

A Theoretical Framework for Post-Conflict Business Development

Diagnosing Systemic Challenges in Rwanda (2000–2026)

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ABSTRACT

The post-conflict economic landscape presents unique, systemic challenges for enterprise development that transcend conventional business theory. Rwanda's rapid yet uneven growth trajectory offers a critical case for examining the persistent structural and behavioural barriers facing firms in such environments. This article constructs a novel diagnostic framework to identify and analyse the interconnected systemic challenges inhibiting sustainable business development in post-conflict economies. It aims to move beyond generic growth models to specify the mechanisms of constraint. The framework is developed through a synthesis of institutional economics, behavioural finance, and conflict studies literature. It employs a systems-thinking approach to model the recursive relationships between formal institutions, informal norms, entrepreneurial psychology, and capital market imperfections. The framework identifies a self-reinforcing 'vicious cycle' where risk aversion in formal lending, partly driven by collateral deficiencies, exacerbates reliance on informal finance, which in turn limits firm scalability. A central theme is the critical misalignment between institutional reforms and deeply embedded behavioural legacies of conflict. Sustainable business development in post-conflict settings is fundamentally constrained by systemic interdependencies, not isolated factors. The proposed framework provides a necessary diagnostic tool for policymakers and scholars to pinpoint leverage points for intervention. Interventions should be systemic and simultaneous, targeting the alignment of financial institutions with behavioural realities. Policy must address the psychological legacies of conflict, such as truncated planning horizons, as diligently as legal and regulatory frameworks. post-conflict economies, systemic risk, behavioural finance, institutional voids, entrepreneurial psychology, diagnostic framework This paper provides the first integrated theoretical framework that explicitly links the behavioural finance of entrepreneurs with the institutional evolution of capital markets in a post-conflict context, offering a novel diagnostic mechanism for policymakers.

Keywords: *Post-conflict reconstruction, Institutional theory, African entrepreneurship, Systemic barriers, Business environment, Rwanda*

Article Highlights

- Identifies a self-reinforcing 'vicious cycle' linking formal lending risk aversion to informal finance reliance.
- Proposes a diagnostic tool to pinpoint leverage points for systemic, simultaneous policy intervention.
- Highlights the critical misalignment between institutional reforms and embedded behavioural legacies.

Core Diagnostic Insight

The framework reveals that interventions must target the alignment of financial institutions with behavioural realities as diligently as legal reforms.

This framework moves beyond generic growth models to specify the mechanisms of constraint.

<ul style="list-style-type: none">• Models recursive relationships between formal institutions, informal norms, and entrepreneurial psychology.	
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