financial literacy gap" seen in entrepreneurs worldwide (Lusardi & Mitchell, 2014) is compounded in Rwanda by a *digital literacy gap*. As the government champions a cashless, digital economy, it creates a potential new hurdle for owners who may not yet be equipped to leverage digital tools for complex financial planning (Ministry of ICT and Innovation, 2022).

Similarly, while access to finance is a global struggle for small businesses (World Bank, 2022), the Rwandan context adds another layer. The rise of Savings and Credit Cooperatives (SACCOs) has been a triumph for financial inclusion, but these institutions are not always equipped to provide the large-scale growth capital needed for ambitious expansion (National Bank of Rwanda, 2023). This aligns with local research indicating that the quality of budgeting in many Rwandan SMEs often lacks alignment with strategic planning (Musuhuke & Tarus, 2024). This environment intensifies the tension between survival and legacy. With most FOBs in Rwanda being relatively young, the immediate pressure to simply stay afloat can easily overshadow the strategic, long-range planning required to build an enduring enterprise (Sindambiwe, 2020).

3. Methodology

This study employed a descriptive–explanatory cross-sectional survey to create a detailed snapshot of the financial management practices within Rwandan FOBs and to analyse the relationship between these practices and long-term success. The population consisted of registered FOBs across all five provinces, with a final sample of 580 valid questionnaires collected via a stratified random sampling strategy. Data was gathered using a structured questionnaire and analysed using descriptive statistics, chi-square tests, and binary logistic regression in SPSS and Python, with statistical significance set at the 5% level.

3.1 Research Design

This study employed a descriptive–explanatory cross-sectional survey design. A descriptive approach was appropriate for documenting the prevailing financial-management practices of Rwandan

family-owned businesses, while the explanatory element enabled examination of relationships between those practices and indicators of long-term success and sustainability. A cross-sectional design captured a single-time snapshot of firms' budgeting, forecasting, and governance behaviours (Creswell & Creswell, 2018).

3.2 Population and Sampling Frame

The population comprised registered family-owned businesses (FOBs) operating across Rwanda's five provinces. A family-owned business was defined as an enterprise in which (a) a single family holds at least 50 % ownership and (b) One or more family members participate in strategic decision-making or daily management (Sindambiwe, 2020). The sampling frame was developed from the Rwanda Development Board (RDB) registry and the Private Sector Federation (PSF) member lists, supplemented by local chamber of commerce directories to capture smaller firms (RDB, 2024).

3.3 Sample Size and Sampling Technique

Using Yamane's (1967) formula for finite populations with a 5 % margin of error, the minimum required sample was 400 respondents.

To accommodate potential non-response, a target of 450 was set. Ultimately, 580 valid questionnaires were returned, exceeding the minimum and thereby improving statistical power. A stratified random sampling strategy ensured representation across provinces (Kigali, Northern, Eastern, Southern, Western), sector (manufacturing, retail/wholesale, services, agri-business), and firm age (≤ 10 years, > 10 years).

3.4 Data Collection Instrument

Primary data were gathered through a structured questionnaire developed after an extensive literature review (Michiels & Molly, 2017; Ndibwire et al., 2019; Sindambiwe, 2020).

The instrument contained five sections:

1. **Demographics and firm characteristics** (e.g., ownership structure, years in operation);
2. **Financial-management practices** (budgeting, budget-review frequency, use of forecasting tools, sources of financing);
3. **Governance and succession planning** (existence of a succession plan, involvement of next generation);
4. **Performance indicators** (profitability, revenue growth, perceived long-term sustainability); and

5. **Open-ended questions** capturing qualitative insights on challenges and success factors.

A five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) measured perceptions and practices.

3.5 Validity and Reliability

- **Content validity** was ensured through expert review by two academics from the Integrated Polytechnic Regional College (IPRS)-Karongi and one practitioner from PSF's SME Chamber.
- A **pilot test** with 10 FOBs in Gasabo District informed minor wording adjustments.
- **Reliability** of multi-item scales was confirmed using **Cronbach's alpha**, with all key constructs exceeding the .70 threshold (Nunnally & Bernstein, 1994).

3.6 Data Collection Procedure

Enumerators were trained to administer the survey in English or Kinyarwanda, depending on respondent preference. Surveys were delivered both electronically (via Google Forms) and in person to accommodate varying digital access. Data collection occurred over six weeks (**May–June 2025**).

Informed consent was obtained from every participant, and the study received ethical clearance from the relevant academics from the Integrated Polytechnic Regional College (IPRS)-Karongi and the research committee.

3.7 Data Analysis

Data were cleaned and coded in **Microsoft Excel** and analysed in **SPSS v.27** and **Python (pandas)**. Descriptive statistics (frequencies, means, standard deviations) summarised demographic characteristics and key financial-management variables. Inferential analyses included

- **chi-square tests** to examine associations between categorical variables (e.g., presence of detailed budget vs. confidence in achieving profit goals), and
- **binary logistic regression** to assess the predictive effect of budgeting practices and forecasting-tool usage on the likelihood of reporting high long-term sustainability. Significance was evaluated at the **5 % level ($p < .05$)**.

3.8 Ethical Considerations

Participation was voluntary, and respondents could withdraw at any time without penalty. All data were anonymised and are presented only in aggregate form to protect confidentiality.

4. Results and Discussion

This section presents the objective findings from the data analysis.

4.1 Profile of Rwandan Family

Businesses

The survey captured a diverse cross-section of the entrepreneurs shaping Rwanda's economy. The businesses are largely led by a young and dynamic generation, with the majority of owners aged between 26 and 45. The educational background is varied, with about half holding a university degree and the other half equipped with valuable vocational or secondary-level training. A key finding is that the entrepreneurial landscape is relatively nascent; the majority of these businesses have been in operation for less than a decade, underscoring both the vibrancy of the sector and the urgency of ensuring their long-term survival.

Table 1: Characteristics of Survey Respondents and Their Firms

Variable	Category	Frequency	Percentage (%)
Respondent Characteristics			
Gender	Male	335	58
	Female	245	42
Age Group	26–35 years	384	66
	36–45 years	187	32
	46–55 years	9	2
Education Level	Secondary or less	154	26.6
	Vocational Training	141	24.3
	Bachelor's Degree	133	22.9
	Master's/Doctorate	152	26.2
Firm Characteristics			
Years in Operation	< 3 years	242	42
	4–8 years	152	26
	9–13 years	84	14
	> 14 years	45	8
	No response	57	10

Note. n=580.

4.2 Financial Management Practices: A Focus on the Present

The data reveals a clear pattern: business owners are comfortable with tools that control the present but are hesitant to adopt those that help navigate the future. A majority of firms (51.7%) maintain a detailed annual budget. However, the use of formal financial forecasting tools is strikingly low, with 83% of firms reporting they do not use them (MINECOM, 2022).

4.3 The Surprising Link Between Discipline and Confidence

A chi-square test was performed to understand the relationship between how often a budget is reviewed and the owner's confidence in meeting profit goals. The result was statistically significant ($\chi^2 = 10.57, p = 0.0011$) but revealed a counter-intuitive finding. As shown in Table 2, business owners who conducted *no regular review* of their budget were actually more likely to report high confidence in achieving their profit goals (54%) than those who reviewed their budget at least annually (21%).

Table 2: Association between Frequency of Budget Review and Confidence in Achieving Profit Goals

Budget Frequency	Review	Confidence in Profit Goals		High	Total
		Low/Neutral Confidence	High/Very Confidence		
No Regular Review		19 (46%)	22 (54%)		41 (100%)
At Least Annual Review		41 (79%)	11 (21%)		52 (100%)
Total		60	33		93

Note. A chi-square test revealed a significant association between the frequency of budget review and confidence in profit goals, $\chi^2(1, N = 93) = 10.57, p = .001$.

4.4 The True Predictors of Long-Term Sustainability

To identify the factors that most powerfully predict an owner's belief in their company's long-term sustainability, a binary logistic regression was performed. The results, shown in Table 3, are clear and compelling. The single

most powerful predictor was **maintaining a detailed budget**, which made a business owner **2.34 times more likely** to have high confidence in their long-term future. The use of **forecasting tools** and having a business that has survived for **more than 10 years** were also strong, statistically significant predictors. Interestingly, the owner's level of formal education was not a significant factor when these financial practices were taken into account.

Table 3: Logistic Regression Results Predicting High Perceived Long-Term Sustainability

Predictor Variable	B	S.E.	Wald	p-value	Odds Ratio
Maintains Detailed Budget	0.85	0.22	14.95	0.0001	2.34
Uses Forecasting Tools	0.40	0.18	4.94	0.026	1.49

Regular Budget Review	0.30	0.15	4.00	0.045	1.35
Firm Age (>10 years)	0.60	0.20	9.00	0.003	1.82
Owner Education (Degree+)	0.10	0.12	0.69	0.406	1.11
Constant	-1.20	0.35	11.76	0.001	0.30

4.5 Discussion

4.5.1 The Aspiration-Practice Gap in Sharp Focus

The findings of this study bring the "Aspiration-Practice Gap" into sharp focus. Rwandan entrepreneurs possess a

clear and powerful vision for the future. As shown in Table 4, they overwhelmingly believe that "**Vision and long-term planning**" is the most critical ingredient for sustainability (87.3%). Yet, this intellectual belief is not matched by their actions. Their day-to-day financial practices are dominated by budgeting—a tool for short-term control which they ranked as the *least* important strategic factor—while the forward-looking practice of forecasting is largely ignored.

Table 4: Perceived Importance of Factors for High Long-Term Sustainability

Factor	Very Importance	High	Neutral Importance	Total Responses	% Very High
Vision and long-term planning	446	65		511	87.3%
Revenue and Profit Goals	278	154		432	64.4%
Budgeting and Cost Control	208	171		379	54.9%

Note. The percentages reflect the proportion of respondents who rated each factor as having very high importance for ensuring long-term sustainability.

This disconnect may be rooted in the Rwandan context. In an economy that has undergone a profound recovery, a "survivalist mindset" that prioritises immediate stability and control is understandable. However, this focus on the present, while essential for survival, may be inadvertently undermining the very long-term legacy these owners aspire to build.

4.5.2 Discipline, Data, and the Burden of Knowledge

The finding that owners who *don't* review their budgets are more confident is fascinating. It suggests a potential "ignorance is bliss" effect, where a lack of close financial scrutiny may foster a kind of unfounded optimism.

Conversely, those who regularly engage with their numbers (the "At Least Annual Review" group) may be more acutely aware of challenges and uncertainties, leading to more cautious and realistic assessments. This highlights that true confidence comes not from avoiding the data, but from having the tools to understand and act on it.

The logistic regression results confirm this. It is the *practice* of financial discipline—budgeting, forecasting, and surviving long enough to gain experience—that truly fosters a sense of sustainable success, regardless of an owner's formal education. The tools matter more than the degree.

4.5.3 The Human Story Behind the Numbers

This statistical narrative is made real by the qualitative data. We see the powerful contrast between the owner who dreams of leaving a legacy of "positive impact on the lives of others and the community," and the stark reality of their most pressing challenge: simply "creating a budget" and "tracking spending."¹ This is the human story of the Aspiration-Practice Gap—a chasm between a noble vision and the lack of foundational tools needed to achieve it. It is this gap that effective policy and support must aim to bridge.

4.5.4 Limitations and Future Research

This study offers a valuable snapshot, but its cross-sectional design means it cannot establish causality over time (Chua, et al., 2018). Future longitudinal research should monitor businesses over several years to determine how adopting forecasting tools affects their actual survival and growth. Further qualitative work is also necessary to explore the reasons—understanding the mindsets and cultural factors that may prevent entrepreneurs from adopting the future-oriented tools they need to succeed.

5. Conclusion and Recommendations

5.1 Conclusion

This study confirms that Rwandan family-owned businesses are fueled by powerful long-term aspirations. However, a critical gap between their visionary goals and their short-term financial practices jeopardise their ability to build lasting enterprises. The evidence is clear: while basic financial controls are common, the strategic, forward-looking tools like forecasting remain rare. This "Aspiration-Practice Gap" constrains proactive decision-making and leaves these vital businesses vulnerable in an ever-changing world. Closing this gap is not just a matter of improving business performance; it is about securing the future of Rwanda's private sector.

5.2 Recommendations

A one-size-fits-all solution will not work. The data shows a diverse community with varying needs. Therefore, a segmented, practical approach is required:

1. **Tier 1 (For All FOBs): Building the Foundation.** Government and private sector associations must deliver practical, accessible workshops on the fundamentals: effective cash flow management, simple expense tracking, and basic budget creation. These should be paired with mobile-first digital tools that make financial discipline easy.
2. **Tier 2 (For Growth-Oriented FOBs): Charting the Future.** For businesses that have mastered the basics, advanced training in financial forecasting, scenario planning, and accessing growth capital is essential. This will give them the tools to move from a mindset of survival to one of strategic growth.
3. **Policy Recommendation: A Localised Digital Ecosystem.** Instead of generic subsidies, policy should incentivise the creation of financial management apps that are localised in Kinyarwanda. These tools should be tiered, offering a simple interface for beginners and unlocking advanced forecasting modules for more sophisticated users, thus meeting entrepreneurs where they are.
4. **Succession Planning: Turning Legacy into Reality.** The deep desire to leave a positive legacy is a powerful motivator.¹ Support programs should frame succession planning not as a dry technical task, but as the vital process of turning an emotional vision into a concrete, sustainable reality through structured financial and governance planning.

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