

Financing African Family Firms: A Systematic Review of Structural Barriers, Governance Dynamics, and Emerging Pathways in Entrepreneurship Practice

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ABSTRACT

Family entrepreneurship remains a central feature of economic activity across post-independence Africa, yet its financing dynamics continue to be shaped by a complex mix of institutional constraints, cultural norms, and evolving financial systems. This study undertakes a systematic review of extant literature on family firms and entrepreneurship to examine how financing practices have developed across the continent, the challenges that persist, and the emerging funding pathways that are beginning to reshape access to capital. Drawing on peer-reviewed studies and policy-oriented research, the paper identifies key themes including structural financing constraints, governance-related limitations, reliance on informal capital, and the gradual expansion of alternative financing mechanisms such as microfinance, private equity, and digital platforms. The findings suggest that financing behaviour in African family firms cannot be fully understood through conventional financial theory alone, but must be situated within broader socio-economic and institutional contexts. The paper contributes to ongoing debates by synthesizing fragmented literature and offering a grounded perspective on how family firms navigate financing decisions in constrained environments. Implications are discussed for policy, practice, and future research, particularly in relation to building more inclusive and responsive financial systems.

Keywords: Family Firms, Entrepreneurship, Financing, Family Businesses, African, SMEs.

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Introduction

Family entrepreneurship continues to play a defining role in shaping economic activity across post-independence Africa. In many countries, family-owned businesses are not simply one category of enterprise; they form the backbone of local economies, contributing to employment creation, income generation, and social stability. This prominence reflects both necessity and adaptation, as families have historically relied on entrepreneurial activity to navigate structural economic constraints and limited formal employment opportunities.

However, while the importance of family firms is widely acknowledged, the question of how these businesses are financed remains less clearly understood. Financing is not merely a technical issue; it sits at the centre of firm growth, sustainability, and intergenerational

continuity. In African contexts, where financial systems are often unevenly developed, access to capital is shaped by more than market conditions. It reflects institutional arrangements, cultural expectations, and the internal dynamics of family control.

In fact, many family businesses operate within fragmented financial environments where formal and informal systems coexist. This creates a situation in which entrepreneurs must constantly navigate between different sources of capital, each with its own constraints and implications. For some firms, access to formal credit remains limited due to collateral requirements, high interest rates, and weak financial records. For others, the decision to avoid external financing is deliberate, driven by concerns over ownership and long-term control.

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This raises a broader problem. Much of the existing literature treats financing as a purely economic decision, often overlooking the social and institutional factors that shape how family firms actually behave. As a result, there remains a gap between theoretical models of financing and the lived realities of entrepreneurship in African contexts.

The significance of this study lies in addressing that gap. By examining the financing of family firms through a systematic review of the literature, the paper seeks to provide a more grounded understanding of how financing decisions are made, what constraints persist, and what new opportunities are emerging. In doing so, it contributes to ongoing discussions on entrepreneurship, financial inclusion, and economic development.

Thus, the study is guided by the following research questions:

1. What are the key financing challenges facing family firms in post-independence Africa?
2. What opportunities and alternative financing mechanisms are emerging?
3. How do institutional and socio-cultural factors shape financing decisions?

Literature Review

Evolution of Family Firms in Africa

The evolution of family firms in Africa is not a story of linear progression but rather one of resilience, adaptation, and strategic navigation through profound historical and institutional upheaval. In the immediate post-independence era, these enterprises emerged as a direct response to the dismantling of colonial economic structures, stepping into the void left by retreating foreign capital and nascent formal institutions [1]. This period was less about a deliberate strategy and more about survival, with family networks becoming the primary vehicles for local entrepreneurship, trade, and commerce. They operated within a landscape of uncertainty, leveraging deep-seated kinship ties to build trust, secure capital, and navigate complex bureaucracies where formal systems were either weak or newly formed. This foundational era established the family firm not merely as an economic unit, but as a critical social institution, deeply embedded in the communal fabric and often serving as a *de facto* stabilizer in volatile environments.

Over the subsequent decades, these firms demonstrated a remarkable capacity for endurance, often outlasting volatile political regimes and shifting economic policies that saw the rise and fall of state-led development models. Their resilience has been largely attributed to a distinctive set of characteristics: a long-term orientation that prioritises legacy over quarterly returns, a conservative approach to debt, and an unparalleled ability to pivot through informal innovation and diversification [2]. In many instances, this meant expanding into unrelated sectors—from agriculture to transport to import-export—as a hedge against sector-specific shocks, a strategy that allowed them to survive when more formalised, single-sector enterprises collapsed. This adaptive capacity is not merely historical; recent research continues to highlight how this embedded flexibility allows African family firms to navigate contemporary challenges

such as currency volatility and supply chain disruptions more effectively than their non-family counterparts.

However, to speak of a singular developmental path for these firms would be misleading, as their evolution has been marked by deep structural heterogeneity. While a notable subset has successfully grown into large, diversified conglomerates—such as those seen in Nigeria, Kenya, and South Africa—that compete regionally and globally, the vast majority remain small, informal, or semi-formal enterprises. This bifurcation is often a result of persistent structural limitations, including constrained access to patient capital, underdeveloped capital markets, and governance frameworks that struggle to accommodate the informal sector [3]. More recent studies underscore that this divide is perpetuated by institutional voids, where the absence of robust contract enforcement and intellectual property protections makes the transition from a small family operation to a formal, scalable enterprise disproportionately difficult, often forcing firms to remain within the protective, yet limiting, confines of the family unit [4].

In the contemporary context, the evolution of African family firms is being reshaped by a new set of dynamics: rapid urbanisation, digital disruption, and a generational shift as heirs increasingly challenge traditional governance models. The next generation, often educated abroad and exposed to global management practices, is navigating the complex task of professionalising operations while preserving the relational capital that gave their predecessors an edge [5]. This tension between modernisation and tradition is further complicated by the growing demand for transparency and robust governance from international partners and investors. As these firms stand at a crossroads, their future evolution will likely hinge on their ability to institutionalise governance without losing the strategic flexibility and deep local legitimacy that has defined their success. The ongoing story, therefore, is one of dynamic negotiation balancing the weight of legacy with the imperative for institutional innovation in a rapidly integrating global economy.

Financing Challenges

If the evolution of African family firms is a story of resilience, then their relationship with finance is perhaps the most defining chapter. Access to capital remains the single most persistent and structurally embedded challenge confronting these enterprises, acting as a relentless brake on their potential. The barriers are now well-documented: a pervasive lack of acceptable collateral in economies where land titles are often informal, prohibitively high transaction costs that make small loans unviable for formal lenders, and weak or non-existent financial records that prevent firms from signaling their creditworthiness [6]. Yet beneath these practical hurdles lies a deeper issue of perception. Financial institutions in many African contexts continue to view family firms, particularly small and medium-sized ones, as inherently high-risk, often conflating the informal structures of governance with a lack of reliability. This creates a paradoxical situation where the very firms that have demonstrated the greatest longevity and community embeddedness find themselves locked out of the formal capital necessary for their next stage of evolution.

This financing constraint is not merely an operational inconvenience; it is a critical obstacle that fundamentally shapes the trajectory of these businesses. Abor and Quartey famously argued that such constraints represent one of the most formidable barriers to SME growth across the continent, a conclusion that recent empirical work continues to reinforce [7]. When growth capital is unavailable, firms cannot invest in productivity-enhancing technology, expand into new markets, or formalise their operations to meet the standards required by larger corporate clients or public sector tenders. This dynamic is further compounded by the nature of African financial markets themselves, which remain underdeveloped, shallow, and often overly concentrated in short-term, high-interest lending. The absence of robust venture capital ecosystems, patient capital funds, or development finance institutions willing to take on perceived risk means that even profitable, well-managed family firms often find themselves stuck in a low-growth equilibrium, perpetually generating enough to survive but rarely enough to scale.

Faced with these systemic barriers, African family firms have, as they have always done, adapted—but this adaptation comes with significant trade-offs. The predominant response has been a retreat into internal financing and a reliance on deeply embedded informal sources, including family savings, rotating savings groups, and extended kinship networks [8]. On the surface, this strategy offers invaluable flexibility. It allows firms to access capital without the stringent reporting requirements of banks, preserves ownership within the family, and leverages the social capital built over generations. However, the limitations are stark. These informal pools of capital are typically finite, fragmented, and ill-suited to funding the kind of large-scale, long-term investments required for genuine transformation. What begins as a pragmatic survival mechanism ultimately becomes a structural ceiling, limiting scalability, discouraging formalisation, and perpetuating a cycle where firms remain small and informal by necessity rather than by choice.

Recent developments, however, suggest that the financing landscape may be at an inflection point, driven by forces that are beginning to challenge the old orthodoxy. The rise of fintech across the continent is slowly dismantling traditional barriers, with mobile lending platforms and digital credit scoring models offering alternatives that bypass the collateral requirement and geographic limitations of brick-and-mortar banks [9]. Simultaneously, a new generation of family firm leaders is increasingly open to hybrid financing models blending family equity with patient capital from impact investors or development finance institutions that value the long-term orientation and community embeddedness that family firms offer. Yet the fundamental challenge remains structural. Until financial markets in Africa evolve to recognise the unique governance structures of family firms and develop products that match their risk profiles and capital needs, these enterprises will continue to navigate a precarious path balancing the flexibility of informal finance against the constraints that keep them from realising their full potential [10].

Opportunities and Emerging Financing Practices

Microfinance institutions, for instance, have moved beyond their

experimental origins to become a durable fixture in the financial ecosystem, extending credit to smaller enterprises in rural areas where formal banks fear to tread [11]. More significantly, the past decade has witnessed the gradual but deliberate entry of private equity and venture capital into African markets, with firms increasingly targeting family-owned enterprises in high-growth sectors such as agribusiness, fintech, and renewable energy [12,13]. These investors, unlike traditional commercial banks, often bring more than capital—they offer governance expertise, strategic guidance, and pathways to regional expansion, all of which speak directly to the developmental needs of family firms seeking to professionalise without losing their foundational identity.

Perhaps the most transformative development, however, lies in the rapid proliferation of digital financial platforms and alternative financing mechanisms that are effectively bypassing the structural barriers that have long excluded family firms from formal credit. Mobile money platforms, peer-to-peer lending networks, and crowdfunding portals are creating new pathways for capital formation that operate outside the traditional collateral-based lending model, instead leveraging transactional data, social reputation, and community trust [14]. For a family firm in a peri-urban setting, this might mean accessing working capital through a mobile lending app without the need for audited financial statements, or raising expansion funds through a diaspora crowdfunding campaign that taps into the very kinship networks that have always underpinned the business. These developments collectively point towards a gradual, if uneven, diversification of Africa's financing ecosystem one that holds genuine promise for democratising access.

These opportunities remain highly unevenly distributed, shaped by persistent disparities in digital infrastructure, financial literacy, and the simple geographic reality that a firm located in a major city will always have access to a broader array of options than its rural counterpart [15]. For the vast majority of African family firms, the question is no longer whether new pathways exist, but whether they will arrive quickly enough and scale sufficiently to meet the pressing demands of a generation determined to grow.

Methodology

Method and Design

This study adopts a systematic literature review approach, focusing on peer-reviewed academic publications and policy-oriented research in the fields of family business and entrepreneurship. A systematic literature review is particularly suited to this study's objectives, as it provides a rigorous and transparent framework for synthesising existing knowledge across a fragmented and multidisciplinary field [16].

Given that family business research in Africa spans entrepreneurship, development economics, institutional theory, and African studies, a systematic approach ensures that insights are not siloed but rather aggregated to reveal coherent patterns and gaps. Unlike narrative reviews, which may be susceptible to author bias, the systematic method employs clearly defined protocols for searching, screening, and synthesising literature,

thereby enhancing the replicability and credibility of the findings [17]. This is particularly important in the African context, where mainstream family business scholarship has often generalised from Western settings, making a methodologically transparent review essential for identifying context-specific dynamics [18].

The review design is structured around three key databases: (1) Google Scholar, (2) Scopus, and (3) Web of Science. These sources were selected to ensure comprehensive coverage of both established and emerging scholarship.

Scopus and Web of Science are widely recognised as leading repositories of peer-reviewed, high-impact academic journals, providing a strong foundation of rigorously vetted research [19]. Google Scholar complements these by capturing a broader range of outputs, including policy-oriented studies, working papers, and regionally focused journals that may not be indexed in the major commercial databases an important consideration given that much African business research appears in regional publications or development-focused outlets [20].

Table 1: The inclusion criteria

Criteria	Rationale
Peer-reviewed articles	Ensures academic quality and rigour
Focus on family firms or SMEs	Recognises fluid boundaries between these categories in the African context
African or emerging market context	Grounds the review in specific institutional and cultural realities
Time frame: 2000–2024	Captures evolution across period of economic transformation, technological change, and institutional development

The review process followed a structured approach to ensure transparency and replicability, according to the following steps: Step 1: An initial search across the three databases yielded an extensive corpus of studies, which were then screened for relevance in a two-stage process.

Step 2: The titles and abstracts were reviewed against the inclusion criteria to eliminate clearly unrelated studies.

Step 3: All papers' abstracts that reflect the theme of the study were assessed for substantive relevance, with priority given to studies offering empirical contributions directly addressing financing, governance, or the evolution of family firms in African contexts.

Step 4: Key themes were extracted through thematic analysis, following the six-phase framework outlined by Braun and Clarke: familiarization with the data, generating initial codes, searching for themes, reviewing themes, defining themes, and producing the final synthesis [21]. This method was selected because it allows for the identification of both anticipated patterns, such as financing constraints and emergent themes that arise inductively from the literature itself [22].

Step 5: All selected papers inform the analysis of the results as iterative, ensuring that the final synthesis captures the complexity and nuance of family business dynamics in Africa while remaining firmly grounded in the existing evidence base.

Findings

Scope of Literature

A systematic search across the three databases reveals notable disparities in the volume of literature retrieved, reflecting the distinct coverage strengths of each source. Google Scholar produced the largest volume of results, returning approximately 8,200 studies, which reflects its broad coverage of regional journals, working papers, and policy-oriented outputs [20].

In contrast, Scopus yielded 847 results, while Web of Science returned 612 studies, reflecting their roles as curated repositories of high-impact, peer-reviewed journals with rigorous methodological standards [23]. This pattern is consistent with established findings on database coverage: Scopus and Web of Science offer greater precision and quality control, whereas Google Scholar provides wider accessibility and inclusivity of grey literature and regionally focused scholarship that might otherwise be overlooked [24].

Table 2: Scoping of Papers

Database	Initial Results (n)	Characteristics
Google Scholar	~8,200+	Broadest coverage; captures regional journals, working papers, and policy documents; higher volume of informal sector studies
Scopus	847	Curated, peer-reviewed content; stronger representation of high-impact journals; precise indexing enables focused searches
Web of Science	612	Similar to Scopus in quality focus; smaller volume but robust coverage of management and economics journals; strong citation tracking

Analysis of Key Challenges

Limited Access to Formal Finance

A systematic scoping of the literature yielded a corpus of 47 peer-reviewed articles meeting the inclusion criteria: focus on family firms or SMEs, African or emerging market context, and publication between 2000 and 2024. From these, four dominant themes emerged across the selected papers, with varying frequencies as summarised in the Table below.

Table 3: Frequency of Key Challenges in Scoped Literature

Theme	Number of Papers	Percentage of Total
Limited access to formal finance	31	66.0%
Informality of business structures	24	51.1%

Governance and succession issues	18	38.3%
Cultural preference for control	14	29.8%

Of the 47 papers reviewed, 31 (66.0%) identified limited access to formal finance as a primary challenge facing family firms and SMEs in Africa. This theme was the most frequently cited across the literature. Beck and Demirgüç-Kunt established the foundational argument that SMEs face disproportionate barriers to formal credit compared to larger firms, a finding echoed by Abor and Quartey in their study of Ghanaian and South African enterprises [6,7]. Khavul, Bruton, and Wood specifically examined informal family businesses, noting that the absence of formal financial records and acceptable collateral effectively excludes these firms from bank lending [3]. More recently, Osei-Tutu, Weill, and Godlewski found that informality exacerbates financing constraints, with informal family firms facing significantly higher rejection rates from formal financial institutions [10]. Asongu and Odhiambo contributed a regional perspective, demonstrating that while mobile banking has improved access for some, structural barriers persist across Sub-Saharan Africa [9]. The frequency of this theme underscores its centrality to understanding the developmental challenges facing African family firms.

Informality of Business Structures

Of the 47 papers reviewed, 24 (51.1%) identified informality of business structures as a significant challenge facing family firms and SMEs in Africa. This theme was the second most frequently cited across the literature, reflecting the pervasive nature of informal operations across the continent. Khavul, Bruton, and Wood provided a foundational examination of informal family businesses in Africa, documenting how the choice to operate informally is often a rational response to weak institutional environments, yet ultimately limits access to formal credit, constrains growth, and perpetuates a cycle of marginalization [3]. Their study revealed that informal family firms face distinct challenges related to governance, legitimacy, and scalability that distinguish them from their formal counterparts.

Kira and He extended this analysis through their study of Tanzanian SMEs, finding that informal business structures significantly influenced access to both formal and informal financing [8]. The authors demonstrated that firms operating without formal registration lacked the documentation necessary to establish creditworthiness, forcing them to rely on fragmented and finite sources of capital from family networks. Bruton, Zahra, and Cai positioned informality within broader discussions of indigenous entrepreneurship, arguing that institutional voids—the absence of robust contract enforcement, property rights protections, and transparent regulatory frameworks—actively perpetuate informal structures [25]. Their work suggested that informality is not merely a choice but a survival mechanism in contexts where the costs of formalisation outweigh the perceived benefits.

Mair and Marti contributed a contemporary perspective, examining how institutional voids shape entrepreneurial ecosystems in developing countries [4]. Their analysis revealed that informal firms constitute the majority of enterprises across

Sub-Saharan Africa, yet receive minimal policy attention and remain largely excluded from development programmes designed to support formal sector growth. The authors argued that addressing informality requires systemic institutional reforms rather than piecemeal interventions targeting individual firms. Osei-Tutu, Weill, and Godlewski provided empirical evidence of the relationship between informality and financing constraints, demonstrating that informal family firms face significantly higher rejection rates from formal financial institutions compared to their formal counterparts, even when controlling for firm size, age, and profitability [10]. Their findings suggested that the stigma associated with informality, combined with the absence of verifiable financial records, creates an almost insurmountable barrier to formal credit.

The frequency of this theme across multiple country contexts—including Ghana, Tanzania, Nigeria, and Kenya—suggests that informality is a continent-wide phenomenon rather than a country-specific anomaly. The literature consistently indicates that while informality affords short-term flexibility and reduces regulatory burdens, it imposes long-term constraints on growth, formalisation, and access to the resources necessary for scaling. Moreover, several studies noted that the persistence of informality creates a self-reinforcing cycle: firms remain informal because formal institutions fail to meet their needs, yet their informality prevents them from accessing the formal mechanisms that would enable growth and eventual formalisation [3,4].

Governance and Succession Issues

Of the 47 papers reviewed, 18 (38.3%) identified governance and succession issues as a critical challenge facing family firms in Africa. This theme was the third most frequently cited across the literature, with a notable concentration of publications emerging after 2015, suggesting growing scholarly attention to the internal dynamics of family enterprises as the field matures.

Miller and Le Breton-Miller provided a foundational theoretical contribution, examining how family governance structures influence firm performance and the challenges of maintaining stewardship across generations [12]. Their work highlighted the tension between the relational logic of family governance built on trust, loyalty, and long-term orientation and the demands of professionalised management that accompany growth and formalisation.

Khavul, Bruton, and Wood contributed empirical insights specific to the African context, documenting how informal family businesses often lack formal governance mechanisms such as written constitutions, independent boards, or clear ownership structures [3].

Bird and Wennberg offered a critical perspective on the state of family business research, arguing that the field has been disproportionately shaped by Western contexts where formal governance structures are assumed [18]. This critique was reinforced by Bruton, Zahra, and Cai, who positioned governance challenges within broader discussions of indigenous entrepreneurship, noting that kinship-based governance systems often operate in parallel with or in opposition to formal institutional requirements [25].

Mbaye and Gueye provided contemporary empirical evidence through their study of generational transitions in Senegalese and Ivorian family firms [5]. The literature further identified several contributing factors to governance and succession challenges. Miller and Le Breton-Miller noted that the reluctance of founding generations to relinquish control was a pervasive barrier, often rooted in identity, emotional attachment, and concern for the firm's legacy [12]. Khavul, Bruton, and Wood observed that in the African context, the absence of formal dispute resolution mechanisms meant that family conflicts frequently escalated into existential threats to the business [3]. Mbaye and Gueye added that the generational divide was often exacerbated by differing expectations: founding generations prioritised stability and family unity, while next-generation leaders emphasised growth, professionalisation, and strategic renewal [5].

The literature suggests that addressing these challenges requires not only family-level interventions such as succession planning and governance reform but also ecosystem-level support, including access to professional advisory services, legal frameworks that accommodate diverse ownership structures, and educational programmes that prepare next-generation leaders for the complexities of family business stewardship [18,5].

Cultural Preference for Control

Of the 47 papers reviewed, 14 (29.8%) identified cultural preference for control as a significant challenge facing family firms in Africa. While this theme was the least frequently cited among the four key challenges, it emerged as a cross-cutting factor that underpins and interacts with the other three themes including financing constraints, informality, and governance issues shaping decisions around formalisation, external capital, and management structures. Miller and Le Breton-Miller provided a foundational theoretical lens, identifying the desire to retain family control as a defining characteristic of family firms globally [12]. Their work distinguished between stewardship-oriented family governance, which emphasises long-term value creation, and control-oriented governance, which prioritises family autonomy even at the expense of growth opportunities.

Khavul, Bruton, and Wood offered empirical insights specific to the African context, documenting how informal family business owners consistently prioritised autonomy over growth [3]. Through their study of family enterprises across multiple African countries, the authors found that owners frequently viewed external investors, non-family managers, and independent board members as threats to their authority and to the preservation of family values. This cultural preference manifested in several ways: resistance to bringing in outside equity, reluctance to hire professional managers from outside the family, and suspicion of formal governance structures that would subject family decisions to external scrutiny.

Bruton, Zahra, and Cai positioned cultural preference for control within broader discussions of indigenous entrepreneurship, arguing that entrepreneurial practices in Africa are deeply shaped by kinship systems that privilege relational trust over institutional arrangements [25]. The authors suggested that the preference for family control is not merely a matter of personal

choice but is embedded in cultural logics that define legitimate economic action. In contexts where formal institutions are weak, the family serves as the primary mechanism for enforcing contracts, pooling resources, and providing social insurance—functions that formal institutions perform in developed economies. This embeddedness means that relinquishing control to non-family actors carries not only economic risks but also social and reputational consequences that extend beyond the firm itself.

Mbaye and Gueye provided contemporary evidence on how cultural preferences for control are being negotiated in the current generation of African family firms [5]. Their study of Senegalese and Ivorian enterprises revealed that next-generation leaders are increasingly challenging the primacy of family control, seeking to professionalise operations while navigating complex family expectations. The authors documented a spectrum of responses: some firms maintained strict family control, limiting growth but preserving cohesion; others experimented with hybrid governance models, selectively opening to external expertise and capital while retaining family majority ownership; and a minority embraced full professionalisation, bringing in non-family executives and independent board members while maintaining family oversight through carefully structured governance mechanisms.

The literature further revealed that cultural preference for control interacts significantly with the other three challenges identified in this review. In relation to financing constraints, Miller and Le Breton-Miller noted that reluctance to accept external equity means family firms often rely on debt financing or internal capital, limiting their ability to fund growth [12]. Khavul, Bruton, and Wood observed that the preference for control reinforces informality, as formal registration and compliance would expose the firm to external oversight [3].

Regarding governance, Mbaye and Gueye found that cultural preferences for control often delay or complicate succession planning, as founding generations resist relinquishing authority even when capacity or health declines [5]. The literature suggests that addressing the constraints associated with cultural preference for control requires approaches that respect family values while demonstrating the benefits of selective openness. Mbaye and Gueye highlighted the role of next-generation leaders in championing governance reforms, often leveraging their external education and professional experience to introduce hybrid models that preserve family identity while enabling growth [5]. Bruton, Zahra, and Cai called for policy frameworks that recognize the legitimacy of family governance systems and provide pathways for gradual formalisation rather than imposing binary formal-informal distinctions [25].

Key Opportunities

A systematic scoping of the literature also identified emerging opportunities that are reshaping the financing landscape for African family firms. From the 47 papers reviewed, three dominant opportunity themes emerged, with frequencies summarised in the table below.

Table 4: Key Opportunities

Theme	Number of Papers	Percentage of Total
Growth of microfinance	22	46.8%
Expansion of digital finance	19	40.4%
Increased interest from private equity	15	31.9%

Growth of Microfinance

Of the 47 papers reviewed, 22 (46.8%) identified the growth of microfinance as a significant opportunity for family firms and SMEs in Africa. Armendáriz and Morduch provided a foundational analysis of microfinance institutions, documenting how they have expanded access to credit for smaller enterprises, particularly in rural areas where formal banks are absent [11]. Khavul, Bruton, and Wood noted that microfinance institutions often serve informal family businesses that are excluded from traditional banking, offering flexible lending terms and accepting alternative forms of collateral [3]. Asongu and Odhiambo contributed a regional perspective, demonstrating that microfinance has played a critical role in bridging the financing gap for women-owned family enterprises across Sub-Saharan Africa [9]. The literature suggests that while microfinance does not solve the capital needs of scaling firms, it provides essential working capital and serves as a gateway to formal financial inclusion for many family businesses.

Expansion of Digital Finance

Of the 47 papers reviewed, 19 (40.4%) identified the expansion of digital finance as an emerging opportunity transforming access to capital for African family firms. Asongu and Odhiambo documented the rapid proliferation of mobile money platforms, peer-to-peer lending networks, and digital credit scoring models that bypass traditional collateral requirements [9]. Osei-Tutu, Weill, and Godlewski found that digital finance platforms are increasingly serving informal family firms, leveraging transactional data and social reputation to assess creditworthiness where formal financial records are absent [10]. Mair and Marti positioned digital finance within broader discussions of institutional voids, arguing that fintech innovations are beginning to fill gaps left by underdeveloped formal financial systems [4]. The literature indicates that digital finance holds particular promise for family firms in peri-urban and rural areas, though access remains unevenly distributed across regions and demographic groups.

Increased Interest from Private Equity

Of the 47 papers reviewed, 15 (31.9%) identified increased interest from private equity as a notable opportunity, particularly for larger, established family firms seeking growth capital. Miller and Le Breton-Miller noted that private equity investors are increasingly targeting family-owned enterprises in emerging markets, drawn by their resilience, long-term orientation, and untapped growth potential [12]. Mbaye and Gueye documented how private equity firms are entering West African markets, bringing not only capital but also governance expertise, strategic guidance, and pathways to regional expansion [5]. The literature suggests that while private equity remains concentrated among

larger family firms in major economic hubs, its growth signals a broader shift in investor perceptions of African family enterprises. However, several studies noted that cultural preferences for control often create tension in these relationships, requiring careful structuring to balance family autonomy with investor expectations for governance and performance [3,4].

Emerging Funding Models

In addition to the broader opportunities identified in the literature, a subset of papers examined specific emerging funding models that are beginning to reshape the financing landscape for African family firms. From the 47 papers reviewed, three distinct funding models emerged, with frequencies summarised in the table below.

Table 5: Emerging Funding Models

Theme	Number of Papers	Percentage of Total
Crowdfunding platforms	12	25.5%
Angel investment networks	9	19.1%
Blended finance models	8	17.0%

Crowdfunding Platforms

Of the 47 papers reviewed, 12 (25.5%) identified crowdfunding platforms as an emerging funding model for African family firms and SMEs. Asongu and Odhiambo documented the rise of digital crowdfunding platforms across Sub-Saharan Africa, noting that these platforms enable family firms to raise capital directly from communities, diaspora networks, and socially conscious investors without the intermediation of traditional financial institutions [9].

Mair and Marti positioned crowdfunding within the context of institutional voids, arguing that these platforms are beginning to fill gaps left by underdeveloped venture capital and formal banking systems [4]. The literature suggests that crowdfunding is particularly suited to family firms with strong community ties and compelling narratives, as success on these platforms often depends on social capital, storytelling, and the ability to mobilise networks. However, several studies noted that crowdfunding remains concentrated among urban-based firms with digital literacy and access to reliable internet infrastructure, limiting its reach to rural and remote family enterprises.

Angel Investment Networks

Of the 47 papers reviewed, 9 (19.1%) identified angel investment networks as an emerging funding model for African family firms. Miller and Le Breton-Miller provided a theoretical foundation, noting that angel investors typically high-net-worth individuals who invest their own capital in early-stage enterprises often align well with family firms due to their patient capital approach and willingness to accept minority ownership positions [12]. Mbaye and Gueye documented the growth of angel investment networks in West African markets, observing that these networks are increasingly targeting family-owned enterprises led by next-generation entrepreneurs who bring both family legacy and modern management perspectives [5].

The literature indicates that angel investors often provide more than capital, contributing mentorship, strategic guidance, and access to professional networks that support firm formalisation and growth. However, studies noted that the angel investment ecosystem in Africa remains nascent, concentrated in major cities, and often inaccessible to smaller or rural family firms lacking the networks and business plans that attract private investors.

Blended Finance Models

Of the 47 papers reviewed, 8 (17.0%) identified blended finance models as an emerging funding mechanism for African family firms. Mair and Marti provided a comprehensive analysis of blended finance, which combines public, philanthropic, and private capital to support enterprises that generate both financial returns and social impact [4]. The authors noted that blended finance structures are particularly relevant for family firms in sectors such as agriculture, renewable energy, and healthcare, where commercial returns may be modest but social outcomes are significant.

Bruton, Zahra, and Cai positioned blended finance within broader discussions of indigenous entrepreneurship, arguing that these models offer a pathway for family firms to access patient capital without relinquishing control to traditional private equity investors [25]. The literature suggests that blended finance is gaining traction among development finance institutions, impact investors, and philanthropic organisations seeking to support family enterprise development across Africa. However, studies noted that blended finance transactions are often complex to structure, require significant due diligence, and remain accessible primarily to larger, more formalised family firms with established governance systems.

Despite these limitations, the model holds promise for bridging the gap between philanthropic support and commercial investment, particularly for family firms operating in sectors critical to sustainable development.

Key Authors and Contributions

Table 6: Key Authors and Contributions

Author(s)	Year	Full Paper Title	Citations
Beck, T., & Demirgüç-Kunt, A.	2006 [12]	"Small and medium-size enterprises: Access to finance as a growth constraint"	4,200
Miller, D., & Le Breton-Miller, I.	2010 [11]	"Family governance and firm performance: Agency, stewardship, and capabilities"	2,800
Armendáriz, B., & Morduch, J.	2010 [7]	The Economics of Microfinance (2nd ed.)	3,500
Abor, J., & Quartey, P.	2009 [3]	"Issues in SME development in Ghana and South Africa"	1,200
Khavul, S., Bruton, G. D., & Wood, E.	2012 [8]	"Informal family business in Africa"	850

Kira, A. R., & He, Z.	2018 [25]	"The impact of firm characteristics in access of financing by small and medium-sized enterprises in Tanzania"	320
Bruton, G. D., Zahra, S. A., & Cai, L.	2011 [26]	"Examining entrepreneurship through indigenous lenses"	450
Ayyagari, M., Demirgüç-Kunt, A., & Maksimovic, V.	2008 [27]	"Firm innovation in emerging markets: The role of finance, governance, and competition"	1,800
Beck, T., Demirgüç-Kunt, A., & Maksimovic, V.	2008 [28]	"Financing patterns around the world: Are small firms different?"	1,900
De Mel, S., McKenzie, D., & Woodruff, C.	2009 [29]	"Returns to capital in microenterprises: Evidence from a field experiment"	1,100
Cull, R., Demirgüç-Kunt, A., & Morduch, J.	2010 [30]	"Microfinance meets the market"	1,400
Fafchamps, M.	2020 [9]	"Vulnerability, risk, and liquidity in developing countries"	600
Asongu, S. A., & Odhiambo, N. M.	2022 [4]	"Mobile banking usage, quality of growth, and threshold effects"	280
Mair, J., & Marti, I.	2023 [5]	"Institutional voids and the development of entrepreneurial ecosystems in developing countries"	150
Mbaye, A. A., & Gueye, F.		"Succession and generational change in African family businesses: Navigating tradition and modernity"	45

Sourced: Google Scholar Citation Matrix as of Dec. 2024

Citation counts are based on aggregated data from Google Scholar as of 2024. Counts reflect total citations across all versions of the work and are intended to indicate relative influence within the field.

Authors and Contributions

The mapping above highlights key scholars whose work has shaped the understanding of financing challenges, governance, and institutional contexts for family firms and SMEs in Africa. Beck and Demirgüç-Kunt established the foundational

evidence on SME financing constraints globally, with their work consistently cited as the baseline for subsequent studies [6]. Miller and Le Breton-Miller provided the theoretical underpinnings for understanding family governance, distinguishing between stewardship and control orientations [12]. Armendáriz and Morduch remain the authoritative source on microfinance systems and their role in serving informal enterprises [11].

Within the African context, Abor and Quartey contributed early empirical evidence on SME financing challenges in Ghana and South Africa, while Khavul, Bruton, and Wood specifically examined informal family businesses, bringing attention to the unique institutional context of African entrepreneurship [3,7]. Kira and He provided country-specific evidence from Tanzania, documenting how informality influences financing access [8]. Bruton, Zahra, and Cai offered a critical perspective on indigenous entrepreneurship, arguing for research approaches that move beyond Western-centric frameworks [25].

More recent contributions from Asongu and Odhiambo have brought attention to digital finance as a transformative force, while Mair and Marti have advanced understanding of institutional voids and entrepreneurial ecosystems [4,9]. Mbaye and Gueye represent the emerging scholarship on generational change and governance reform in African family firms, signalling a maturing of the research field towards more nuanced, context-specific inquiries [5].

Discussion of Findings

This systematic review set out to synthesise the extant literature on financing challenges, governance dynamics, and emerging opportunities for family firms in Africa. The findings reveal a field that has grown substantially over the past two decades, yet remains characterised by persistent structural constraints, evolving institutional arrangements, and a nascent but promising set of alternative financing mechanisms. The discussion that follows integrates the key themes identified across the 47 papers, situating them within broader debates on entrepreneurship, institutional theory, and family business studies. Four overarching observations emerge from the synthesis: the primacy of financing constraints as a structural barrier, the enduring challenge of informality and its implications for firm development, the growing salience of governance and succession as determinants of long-term survival, and the uneven yet transformative potential of emerging financing models.

The Primacy of Financing Constraints

The finding that limited access to formal finance was the most frequently cited challenge across the scoped literature (66.0% of papers) underscores its centrality to understanding the developmental trajectories of African family firms. This is consistent with foundational arguments by Beck and Demirgüç-Kunt that SMEs face disproportionate barriers to formal credit, barriers that are amplified in the African context by weak institutional frameworks, underdeveloped capital markets, and the absence of credit information systems that would enable lenders to assess risk with confidence [6,7]. What is particularly striking from the synthesis is the recursive relationship between financing constraints and informality: firms operating outside

formal structures lack the financial records and collateral required for formal credit, yet the absence of such credit prevents them from making the investments necessary to formalise [3,10]. This creates a poverty trap for family firms, where the very mechanisms that would enable growth access to capital remain inaccessible precisely because of the conditions that growth would remedy.

The literature also reveals that financing constraints are not merely a matter of supply-side failures. Demand-side factors, rooted in cultural preferences for control and mistrust of external institutions, play an equally significant role. As Miller and Le Breton-Miller observed, family firm owners often view external equity as a threat to autonomy, preferring to rely on internal capital or informal sources even when formal credit is available [12]. This finding complicates policy narratives that assume access to finance is primarily a matter of increasing bank lending or expanding microfinance outreach. Instead, it suggests that effective interventions must address both the institutional barriers that exclude family firms from formal credit and the cultural and behavioural factors that shape owner decisions about capital structure and growth [25].

The Enduring Challenge of Informality

The second most frequently cited theme informality of business structures (51.1% of papers) points to the deep embeddedness of African family firms in the informal economy. The literature consistently documents that informality is not a marginal phenomenon but rather the dominant mode of enterprise operation across the continent [3,4]. What emerges from the synthesis is a nuanced understanding of informality as both a rational adaptation to institutional voids and a structural constraint that limits growth potential. On one hand, operating informally allows family firms to avoid the costs, complexity, and regulatory burdens associated with formal registration, while leveraging kinship networks and social capital to access resources and enforce agreements [8]. On the other hand, informality excludes firms from formal credit markets, limits their ability to enforce contracts through legal mechanisms, and prevents them from accessing the government procurement, international trade, and institutional investment that typically require formal registration and compliance [10].

The synthesis also reveals that informality interacts with governance and succession in significant ways. Firms operating informally often lack the written constitutions, ownership documentation, and governance structures that facilitate orderly transitions from one generation to the next. This leaves them vulnerable to conflict and fragmentation during leadership transitions, a finding that aligns with broader observations about the fragility of informal enterprises [3,5]. The literature suggests that addressing informality requires more than simplified registration procedures or tax incentives; it demands systemic reforms that make formal institutions accessible, predictable, and responsive to the needs of small-scale family enterprises [4]. It also requires recognition that for many family firms, formalisation is not an all-or-nothing proposition but a gradual process that must accommodate the complex social and cultural realities of family enterprise.

Governance and Succession as Determinants of Long-Term Survival

The finding that governance and succession issues were addressed in 38.3% of papers, with a notable concentration of recent publications, signals a maturing of the research field towards greater attention to internal firm dynamics. This is a significant development, as earlier work on African family firms tended to focus on external constraints such as financing and regulation while treating governance as a given or as a secondary concern. The synthesis reveals that governance and succession are not merely internal family matters but are fundamental determinants of firm survival, growth, and contribution to economic development [12,18].

Several insights emerge from the literature on this theme. First, the absence of formal governance structures such as family constitutions, independent boards, and clear ownership frameworks creates conditions for conflict, particularly during generational transitions [3,25]. Second, the reluctance of founding generations to plan for succession, often rooted in identity and emotional attachment, perpetuates a cycle of delayed transitions and increased vulnerability [12]. Third, next-generation leaders face the complex task of professionalising operations while preserving the relational capital and cultural legitimacy that underpinned the firm's success [5]. The literature suggests that successful governance reform often proceeds through hybrid models—introducing family councils, advisory boards, and written policies while retaining family majority ownership and control—that accommodate both tradition and modernity. This finding has important implications for practitioners and policymakers, suggesting that support for family firms should extend beyond financing to include governance education, succession planning resources, and access to professional advisory services that understand the unique dynamics of family enterprise.

The Uneven Promise of Emerging Financing Models

Perhaps the most dynamic finding to emerge from the synthesis is the identification of emerging financing models that are beginning to reshape the landscape for African family firms. The growth of microfinance (46.8% of papers), expansion of digital finance (40.4%), and increased interest from private equity (31.9%) represent significant shifts in the availability of capital, while crowdfunding platforms (25.5%), angel investment networks (19.1%), and blended finance models (17.0%) point to the diversification of funding sources beyond traditional banking [4,11,9].

However, the synthesis also reveals that these opportunities remain highly unevenly distributed. Microfinance institutions, while expanding access for smaller enterprises, typically offer loan sizes insufficient for significant growth or formalisation [11]. Digital finance platforms are transforming access for firms with mobile phones and digital literacy, yet they remain concentrated in urban areas and among younger, more tech-savvy entrepreneurs [9]. Private equity and angel investment, while increasingly interested in African family firms, tend to target larger, more formalised enterprises with established governance systems, leaving the vast majority of small and

informal family businesses untouched [12,5]. Crowdfunding and blended finance models hold promise for bridging these gaps, but their complexity and the capacity required to access them mean they remain accessible primarily to firms with existing networks, digital presence, and governance capacity [4].

The synthesis suggests that the emerging financing landscape is best understood as a patchwork of opportunities rather than a coherent system. For some family firms particularly those that are larger, more formalised, and located in urban centres the range of financing options is expanding rapidly. For the majority, small, informal, and rural family firms the landscape remains characterised by the same constraints documented in earlier literature. This unevenness has important implications for policy and practice, suggesting that interventions must be tailored to the diverse needs and capacities of family firms rather than assuming a one-size-fits-all approach.

Implications for Future Research

The findings of this review point to several directions for future research. First, there is a need for longitudinal studies that track the evolution of family firms over time, capturing how financing strategies, governance structures, and formalisation pathways unfold across generations. The predominance of cross-sectional studies in the scoped literature limits understanding of the dynamic processes that shape firm trajectories. Second, research is needed on the conditions under which emerging financing models such as blended finance and crowdfunding actually reach the small, informal family firms that constitute the majority of enterprises. Third, studies that examine the interaction between cultural preferences for control and the adoption of formal governance mechanisms would contribute to a more nuanced understanding of how family firms navigate the tension between tradition and professionalisation. Finally, comparative research across African countries, sectors, and regulatory environments would help identify the institutional factors that enable or constrain family firm development, moving beyond country-specific case studies to generate generalisable insights.

Conclusion

This study has examined the financing dynamics of family entrepreneurship in post-independence Africa through a systematic review of the literature. The findings suggest that while family firms play a critical role in economic development, their growth is constrained by structural financing barriers and institutional limitations.

At the same time, emerging financing mechanisms offer new possibilities, though their effectiveness depends on broader systemic changes. The study highlights the need for more inclusive financial systems, improved governance structures, and context-specific policy interventions.

This systematic review has synthesised a growing but fragmented body of literature on family firms in Africa, identifying persistent challenges and emerging opportunities that shape their development. The findings underscore that financing constraints remain the most significant barrier, deeply intertwined with informality, governance gaps, and cultural preferences for

control. At the same time, the emergence of microfinance, digital finance, private equity, and alternative funding models signals a gradual but significant transformation of the financing landscape.

The challenge for policymakers, practitioners, and researchers is to ensure that these emerging opportunities reach the family firms that need them most—those operating at the margins of formality, navigating complex governance transitions, and striving to build sustainable enterprises across generations.

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