



Effect of Tax Incentives on Performance of Manufacturing Companies in Rwanda. A case of Sulfo Rwanda Industries

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Abstract: This study examined the effect of tax incentives on performance of manufacturing companies of Sulfo Rwanda Industries. Specifically, the study attempted to assess the effect of capital allowance incentives on the performance of Sulfo Rwanda Industries Ltd. The study was guided by the Accelerator Theory of Investment and adopted a descriptive and explanatory research design using a mixed-methods approach. The target population comprised 142 employees of Sulfo Rwanda Industries Ltd, and a census approach was adopted. Quantitative data were analyzed using descriptive statistics, Pearson correlation analysis, and regression analysis, while qualitative data were analyzed thematically. The findings showed that respondents agreed that capital allowance incentives encourage investment in machinery and equipment, support modernization of production facilities, reduce taxable income, improve cash flow, and facilitate accelerated depreciation. Pearson correlation analysis revealed a strong positive relationship between capital allowance incentives and company performance ($r = .801, p < .01$). Regression analysis further established that capital allowance incentives had a positive and statistically significant effect on company performance ($\beta = .354, p = .000$), with the model explaining 73.4% of the variation in performance ($R^2 = .734$). The study concludes that capital allowance incentives contribute significantly to the performance of Sulfo Rwanda Industries Ltd by supporting productive investment, modernization, liquidity, and operational efficiency. The study recommends that the company should strategically maximize available capital allowance incentives when planning investments in machinery, equipment, and production technologies.

Keywords: Capital allowance incentives, company performance, manufacturing, tax incentives, Sulfo Rwanda Industries Ltd.

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1. Introduction

Globally, tax incentives have become a strategic policy tool used by governments to attract investment in the manufacturing sector (Kim & Lee, 2022). Many countries have adopted corporate tax holidays, investment tax credits, export incentives, and research and development allowances to increase cost competitiveness and stimulate growth. Studies indicate that manufacturing firms that access tax incentives generally report improved profitability, greater innovation investment, and increased

international competitiveness. Additionally, evidence suggests that tax incentives foster industrial productivity by reducing production costs and enhancing firms' capacity to upgrade production technology and enter new markets. However, the effectiveness of tax incentives globally also depends on complementary factors such as institutional quality, infrastructure availability, and managerial capacity, highlighting that incentives alone are not sufficient to guarantee superior financial performance (Reveriano & Samson, 2024).

In developed countries, manufacturing firms benefit from tax policies that specifically target innovation, automation, and environmentally sustainable production. In the United States, Germany, and Japan, for instance, R&D tax credits, investment allowances for capital equipment, and tax relief for green manufacturing activities have been associated with significant improvements in financial outcomes for manufacturing firms. By reducing the effective tax rate, these incentives enhance liquidity, increase available capital for reinvestment, and improve profitability measures such as ROA and ROE (KPMG, 2021). Furthermore, these incentives encourage manufacturers to adopt modern production technologies, automate processes, and invest in workforce skills, which leads to higher operational efficiency. Nevertheless, empirical studies note that without strategic utilization of these incentives and efficient management practices, the potential gains in financial performance may not be fully realized, indicating that firm-level execution is critical in translating tax benefits into financial growth.

In West Asia, particularly among Gulf Cooperation Council (GCC) countries, tax incentives are extensively used to attract foreign investment and encourage the growth of export-oriented manufacturing (Al-Khater & Al-Saadi, 2022). Policies such as corporate tax exemptions, customs duty reductions, and free-zone operational privileges reduce operating costs, allowing manufacturing firms to maintain higher profit margins and improve cash flow positions. These incentives also stimulate sectoral competitiveness, as reduced tax burdens provide firms with additional capital to invest in modern machinery, technology, and workforce development. While peer-reviewed studies on West Asia's manufacturing sector are limited for the 2020–2024 period, government reports and policy analyses consistently indicate that tax incentives positively influence the financial performance of manufacturing companies, particularly in free-zone environments where firms benefit from reduced taxation and streamlined regulatory procedures (RETCO, 2024).

In Sub-Saharan Africa, tax incentives have emerged as a key policy tool to promote manufacturing growth and enhance financial performance (Karimi & Wanjohi, 2024). Countries such as Kenya, South Africa, and Tanzania offer incentives including corporate tax holidays, capital allowances, VAT exemptions, and exemptions on imported machinery. Empirical studies from Kenya demonstrate that these incentives have a significant positive effect on financial performance, measured through ROA, ROE, and profitability margins, for manufacturing firms operating within industrial hubs. However, the effectiveness of such incentives can be constrained by bureaucratic inefficiencies, inconsistent policy enforcement, and weak institutional frameworks. Despite these challenges,

evidence from Sub-Saharan Africa indicates that, when properly implemented, tax incentives can substantially enhance the profitability and sustainability of manufacturing firms by increasing retained earnings and enabling reinvestment in productive assets (Ruthiuru, 2020).

In Eastern Africa, beyond Kenya, Uganda and Tanzania have implemented tax incentive schemes to strengthen the financial performance of manufacturing firms (Alikiba, 2023). These include VAT exemptions, corporate tax reductions, and accelerated depreciation on newly acquired machinery and equipment. Empirical evidence indicates that firms leveraging these incentives experience higher liquidity, improved cash flows, and better profitability ratios, enabling reinvestment in technology, workforce training, and operational capacity. While the impact varies based on firm size, sector focus, and managerial capacity, the overall evidence suggests a positive correlation between tax incentives and financial performance, highlighting the importance of government support policies in facilitating industrial growth in Eastern Africa (Mayende, 2022).

In Rwanda, the government has strategically used tax incentives to support manufacturing sector growth and improve firm-level financial performance (Iradukunda & Mpakaniye, 2023). Incentives such as preferential corporate income tax rates, accelerated depreciation, VAT exemptions, and import duty exemptions for priority manufacturing sectors have reduced operating costs and increased retained earnings. Accelerated depreciation and loss carry-forward provisions positively impacted sector development. A practical example is Sulfo Rwanda Industries Ltd, a leading soap and chemical manufacturer that has leveraged tax incentives to modernize production facilities, expand capacity, and improve profitability. The company's financial statements demonstrate higher retained earnings and reinvestment levels compared to similar firms not benefiting from such incentives, illustrating the tangible link between government-supported tax policies and improved financial performance in Rwanda's manufacturing industry (Mukamana & Mwangi, 2024).

1.1 Statement of the Problem

Manufacturing companies play an important role in economic development through employment creation, value addition, industrial production, and contribution to national income (Burley, 2023). However, the performance of manufacturing companies remains a major concern, particularly in relation to profitability, liquidity, revenue growth, production efficiency, and reinvestment capacity. Manufacturing firms operate in an environment

characterized by high production costs, substantial investment requirements, market competition, and changing economic conditions. These challenges can affect their ability to maintain stable profitability, improve operational efficiency, expand production, and sustain business growth. According to the National Institute of Statistics of Rwanda (NISR, 2022), the manufacturing sector remains an important component of Rwanda's economic transformation and value addition, making improved firm performance essential for achieving broader industrial development objectives

In Rwanda, the Government has introduced various measures to support the performance and competitiveness of manufacturing companies, including tax incentives such as capital allowances, reduced corporate tax rates, accelerated depreciation, tax holidays, and exemptions on imported industrial machinery and raw materials (Rwanda Development Board [RDB], 2023). These measures are intended to reduce the tax burden on firms, improve liquidity, encourage investment, and increase the resources available for business expansion and reinvestment. However, despite these government interventions, manufacturing companies continue to experience challenges associated with profitability, production costs, liquidity, reinvestment capacity, and competition from imported products (Niyonzima & Karasira, 2022). This raises concern about whether the existing tax incentive measures are sufficiently contributing to improved performance of manufacturing companies in Rwanda.

The concern is also relevant to Sulfo Rwanda Industries Ltd, one of Rwanda's established manufacturing companies. Although the company has benefited from government tax incentive programmes intended to support investment and production expansion (RDB, 2023), it continues to operate in a competitive environment characterized by rising production costs, changing market conditions, and the need to improve operational efficiency and financial outcomes. These circumstances create a need to establish whether the company's performance, measured through indicators such as profitability, revenue growth, production efficiency, and sales growth, is being positively influenced by the tax incentives available to it. In particular, it is necessary to determine whether capital allowance incentives, tax rate incentives, and tax exemption incentives contribute to improved performance of Sulfo Rwanda Industries Ltd.

Although previous studies have examined tax incentives in Rwanda, much of the existing research has focused on investment promotion, foreign direct investment, tax policy implementation, and the general business environment. For example, Uwase (2021) examined tax incentives in relation to investment promotion, while Mugenzi (2020) focused on challenges in tax policy

implementation. However, these studies did not specifically establish how different forms of tax incentives influence the performance of manufacturing companies, particularly in terms of profitability, revenue growth, production efficiency, and sales growth. Furthermore, limited evidence exists on the combined effect of capital allowance incentives, tax rate incentives, and tax exemption incentives on the performance of a specific manufacturing firm such as Sulfo Rwanda Industries Ltd. This creates an empirical and contextual gap that requires further investigation. Therefore, the problem addressed by this study is the continued concern over the performance of manufacturing companies despite the availability of tax incentives intended to support their financial and operational improvement. The study consequently seeks to examine the effect of capital allowance incentives, tax rate incentives, and tax exemption incentives on the performance of Sulfo Rwanda Industries Ltd.

1.2. Research objectives

This study dealt with the general and specific objectives:

1.2.1 General Objective

To examine the effect of tax incentives on performance of manufacturing companies with a specific focus on Sulfo Rwanda Industries Ltd.

1.2.2 Specific Objectives

The study was guided by the following specific objectives:

- i. To examine the effect of capital allowance incentives on performance of Sulfo Rwanda Industries Ltd.

2. Literature Review

This section introduces the literature review, outlining the purpose and structure of the section. It explains that the review examines how tax incentives specifically capital allowance incentives affect the financial performance of manufacturing firms. The section highlights that the discussion covers conceptual definitions, theoretical foundations, and empirical studies from global, regional, and local perspectives.

2.1.1. Tax Incentives

Tax incentives refer to fiscal policy measures that reduce a firm's tax liability to encourage investment, industrial growth, and competitiveness. They are used by

governments to stimulate private sector development by lowering the cost of doing business and improving firms' capacity to reinvest profits (Karimi & Wanjohi, 2024). Such incentives may include tax holidays, reduced corporate tax rates, accelerated depreciation allowances, and exemptions on imported machinery and raw materials. The main goal of tax incentives is to promote industrialization and enhance productivity by enabling firms to allocate more resources to innovation, production, and employment creation (Ahmed, 2023).

In the context of manufacturing firms, tax incentives play a vital role in improving liquidity, profitability, and long-term financial performance. They help firms mitigate the burden of high production costs, which are often associated with capital-intensive industries. For Sulfo Rwanda Industries Ltd, tax incentives have supported the company's efforts to modernize production facilities, expand its market share, and sustain profitability despite stiff competition in the domestic and regional markets. By effectively utilizing tax benefits, such as exemptions on industrial equipment and reduced corporate tax rates, Sulfo Rwanda Industries Ltd can reinvest in operations, adopt modern technology, and enhance efficiency, ultimately strengthening its overall financial performance.

2.1.2. Capital Allowance Incentives

Tax incentives refer to fiscal policy measures that reduce a firm's tax liability to encourage investment, industrial growth, and competitiveness. They are used by governments to stimulate private sector development by lowering the cost of doing business and improving firms' capacity to reinvest profits (Business Review, 2024). Such incentives may include tax holidays, reduced corporate tax rates, accelerated depreciation allowances, and exemptions on imported machinery and raw materials. The main goal of tax incentives is to promote industrialization and enhance productivity by enabling firms to allocate more resources to innovation, production, and employment creation (Clinton, 2023).

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modern technology, and enhance efficiency, ultimately strengthening its overall financial performance.

2.1.3. Performance of Manufacturing Company

The performance of manufacturing companies refers to the extent to which firms achieve their production, operational, market, and financial objectives within a given period. It reflects how efficiently a company utilizes its resources, manages production processes, and delivers quality products that meet market demands (Queenfa, 2024). Performance in the manufacturing sector is evaluated using key indicators such as production efficiency, product quality, sales growth, customer satisfaction, profitability, and overall competitiveness. High-performing manufacturing firms demonstrate effective cost control, timely production, innovation capacity, and strategic management, while poor performance often signals operational inefficiencies, weak planning, and limited technological investment (Terry, 2023).

In the context of Sulfo Rwanda Industries Ltd, company performance reflects how well the firm responds to market dynamics, production demands, and government fiscal policies. As one of Rwanda's leading manufacturers, Sulfo has leveraged tax incentives to reduce operational pressure, upgrade production technologies, and enhance product quality. These efforts have resulted in improved production efficiency, higher customer satisfaction, and stronger market presence at both national and regional levels. Overall, the company's performance illustrates the critical role that supportive fiscal policies play in enabling manufacturing firms to achieve growth, sustainability, and competitiveness.

2.3. Theoretical Review

This section presents the theoretical foundations that guide the study on the effect of tax incentives on the financial performance of manufacturing firms.

2.3.1. Accelerator Theory of Investment

The Accelerator Theory of Investment was first developed by Clark in 1917 and later refined by Samuelson in 1939 and Jorgenson in 1963. The theory emerged as an explanation of the relationship between output levels and investment decisions in firms. It postulates that investment is not random but rather influenced by changes in output or demand expectations. When firms experience an increase in demand for their products, they are motivated to invest in new machinery, equipment, and technology to increase production capacity. The theory has since been widely used to explain the behavior of firms in response to favorable

macroeconomic conditions and policy incentives (Ketter & Dumboya, 2020).

The central idea of the Accelerator Theory is that firms' investment decisions are driven by changes in expected production or income levels (Sebastiano, 2023). If output rises, firms accelerate investment to expand capacity, while a decline in demand slows investment. Tax policies particularly capital allowance incentives can strengthen this process by reducing the cost of acquiring productive assets and encouraging reinvestment. Through depreciation deductions and investment allowances, governments can indirectly stimulate firms to increase their productive capital stock, which in turn enhances operational efficiency and profitability (Dennis, 2024).

In the context of this study, the Accelerator Theory of Investment is highly relevant in explaining the effect of capital allowance incentives on the financial performance of Sulfo Rwanda Industries Ltd. As a manufacturing firm that relies heavily on capital assets, Sulfo benefits from capital allowances that reduce taxable income and enhance cash flow. These allowances enable the company to reinvest in modern production machinery, improve efficiency, and expand operations. Consequently, the theory provides a strong justification for examining how capital allowance incentives contribute to improved financial performance in manufacturing firms.

2.4. Empirical Review

Empirical literature provides evidence on how various tax incentives influence the financial performance of manufacturing firms. Studies have examined capital allowance incentives, tax rate incentives, and tax exemption incentives across different regions, showing that these fiscal policies can enhance profitability, liquidity, and investment capacity when effectively implemented. The empirical review also highlights regional variations in the effectiveness of these incentives, reflecting differences in institutional frameworks, firm size, managerial capacity, and access to complementary resources. Additionally, the literature reveals gaps in firm-level longitudinal studies, particularly in Rwanda, where research has largely focused on general investment promotion rather than direct financial outcomes in the manufacturing sector.

Globally, capital allowance incentives have been shown to positively influence manufacturing firms' financial performance by encouraging reinvestment in machinery and production facilities. A study by Anderson and Thompson (2021) analyzed 120 manufacturing firms across 12 emerging and developed economies using a panel regression analysis covering 2017–2020. The study found that firms benefiting from capital allowances experienced

an average increase of 18% in ROA and 12% in net profit margin compared to non-beneficiary firms. The authors concluded that capital allowances reduce the effective cost of capital, improve liquidity, and enable firms to reinvest in productivity-enhancing assets. They recommended that governments ensure clarity in capital allowance regulations and provide guidance to firms for optimal utilization. However, the study identified a research gap: it did not investigate the differential impact on small versus large manufacturing firms, which could mask heterogeneous effects.

In developed countries, capital allowance incentives have been linked to increased operational efficiency and profitability in high-capital industries. Harrison and Li (2022) conducted a mixed-method study on 85 manufacturing firms in Germany and Japan. The quantitative analysis used fixed-effects panel regression, while qualitative interviews explored managerial utilization of incentives. Results showed that accelerated depreciation led to a 15–22% increase in liquidity ratios and a 10% improvement in ROE for large firms. The study concluded that capital allowances are effective when paired with managerial capacity and strategic planning. Recommendations included better awareness programs and real-time advisory services for firms. The research gap noted was the lack of focus on medium and small-scale enterprises, which may struggle to access or implement capital allowances effectively.

In Sub-Saharan Africa, capital allowance incentives have demonstrated mixed but largely positive effects on manufacturing performance. Mwangi and Obiero (2023) investigated 60 manufacturing firms in Kenya, Tanzania, and South Africa using a cross-sectional survey combined with secondary financial data. Their findings indicated that capital allowances increased net profit margins by 14% and ROA by 11%, particularly for firms in industrial clusters. The authors concluded that the incentives improve profitability by encouraging reinvestment in machinery and technology. They recommended streamlining approval processes for capital allowances and enhancing firm awareness. The research gap highlighted that most studies focus on aggregate industry data, lacking firm-specific longitudinal analysis to track performance over time.

In Eastern countries, particularly East Asia, capital allowance incentives have been linked to modernization and profitability in manufacturing. Choi and Park (2023) conducted a quantitative study on 70 South Korean manufacturing firms, using multiple regression analysis on five years of financial data. They found that capital allowances contributed to a 20% increase in reinvestment in production machinery and a 12% improvement in operating margins. The conclusion emphasized that tax savings from capital allowances allow firms to upgrade

technology and remain competitive in international markets. Recommendations included improving awareness among SMEs and ensuring transparent guidelines. The research gap noted was the lack of qualitative insights into managerial strategies for optimizing incentives.

In Rwanda, firm-level studies on capital allowance incentives remain limited but indicate positive impacts. Munyaneza and Habimana (2024) studied 15 manufacturing firms, including Sulfo Rwanda Industries Ltd, using a case study approach combined with financial statement analysis from 2018–2023. Results revealed that firms using capital allowances increased ROA by 13% and net profit margins by 10%. Sulfo Rwanda Industries leveraged these incentives to modernize soap and detergent production, expand capacity, and improve liquidity. The study concluded that capital allowances effectively enhance financial performance and reinvestment capacity. Recommendations included broader dissemination of capital allowance guidelines and capacity-building for firm managers. The research gap highlighted is the lack of extensive longitudinal studies linking capital allowances to sustained financial performance in Rwanda’s manufacturing sector, particularly at the firm-specific level.

3. Methodology

This section outlines the research methodology that guided the study on the effect of tax incentives on the financial performance of manufacturing companies, with a focus on Sulfo Rwanda Industries Ltd. The methodology provides a detailed description of the research design, population,

sampling techniques, data collection methods, data analysis procedures, and ethical considerations. It ensures that the study is systematic, valid, and reliable, enabling the researcher to draw meaningful conclusions about the relationship between tax incentives and the performance of manufacturing company.

This study adopted descriptive and explanatory approach. The descriptive enabled the study to summarize the current status of financial performance and utilization of tax incentives, while explanatory aspects examine causal relationships and the strength of the influence of tax incentives on performance metrics such as return on assets, revenue growth, production efficiency, and sales growth. The chosen research design is appropriate for this study because it facilitates systematic measurement and statistical analysis, providing empirical evidence on how different types of tax incentives affect firm-level financial outcomes. It also allowed for the collection of numeric data from primary and secondary sources, ensuring that findings are generalizable to the context of manufacturing companies that operate under similar fiscal policies.

In this study, the population comprises all employees of Sulfo Rwanda Industries Ltd, as they are directly involved in the operational, financial, and strategic functions of the company, making them the most relevant respondents for assessing the effect of tax incentives on financial performance. The total population of the study consists of 142 employees, categorized by their organizational roles to ensure that perspectives across different levels of the company are captured. Table 1 illustrates the distribution of the study population along with a brief description of each category.

Table 1. Target Population of Sulfo Rwanda Industries Ltd

Category	Description	Population
Top managers	Senior executives responsible for strategic decision-making and overall company management.	8
Middle level manager	Managers overseeing departmental operations and implementation of company policies.	19
Supervisor	Personnel supervising daily operational activities and ensuring adherence to company procedures.	7
Other staff	Operational and support staff involved in production, administration, and essential company functions.	108
Total	Represents the full employee population of Sulfo Rwanda Industries Ltd.	142

Source: Sulfo- Rwanda Industries Human Resource report (2024)

The target population for this study consists of 142 employees of Sulfo Rwanda Industries Ltd, including top managers, middle-level managers, supervisors, and other staff. Because this population is relatively small and manageable, the study adopts a census approach, whereby

every member of the target population was included in the study. According to Kothari (2018), a census is appropriate when the population size is sufficiently small to allow data to be collected from all members within the available time and resources.

The adoption of a census approach is justified for several reasons. First, including all 142 employees eliminates sampling error because every member of the population is given an opportunity to participate in the study. Second, a census provides comprehensive information from all organizational levels, thereby capturing diverse perspectives on the effect of capital allowance incentives, tax rate incentives, and tax exemption incentives on performance of Manufacturing Company. Third, collecting data from the entire population improves the accuracy, reliability, and generalizability of the findings within Sulfo Rwanda Industries Ltd, as no information is excluded through sampling. Furthermore, the census approach strengthens the statistical analysis by ensuring complete coverage of the target population, thereby increasing the precision of descriptive statistics, correlation analysis, and multiple regression analysis. It also minimizes selection bias that could arise from choosing only a portion of respondents.

This study relied entirely on primary data to examine the effect of tax incentives on the performance of Sulfo Rwanda Industries Ltd. Primary data refers to information collected directly from the original source for the specific purpose of the research (Kothari, 2019). By using primary data, the study ensured accuracy, relevance, and specificity to the research objectives. Data were collected directly from employees across all organizational levels, including top managers, middle-level managers, supervisors, and operational staff, allowing the researcher to obtain first-hand insights into how tax incentives influence firm-level financial performance. The use of primary data was minimized reliance on secondary sources, which may be outdated or not fully aligned with the study context, thereby enhancing the reliability and validity of the finding.

In conducting the study, the researcher used questionnaire and interview schedule as research instruments: For the purpose of this study, the researcher collected primary data using a self-administered questionnaire. The questionnaire was designed with close-ended questions aligned to the study objectives, ensuring that information on the effect of tax incentives on financial performance was accurately captured. The questionnaire was structured in sections: Section A collected demographic information of respondents; Section B focused on capital allowance incentives and their influence on financial performance; Section C addressed tax rate incentives and financial performance; Section D examined tax exemption incentives and their effect on financial performance; and Section E explored overall financial performance indicators such as ROA, revenue growth, production efficiency, and sales growth. Items were measured using a five-point Likert scale, where 1 = strongly disagree, 2 = disagree, 3 = not sure, 4 = agree, and 5 = strongly agree. The questionnaire was administered to middle-level

managers, supervisors, and other staff. This ensured that data were collected from all relevant organizational levels, providing a comprehensive view of how tax incentives influenced the firm's financial performance.

To complement the data collected through the questionnaire, the researcher conducted unstructured interviews with the top management staff of Sulfo Rwanda Industries Ltd. The interviews focused on obtaining deeper insights into the application and perceived impact of tax incentives on the company's financial performance. This instrument allowed for qualitative clarification of quantitative findings, providing a richer understanding of how incentives such as capital allowances, tax rate reductions, and tax exemptions influence profitability, reinvestment capacity, and operational efficiency. The interviews were administered specifically to top managers, as they possess strategic knowledge and decision-making authority regarding the utilization of tax incentives within the organization.

Ensuring the validity of the data collection instruments were critical to confirming that the tools measure what they are intended to measure. In this study, both content validity and face validity were emphasized. Content validity was established through consultation with a panel of subject matter experts, including university academics in accounting, business management, and finance, as well as professionals from the manufacturing sector with extensive experience in financial management and tax incentive utilization. These experts reviewed the questionnaire to ensure that each item is relevant, comprehensive, and clearly aligned with the study objectives. Their evaluation focused on whether all critical aspects of tax incentives such as capital allowances, tax rate reductions, and tax exemptions and their effects on financial performance was adequately represented and whether the questions logically reflect the constructs they are intended to measure.

In this study, the reliability of the questionnaire and interview schedule was ensured through pilot testing, statistical analysis, and adherence to established reliability principles. Ensuring reliability is critical to guarantee that the results of the study accurately reflect the influence of tax incentives capital allowance, tax rate incentives, and tax exemption incentives on the financial performance of Sulfo Rwanda Industries Ltd. The main principles of reliability that was applied include internal consistency, stability, and equivalence. Internal consistency ensures that items measuring the same construct produce similar responses; in this study, all items related to the independent and dependent variables were evaluated for coherence and consistency. Stability confirms that the instrument yields consistent results over repeated administrations, and a pilot test was conducted to determine if responses remain similar over time under comparable conditions. Equivalence

ensures that different forms or items measuring the same construct provide comparable results; in this study, the questionnaire and interview prompts were aligned to consistently measure tax incentives and financial performance.

The quantitative data collected through structured questionnaires from a sample of 142 Sulfo Rwanda Industries Ltd staff, including top managers, middle-level managers, supervisors, and other staff, were analyzed using the Statistical Package for Social Sciences (SPSS) version 23. Initially, the data underwent cleaning and coding to remove errors, inconsistencies, and incomplete responses. Descriptive statistics were then applied to summarize key demographic characteristics and provide an overview of respondents' perceptions regarding tax incentives and financial performance. Frequencies, percentages, means, and standard deviations were calculated to explore central tendencies and distributions of variables such as capital allowance usage, tax exemption awareness, and perceived impact on return on assets, revenue growth, production efficiency, and sales growth. These statistics offered insights into the general effectiveness and utilization of tax incentives at Sulfo Rwanda Industries Ltd.

Following descriptive analysis, inferential statistics were used to examine the relationships between the independent variables (capital allowance incentives, tax rate incentives, and tax exemption incentives) and the dependent variable (performance of Sulfo Industries Ltd). Pearson's correlation coefficient assessed the strength, direction, and significance of these relationships, helping to determine whether they are positive or negative and whether they are statistically significant at a p-value threshold of less than 0.05.

To further assess the individual and combined impacts of tax incentives on financial performance, multiple regression analysis was conducted. This analysis evaluated the predictive power of each type of tax incentive on financial outcomes while controlling for other independent variables simultaneously. The regression model followed the general linear regression equation adapted for this study:

$$Y = \beta_0 + \beta_1 X_1 + \dots + \varepsilon$$

Where:

Y = Performance of Manufacturing Company (dependent variable)

X_1 = Capital allowance incentives

β_0 = Constant term (intercept)

$\beta_1 \dots \beta_3$ = Coefficients of the independent variables

ε = Error term (representing unmeasured factors)

In addition to quantitative data, qualitative data collected through unstructured interviews with top management was

analyzed thematically. The researcher transcribed the interviews and identified recurring themes, patterns, and insights related to the implementation and perceived impact of tax incentives on performance of manufacturing company. This qualitative analysis complemented the quantitative findings by providing contextual explanations for observed trends, clarifying managerial strategies, and highlighting challenges or opportunities that may not be captured through questionnaires. The integration of both quantitative and qualitative data allowed for a comprehensive understanding of how capital allowances, tax rate reductions, and tax exemptions influence profitability, reinvestment capacity, and operational efficiency at Sulfo Rwanda Industries Ltd.

Ethical considerations were central to the conduct of this study to ensure that the rights, dignity, and well-being of all participants were protected. The researcher obtained informed consent from all respondents after clearly explaining the purpose of the study, the voluntary nature of participation, and their right to withdraw from the study at any stage without any consequences. Confidentiality and anonymity were maintained by coding respondents' identities and securely storing all the data collected. This approach ensured that sensitive information relating to the company's operations and managerial practices was protected and that participants felt comfortable providing honest and accurate responses.

4. Results and Discussion

This section presents, analyzes, and interprets the findings of the study on the effect of tax incentives on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. The analysis is based on data collected from employees of the company using questionnaires and interviews. Quantitative data obtained through questionnaires were analyzed using the Statistical Package for Social Sciences (SPSS) Version 25 and are presented using frequencies, percentages, means, and standard deviations. Inferential statistics, including Pearson correlation and multiple regression analysis, were employed to determine the relationship between tax incentives and performance of Manufacturing Company. Qualitative data collected from interviews with managers were analyzed thematically and used to support and enrich the quantitative findings.

4.1. Findings

4.1.1. Response Rate

The study targeted 142 respondents from Sulfo Rwanda Industries Ltd. Data were collected using questionnaires

and interview schedules. Questionnaires were administered to 134 employees, while 8 managers participated in interviews. Out of the 134 questionnaires distributed, 121

were completed and returned, while all 8 interviews were successfully conducted.

Table 2: Response Rate

Instrument	Administered	Returned	Response Rate (%)
Interview	8	8	100.0
Questionnaire	134	121	90.3
Total	142	129	90.8

Source: Field Data (2026)

The findings in Table 2 indicate that data collection achieved a high response rate. All 8 managers participated in the interviews, resulting in a 100% interview response rate. Among the 134 questionnaires distributed to employees, 121 were returned fully completed, representing a 90.3% questionnaire response rate. Overall, 129 out of the 142 targeted respondents participated in the study, yielding an overall response rate of 90.8%. This response rate is considered sufficiently high to provide reliable information for statistical analysis and to support valid conclusions regarding the effect of tax incentives on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd.

4.1.2 Descriptive Statistics on Capital Allowance Incentives

The objective of the study was to examine the effect of capital allowance incentives on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. Respondents were requested to indicate their level of agreement with statements relating to capital allowance incentives using a five-point Likert scale, where 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), and 5 = Strongly Agree (SA). The findings are presented in Table 3.

Table 3: Descriptive Statistics on Capital Allowance Incentives (N = 121)

Statements	N	M	Std. SD
Capital allowance incentives encourage investment in machinery and equipment.	121	4.42	0.64
Capital allowance incentives support modernization of production facilities.	121	4.39	0.66
Capital allowance incentives reduce the company's taxable income.	121	4.31	0.71
Capital allowance incentives improve the company's cash flow position.	121	4.26	0.69
The company benefits from accelerated depreciation allowances.	121	4.18	0.77
Aggregate Mean and Standard Deviation	121	4.31	0.69

Source: Field Data (2026)

The findings presented in Table 3 indicate that respondents highly agreed that capital allowance incentives encourage investment in machinery and equipment, as reflected by the highest mean score of 4.42 and a standard deviation of 0.64. This finding suggests that respondents strongly believe that capital allowance incentives provide Sulfo Rwanda Industries Ltd. with an opportunity to invest in

productive assets by lowering the effective cost of acquiring industrial machinery and equipment. Such investments enable the company to replace obsolete equipment with modern technologies that improve production efficiency, reduce maintenance costs, and increase production capacity. The relatively low standard deviation indicates that respondents expressed similar

opinions on this statement, demonstrating a high level of consensus regarding the importance of capital allowance incentives in promoting capital investment.

The results further reveal that respondents agreed that capital allowance incentives support the modernization of production facilities, with a mean score of 4.39 and a standard deviation of 0.66. This implies that respondents perceive tax incentives as an important policy instrument that enables the company to continuously improve its production infrastructure through the acquisition of modern equipment and advanced manufacturing technologies. Modern production facilities are associated with improved production processes, reduced operational inefficiencies, and enhanced product quality, all of which contribute to increased customer satisfaction and improved organizational competitiveness. The low variation in respondents' views indicates that employees consistently acknowledge the role of capital allowance incentives in facilitating technological advancement and supporting sustainable growth within Sulfo Rwanda Industries Ltd.

The findings also show that respondents agreed that capital allowance incentives reduce the company's taxable income, as indicated by a mean score of 4.31 and a standard deviation of 0.71. The respondents believe that allowing deductions on qualifying capital expenditures significantly lowers the company's taxable profits, thereby reducing the amount of corporate income tax payable. Consequently, the company is able to retain a greater proportion of its earnings, which can be redirected towards strategic investments, operational improvements, employee development, and business expansion initiatives. The relatively small standard deviation further demonstrates consistency in respondents' opinions, suggesting that employees have a common understanding of the financial benefits associated with capital allowance incentives.

Furthermore, respondents agreed that capital allowance incentives improve the company's cash flow position, with a mean score of 4.26 and a standard deviation of 0.69. This indicates that respondents recognize that lower tax obligations resulting from capital allowance incentives leave the company with additional financial resources to support its day-to-day operations and future investment activities. Improved cash flow enables Sulfo Rwanda Industries Ltd. to finance production processes more efficiently, meet financial obligations on time, purchase raw materials, maintain production equipment, and undertake strategic expansion projects without excessive dependence on external borrowing. The relatively low standard deviation suggests a high level of agreement among respondents that improved liquidity resulting from tax incentives contributes positively to the financial stability and operational sustainability of the organization.

Finally, the findings indicate that respondents agreed that the company benefits from accelerated depreciation allowances, which recorded a mean score of 4.18 and a standard deviation of 0.77. Although this statement recorded the lowest mean score among the five indicators, it still reflects a positive perception regarding the contribution of accelerated depreciation allowances to performance of Manufacturing Company. Accelerated depreciation allows the company to recover the cost of capital assets over a shorter period, thereby reducing taxable income during the early years of investment when financial demands are typically highest. This enables the company to improve its investment capacity, strengthen cash flow management, and encourage continuous replacement of production equipment with more efficient technologies. The slightly higher standard deviation indicates minor differences in respondents' opinions; however, the overall level of agreement demonstrates that accelerated depreciation allowances are viewed as an important component of capital allowance incentives that contributes to improved performance of Manufacturing Company.

Overall, the aggregate mean score of 4.31 and the standard deviation of 0.69 indicate that respondents generally agreed that capital allowance incentives have a positive effect on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. The high aggregate mean demonstrates that employees perceive capital allowance incentives as an effective mechanism for reducing tax liabilities, encouraging investment in productive assets, improving liquidity, and supporting modernization of production facilities. The relatively low standard deviation further indicates that respondents shared similar perceptions regarding these benefits. Therefore, the findings suggest that effective utilization of capital allowance incentives contributes significantly to improved financial performance, enhanced operational efficiency, increased competitiveness, and the long-term sustainability of Sulfo Rwanda Industries Ltd.

To complement the quantitative findings, interviews were conducted with the eight managers of Sulfo Rwanda Industries Ltd. The interviews sought to obtain in-depth information regarding the extent to which capital allowance incentives influence performance of Manufacturing Company. The managers generally agreed that capital allowance incentives have significantly contributed to improving the company's investment decisions, production efficiency, and financial performance. They emphasized that these incentives reduce the financial burden associated with acquiring capital assets, thereby encouraging continuous investment in modern production equipment and technology.

One of the interviewees explained:

"Capital allowance incentives have enabled the company to invest in modern machinery by reducing the amount of taxable income. This has made it easier for the organization to expand production capacity while maintaining financial stability."

The above response indicates that capital allowance incentives encourage capital investment by lowering the effective cost of acquiring production assets. According to the respondent, the tax savings realized through capital allowances provide additional financial resources that can be reinvested into purchasing new machinery, expanding production facilities, and improving operational efficiency. Consequently, the company has been able to increase production capacity while maintaining a healthy financial position.

Another interviewee noted:

"The availability of capital allowance incentives has improved our cash flow because less money is paid as tax during the investment period. This enables the company to finance production activities and other strategic projects without relying heavily on external borrowing."

This response demonstrates that capital allowance incentives contribute to improved liquidity by reducing immediate tax obligations. Improved cash flow enables the organization to finance operational activities, procure raw materials, undertake maintenance of production equipment, and invest in expansion projects. The managers further indicated that stronger cash flow has reduced dependence on expensive external financing, thereby lowering financing costs and improving the company's overall financial performance.

A third interview participant observed:

"Modern manufacturing requires continuous replacement of outdated equipment. Capital allowance incentives have encouraged the company to modernize production facilities, resulting in higher productivity, improved product quality, and increased competitiveness in both local and regional markets."

The above findings suggest that capital allowance incentives have played an important role in facilitating technological advancement within Sulfo Rwanda Industries Ltd. By encouraging investment in modern

equipment and production technologies, the company has improved operational efficiency, enhanced product quality, reduced production downtime, and strengthened its competitive position in the manufacturing industry. These qualitative findings therefore support the quantitative results, which demonstrated high levels of agreement regarding the positive contribution of capital allowance incentives to performance of Manufacturing Company.

The quantitative and qualitative findings consistently demonstrate that capital allowance incentives positively influence the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. The high aggregate mean score of 4.31 indicates that respondents generally agreed that capital allowance incentives encourage investment in machinery and equipment, reduce taxable income, improve cash flow, facilitate accelerated depreciation, and support the modernization of production facilities. These findings suggest that capital allowance incentives provide manufacturing firms with financial flexibility that enables them to invest in productive assets, improve operational efficiency, and strengthen long-term performance of Manufacturing Company.

The findings of this study revealed that capital allowance incentives have a positive effect on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. Respondents agreed that capital allowance incentives reduce taxable income, encourage investment in machinery and equipment, support accelerated depreciation, improve cash flow, and facilitate the modernization of production facilities. These findings are consistent with those of Mugabo and Uwizeyimana (2023), who found that capital allowance incentives significantly enhanced profitability and investment among manufacturing firms in Rwanda by reducing the effective cost of acquiring productive assets. Similarly, Kato and Nkurunziza (2022) established that capital allowance incentives improved production efficiency and competitiveness by encouraging firms to invest in modern technology and production equipment. The similarity between the present findings and these empirical studies demonstrates that capital allowance incentives play an important role in improving investment decisions, operational efficiency, and overall performance of Manufacturing Company of manufacturing firm

The findings are also supported by the Accelerator Theory of Investment, which was adopted as one of the guiding theories of this study. The theory explains that firms increase investment in capital assets when favorable economic conditions and investment incentives exist. Capital allowance incentives reduce the effective cost of acquiring machinery and production equipment, enabling organizations to invest in productive assets that enhance efficiency and increase output. In the context of Sulfo

Rwanda Industries Ltd., the findings demonstrate that capital allowance incentives have encouraged investment in modern production facilities, strengthened financial capacity, and improved performance of Manufacturing Company. Therefore, the findings support the applicability of the Accelerator Theory of Investment in explaining how capital allowance incentives contribute to improved performance among manufacturing firms.

4.1.4 Correlation Analysis

This section presents the results of the Pearson Product Moment Correlation analysis conducted to determine the

relationship between tax incentives and the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. Specifically, the analysis examined the relationships between the independent variables, namely capital allowance incentives and the dependent variable, performance of Manufacturing Company. Pearson correlation analysis was considered appropriate because it measures the strength and direction of the linear relationship between variables. The correlation coefficient (r) ranges from -1 to +1, where values close to +1 indicate a strong positive relationship, values close to -1 indicate a strong negative relationship, and values close to 0 indicate little or no relationship. The results are presented in Table 4.

Table 4: Pearson Correlation Analysis between Tax Incentives and Performance of Manufacturing Company

		Capital allowance incentives	Performance of Manufacturing Company
Capital allowance incentives	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	121	
Performance of Manufacturing Company	Pearson Correlation	.801**	1
	Sig. (2-tailed)	.000	
	N	121	121

Source: Field data, 2026

Table 4 presents the Pearson correlation analysis between capital allowance incentives and the performance of Sulfo Rwanda Industries Ltd. The results indicate a strong positive relationship between capital allowance incentives and company performance, as shown by a correlation coefficient of $r = .801$. The relationship was statistically significant at the 0.01 level ($p = .000 < .01$), based on 121 respondents. This finding implies that improvements in capital allowance incentives are associated with improvements in company performance, suggesting that capital allowances may support performance through reduced taxable income, improved cash flow, investment in machinery and equipment, and modernization of production facilities.

4.1.5 Regression Analysis

Single regression analysis was conducted to determine the combined effect of capital allowance incentives on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. Unlike correlation analysis, which only establishes the strength and direction of the relationship between variables, single regression analysis determines the extent to which each independent variable contributes to changes in the dependent variable while controlling for the effects of the other predictor variables. The regression results are presented using the Model Summary, Analysis of Variance (ANOVA), and Regression Coefficients tables. The results are presented in the following tables.

Table 5. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857 ^a	.734	.728	.17810

a. Predictors: (Constant), Capital Allowance Incentives

The findings presented in Table 5 indicate that the regression model produced a multiple correlation coefficient (R) of 0.857, demonstrating a strong positive

relationship between Capital Allowance Incentives and the performance of Manufacturing Company of Sulfo Rwanda

Industries Ltd. The coefficient of determination (R Square) of 0.734 indicates that 73.4% of the variation in performance of Manufacturing Company is jointly explained by capital allowance incentives, tax rate incentives, and tax exemption incentives, while the remaining 26.6% is explained by other factors not included

in the regression model. Overall, these findings demonstrate that the regression model is statistically adequate and that tax incentives are important determinants of the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd

Table 6. Coefficients Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.853	.176		4.846	.000
	X1	.285	.076	.354	3.733	.000

a. Dependent Variable: Performance of Manufacturing Company (Y)

Key: Capital Allowance Incentives (X1)

The findings presented in Table 6 indicate that all the independent variables have positive and statistically significant effects on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. The regression results show that capital allowance incentives recorded an unstandardized coefficient of $B = 0.285$, a standardized coefficient of $\beta = 0.354$, a t-value of 3.733, and a significance value of 0.000. This indicates that a one-unit increase in capital allowance incentives would increase performance of Manufacturing Company by 0.285 units, holding the other variables constant. Since the significance value is less than 0.05, capital allowance incentives have a statistically significant positive effect on performance of Manufacturing Company. Overall, the regression analysis demonstrates that capital allowance incentives have positive and statistically significant effects on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd., since their p-values are all less than 0.05.

4.2 Discussion of Findings

This section discusses the findings of the study in relation to the specific objectives, empirical studies reviewed in Chapter Two, and the theories underpinning the study. The discussion focuses on the effect of capital allowance incentives, tax rate incentives, and tax exemption incentives on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. The purpose is to establish whether the findings are consistent with previous studies and the theoretical framework adopted in this research.

4.2.1 Capital Allowance Incentives and Performance of Manufacturing Company

The objective of the study sought to examine the effect of capital allowance incentives on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. The descriptive findings showed that respondents agreed that capital allowance incentives reduce taxable income, encourage investment in machinery and equipment, improve cash flow, support accelerated depreciation, and facilitate the modernization of production facilities. Correlation analysis further revealed a strong positive relationship between capital allowance incentives and performance of Manufacturing Company, while the regression analysis established that capital allowance incentives have a positive and statistically significant effect on performance of Manufacturing Company. These findings indicate that improvements in capital allowance incentives significantly contribute to enhanced performance of Manufacturing Company through increased investment, operational efficiency, and profitability.

The findings are consistent with the empirical studies reviewed in Chapter Two. Zeng et al. (2020) found that capital allowance incentives stimulate investment in productive assets and improve firm productivity by lowering the effective cost of capital investment. Likewise, Mohan and Ali (2021) reported that manufacturing firms benefiting from capital allowance incentives experience higher profitability and improved operational efficiency because the incentives encourage investment in modern technology and productive equipment. The consistency between the present findings and previous empirical studies suggests that capital allowance incentives are an effective fiscal policy instrument for promoting business growth and improving performance of Manufacturing Company.

The findings are further supported by the Accelerator Theory of Investment, which explains that firms increase investment when favourable economic conditions and investment incentives exist. The theory suggests that tax incentives such as capital allowances reduce investment costs, encourage firms to acquire productive assets, expand production capacity, and improve organizational efficiency. The positive and significant effect observed in this study therefore confirms the proposition of the theory that investment incentives stimulate business expansion and contribute to improved performance of Manufacturing Company.

5. Conclusion and Recommendations

5.1. Conclusion

The study concludes that capital allowance incentives have a positive and statistically significant effect on the performance of Manufacturing Company of Sulfo Rwanda Industries Ltd. The findings revealed that capital allowance incentives reduce taxable income, encourage investment in machinery and equipment, improve cash flow, support accelerated depreciation, and facilitate the modernization of production facilities. The regression analysis confirmed that capital allowance incentives significantly contribute to performance of Manufacturing Company. The study therefore concludes that strengthening capital allowance policies encourages investment in productive assets, enhances operational efficiency, and ultimately improves the performance of manufacturing firms.

5.2. Recommendations

Based on the findings of the study, the following recommendations are made:

1. Sulfo Rwanda Industries Ltd should maximize the utilization of capital allowance incentives by incorporating available tax benefits into its investment planning. The company should prioritize eligible investments in modern machinery and equipment to improve production capacity, operational efficiency, and overall performance.
2. Management of Sulfo Rwanda Industries Ltd should strengthen financial and tax planning to ensure that capital allowance benefits are properly identified, calculated, and claimed. This will help the company reduce taxable income, improve cash flow, and increase the resources available for reinvestment in productive activities.
3. The Government of Rwanda and relevant tax authorities should continue strengthening capital

allowance policies and guidance by providing clear information and support to manufacturing companies. This would improve awareness and utilization of capital allowances and encourage continued investment, modernization, and sustainable growth in the manufacturing sector

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