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Research Centre Publication

# PRIVATE EQUITY AND VENTURE CAPITAL IN NIGERIA: A NEW WORLD OF STARTUP FUNDING

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01

# RESEARCH SYNOPSIS

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RESEARCH SYNOPSIS

This research explains how private equity (PE) and venture capital (VC) are changing startup funding in Nigeria. The country raised $1.2 billion in VC funding in 2024, making it the leading VC destination in Africa. Fintech startups got around 60% of that money. At the same time, PE investments in Nigeria surged by 322% in the first quarter of 2024, mainly in energy and education technology. PE and VC have become key because banks often demand high collateral and offer limited credit. Government programs like SMEEIS helped, but many startups still rely on savings and informal sources. PE helps existing companies expand or recover, while VC focuses on new startups with growth potential. Both offer not just money, but also mentorship and business advice.

Despite progress, challenges remain. Only 23% of Nigerian startups survive beyond five years. Problems include foreign exchange risks, weak governance structures in startups, unclear regulations, and few good exit options for investors. Still, companies like Flutterwave, Paystack, and Opay show what's possible with the right funding and support. ESG (Environmental, Social, and Governance) is becoming important too. Investors are choosing businesses with strong ethics and social impact. Sectors like healthtech, agritech, and renewable energy are gaining attention.

Looking ahead, the study predicts even more PE and VC activity. Trends like corporate venture capital and digital transformation are expected to continue. Nigeria's youth population, large market, and growing digital infrastructure make it a top place for investors. If the country improves its policy environment and strengthens business structures, it could become a major global hub for startups and investment.

# 02

# INTRODUCTION

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## INTRODUCTION

Venture capital (VC) and private equity (PE) have grown to be indispensable tools for encouraging global entrepreneurial growth and economic development. As reported by Lerner and Leamo in 2023[1], these funding strategies are changing the corporate scene in Nigeria, where startup culture is flourishing despite structural obstacles by offering the much-needed capital for creative companies to grow. [2]Long dominated by the oil income, the Nigerian economy has changed its emphasis to include the technology, healthcare, agricultural, and financial services industries. According to PEVCA Publications in 2024, this transition is largely driven by investors seeking high-growth opportunities, as well as regulatory changes aimed at creating a more structured and accessible investment environment[3]. As painted by Ando in 2022, venture capital typically finances early-stage enterprises with great growth potential. In contrast, private equity concentrates on existing corporations seeking financial injection to expand operations or reorganize[4]. Driving innovation, employment, and economic diversification all depend critically on both.

Rising PE and VC as popular financing sources in Nigeria is a reaction to the ongoing funding disparity that conventional banks have neglected to close. Akintayo et al., in 2014, claims that strict collateral requirements and high interest rates make many Nigerian companies unable to get loans; hence, alternate funding sources are essential[5]. Through programs like the Small and Medium Enterprises Equity Investment Scheme (SMEEIS), which requires banks to set 10% of their revenues toward equity investments in startups, the Nigerian government has sought to close this disparity[6]. Notwithstanding these initiatives, the financial environment for startups is still immature; many of them survive by depending on personal savings and unofficial capital[7].

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[1] Lerner, J. and Leamon, A., 2023. Venture capital, private equity, and the financing of entrepreneurship. John Wiley & Sons.
[2]Usman, Z., 2022. Economic diversification in Nigeria: The politics of building a post-oil economy (p. 312). Bloomsbury Academic.
[3] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[4] Ando, Y. (2024). *Dynamics of High-Growth Young Firms and the Role of Venture Capitalists*. Penn Institute for Economic Research, Department of Economics, University of Pennsylvania.
[5] Akintayo, A. A., Odeh, C. D., Lawal, N. A., & Makinde, T. A. (2024). Credit accessibility and small and medium sized enterprises (SMEs) in Osun state, Nigeria. *Global Business Management Review (GBMR)*, *16*(1), 1-18.
[6] Adamu, A., 2019. Winners And Losers: Between Bank Loan And Small Medium Enterprises Equity Investment Scheme (SMEEIS) As Funding Sources For Northern Nigerian Smes.
[7] Achugbu, T.U. (2017). Venture Capital Financing for Innovative Start-up Companies in Nigeria. Texila International Journal of Management, 3(2).

In 2024, Nigerian startups raised a total of $1.2 billion in venture capital, making Nigeria the top VC destination in Africa that year (*Africa Tech Venture Capital*, 2024)[8]. Fintech led the funding, accounting for nearly 60% of the total deals. Despite this progress, only 23% of startups in Nigeria survive beyond five years, largely due to limited follow-on funding and weak support infrastructure (PwC Nigeria, 2020)[9]. This shows that while early-stage capital is increasing, long-term financial sustainability remains an issue. Investors are beginning to focus more on mentoring, scalability, and regulatory clarity to reduce this failure rate.

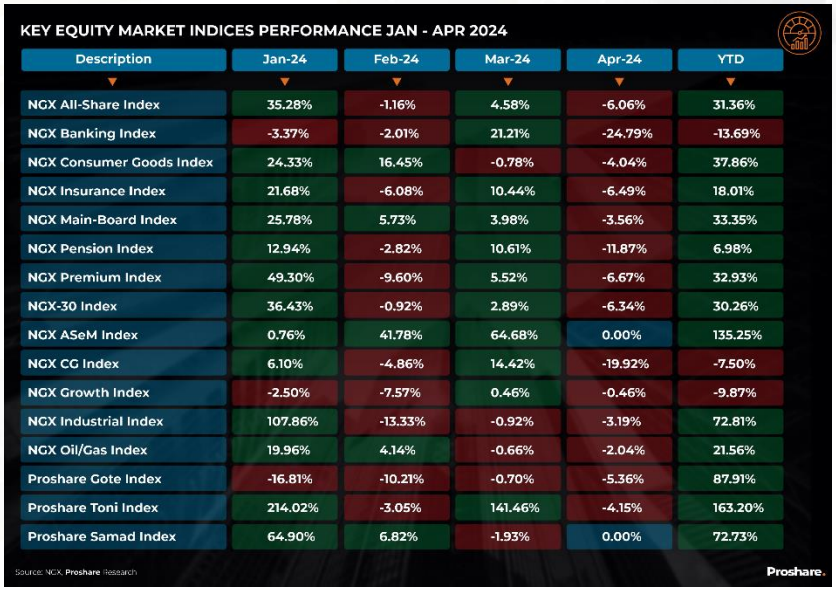
As noted by Kostikov, venture capital, therefore, provides an alternate road for early-stage enterprises, delivering not just cash but also strategic mentorship and industry contacts, which are important for growth.[10] Private equity, on the other hand, plays a more dominating role in Nigeria's business sector. As shown in the figure below, according to Omoruyi (2024), large-scale investments in existing enterprises, particularly in industries like telecommunications, energy, and financial services, have helped propel economic development.

**Figure 1: The Impact of the Telecommunication Sector on Nigeria's GDP[11]**

According to the 2024 Mid-Year Review by the Private Equity and Venture Capital Association of Nigeria (PEVCA), the Nigerian PE industry has grown significantly over the last decade, attracting global and regional investors looking to capitalize on the country's expanding

[8] *2024 Africa Tech Venture Capital*. (n.d.). Partech. https://partechpartners.com/africa-reports/2024-africa-tech-venture-capital-report
[999] PwC Nigeria. (2020). Current state of Nigeria Agriculture and agribusiness sector. In *AfCFTA WORKSHOP*. https://www.pwc.com/ng/en/assets/pdf/afcfta-agribusiness-current-state-nigeria-agriculture-sector.pdf
[10] Kostikov, E., Analysis of the Corporate Venture Capital Investments in Company/Organization.
[11] Omoruyi, O. (2024, August 28). Contribution to GDP: How Nigeria's telecoms sector fared between 2019 and 2024. *Technext*. https://technext24.com/2024/08/28/telecoms-gdp-2019-to-2024-review/

middle class and digital transformation[12]. This, in turn, also has impacts on the equity market performance; some of these indices are represented in the figure below. However, obstacles such as foreign exchange volatility, regulatory uncertainty, and governance issues have made some investors hesitant. Nevertheless, the endurance of the Nigerian market and the rising usage of technology in company processes continue to make it an appealing destination for private equity firms.



KEY EQUITY MARKET INDICES PERFORMANCE JAN - APR 2024

| Description | Jan-24 | Feb-24 | Mar-24 | Apr-24 | YTD |
|---|---|---|---|---|---|
| NGX All-Share Index | 35.28% | -1.16% | 4.58% | -6.06% | 31.36% |
| NGX Banking Index | -3.37% | -2.01% | 21.21% | -24.79% | -13.69% |
| NGX Consumer Goods Index | 24.33% | 16.45% | -0.78% | -4.04% | 37.86% |
| NGX Insurance Index | 21.68% | -6.08% | 10.44% | -6.49% | 18.01% |
| NGX Main-Board Index | 25.78% | 5.73% | 3.98% | -3.56% | 33.35% |
| NGX Pension Index | 12.94% | -2.82% | 10.61% | -11.87% | 6.98% |
| NGX Premium Index | 49.30% | -9.60% | 5.52% | -6.67% | 32.93% |
| NGX-30 Index | 36.43% | -0.92% | 2.89% | -6.34% | 30.26% |
| NGX ASeM Index | 0.76% | 41.78% | 64.68% | 0.00% | 135.25% |
| NGX CG Index | 6.10% | -4.86% | 14.42% | -19.92% | -7.50% |
| NGX Growth Index | -2.50% | -7.57% | 0.46% | -0.46% | -9.87% |
| NGX Industrial Index | 107.86% | -13.33% | -0.92% | -3.19% | 72.81% |
| NGX Oil/Gas Index | 19.96% | 4.14% | -0.66% | -2.04% | 21.56% |
| Proshare Gote Index | -16.81% | -10.21% | -0.70% | -5.36% | 87.91% |
| Proshare Toni Index | 214.02% | -3.05% | 141.46% | -4.15% | 163.20% |
| Proshare Samad Index | 64.90% | 6.82% | -1.93% | 0.00% | 72.73% |

Source: NGX, Proshare Research

Proshare.

**Figure 2: Key Equity Market Indices Performance (Proshare, 2024)**

As stated by Tamunowariye and Elisha, the fast growth of PE and VC in Nigeria may be traced back to a global shift in investment patterns.[13] Traditionally, Nigerian firms depended on commercial banks and family networks for finance, but the limits of these structures became clear as the economy developed. In the early 2000s, institutional investors began to investigate Nigeria's burgeoning markets, leading to a surge in structured finance structures geared for high-growth enterprises.[14] According to PEVCA (2024), the previous five years have seen an unparalleled surge in venture capital financing, notably in the technology sector. Fintech businesses, in particular, have dominated the investment market, gaining considerable backing from both local and foreign investors. As also confirmed by Akinrinde in 2024, the

[12] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[13] Tamunowariye, C. and Elisha, O.D., 2021. Economic development benefits of private equity in Nigeria. European Journal of Research in Social Sciences, 9(2).
[14] Amadi, C., 2019. FDI and economic growth in Nigeria: an analysis of the role of financial development on linkages (Doctoral dissertation, Manchester Metropolitan University).

success of firms such as Flutterwave, Paystack, and OPay demonstrates the rising trust in Nigeria's startup environment and the expanding importance of VC in promoting innovation[15].

However, the path has not been altogether smooth. Despite the gains documented in PE and VC investments, significant structural and economic constraints continue to limit the full realization of their potential. One of the key challenges is the regulatory environment[16]. As reported by the Private Equity and Venture Capital Association of Nigeria, the Securities and Exchange Commission (SEC) has made major efforts to modernize investment laws, including modifications to rules regulating private equity and venture capital funds[17]. These measures aim to give clarity on fund registration, capital thresholds, and investor protection. Yet, issues persist, notably surrounding the taxes of foreign investors and the categorization of investment vehicles. Additionally, Nigeria's foreign currency rules and economic volatility represent considerable risks for investors trying to enter the market[18]. The devaluation of the naira, coupled with policy inconsistencies, has led to hesitancy among international investors, reducing the entrance of capital into the country[19].

Another important problem is the structural design of startups themselves[20]. Many Nigerian companies lack the corporate governance structures necessary to attract institutional investors. According to Weiss (2025), venture capital firms are typically deterred by the absence of clear financial records, defined business models, and reliable income sources for many businesses[21]. Investors are increasingly searching for organizations with transparent frameworks, strong leadership teams, and clear development goals. This fact has led to an increasing trend where VC firms not only offer capital but also take an active part in developing the governance and operational structures of their portfolio businesses[22]. This hands-on approach has been beneficial, as demonstrated in the success stories of several PE and VC-backed enterprises that have expanded dramatically within a short period.

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[15] Akinrinde, T., 2024. Product Management Strategies for Scaling Innovation in Nigeria's Growing Startups. Available at SSRN 5042776.
[16] Bertoni, F., Ferrer, M.A. and Martí, J., 2013. The different roles played by venture capital and private equity investors on the investment activity of their portfolio firms. Small Business Economics, 40, pp.607-633.
[17] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[18] Osinubi, T.S. and Amaghionyeodiwe, L.A., 2009. Foreign direct investment and exchange rate volatility in Nigeria. International journal of applied econometrics and quantitative studies, 6(2), pp.83-116.
[19] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[20] Cantamessa, M., Gatteschi, V., Perboli, G. and Rosano, M., 2018. Startups' roads to failure. *Sustainability*, *10*(7), p.2346.
[21] Weiss, G. (2025). The venture corporation. *American Business Law Journal*, *62*(1), 45-70.
[22] Stephenson, M., Hamid, M.F.S., Peter, A., Sauvant, K.P., Seric, A. and Tajoli, L., 2021. More and better investment now! How unlocking sustainable and digital investment flows can help achieve the SDGs. *Journal of International Business Policy*, *4*(1), p.152.

Despite these impediments, private equity and venture capital remain attractive opportunities for growth in Nigeria[23]. The emergence of impact investing and environmental, social, and governance (ESG) factors is creating new investment patterns. Investors are increasingly concentrating on organizations that demonstrate sustainability, ethical standards, and social effects, as concluded by Serafeim (2020)[24]. According to PEVCA (2024), ESG compliance is becoming a crucial driver in investment decisions, with funds choosing sectors that match sustainable development goals. This trend is particularly obvious in industries such as renewable energy, agriculture, and financial inclusion, where companies are harnessing technology to address crucial social concerns. The increased convergence of investment strategies with social impact is projected to accelerate further the expansion of the PE and VC environment in Nigeria[25]. Looking ahead, the future of private equity and venture capital in Nigeria is set for significant upheaval. As also supported by Oliva et al. (2022), with further regulatory changes, increasing investor confidence, and a developing startup environment, the industry is projected to enjoy sustained development[26]. The continuing bank recapitalization initiatives, which provide fresh prospects for PE companies, might further transform the financial environment, making it more hospitable for long-term investments. Additionally, as stated by Nyanama (2024), as more Nigerian firms attain unicorn status, the awareness of the country's investment potential on the world stage will continue to grow[27].

Therefore, as stakeholders continue to navigate this emerging initiative, coordination between government agencies, investors, and entrepreneurs will be important in assuring the sustainability and effectiveness of various funding models. The path ahead is loaded with both problems and possibilities. Still, the continuous expansion of private equity and venture capital in Nigeria implies a promising future for companies and investors alike.

[23] Groh, A., Liechtenstein, H., Lieser, K. and Biesinger, M., 2023. Venture capital and private equity country attractiveness index. In *The Palgrave Encyclopedia of Private Equity* (pp. 1-10). Cham: Springer International Publishing.
[24] Serafeim, G., 2020. Social-impact efforts that create real value. *Harvard Business Review*, *98*(5), pp.38-48.
[25] Fox, L.O.U.I.S.E., Kritzberg, D.A.V.I.D. and Nicholson, M.I.C.H.A.E.L., 2023. Are private equity investments financing the SDGs in Sub-Saharan Africa?. *Africa Growth Initiative at Brookings report. Accessed*, *1*.
[26] Oliva, F.L., Teberga, P.M.F., Testi, L.I.O., Kotabe, M., Del Giudice, M., Kelle, P. and Cunha, M.P., 2022. Risks and critical success factors in the internationalization of born global startups of industry 4.0: A social, environmental, economic, and institutional analysis. *Technological Forecasting and Social Change*, *175*, p.121346.
[27] Nyanama, A., 2024. Unicorn Dreams: Challenges Faced by African Startups in Achieving Billion-Dollar Valuations. *Available at SSRN 4990716*.

03

# PART ONE: THE CONCEPT OF PRIVATE EQUITY AND VENTURE CAPITAL

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## PART 1: THE CONCEPT OF PRIVATE EQUITY AND VENTURE CAPITAL

This section explains the concept of private equity and venture capital in Nigeria. By examining these investment models in detail, this part aims to provide a comprehensive understanding of how PE and VC contribute to business growth and economic development in Nigeria.

### Private Equity (PE)

Rising as an essential instrument for supporting startups in Nigeria, private equity (PE) offers capital and other interventions for innovation, restructuring, and expansion. Based on a research report by Agbloyor and others in 2020, private equity has grown more and more essential in Nigeria, where access to traditional financing still provides a challenge in bridging the financial gap, supporting company development, and so boosting economic development[28]. According to PEVCA (2024), the Nigerian PE industry has altered over the past two decades to entice local and overseas investors who perceive the nation's investment potential[29]. Therefore, private equity can be seen as a popular investment mechanism for expanding firms, especially in high-growth areas like technology, financial services, and infrastructure, despite economic uncertainties and regulatory constraints.

Private equity, as explained by Achugbu (2017), distinguishes itself from other forms of firm funding, notably venture capital, in that it focuses on existing enterprises rather than early-stage startups[30]. Frequently modifying their activities and fund structure, as shown in the figure below, to boost efficiency and profitability, PE companies often acquire large shares in enterprises. This method has worked effectively in Nigeria in businesses, including manufacturing, telecommunications, and oil and gas, as well as in those necessitating considerable investments. According to PEVCA (2024), many Nigerian firms that have acquired PE money have been able to boost their market competitiveness, update their operations, and strengthen their governance systems.

For example, in the first quarter of 2024, private equity investments in Nigeria increased by 321.8%, driven mainly by deals in the energy and educational technology sectors (PEVCA,

[28] Agbloyor, E.K., Abor, J.Y., Issahaku, H. and Adjasi, C.K.D., 2020. Finance and economic development: The role of the private sector. In *Contemporary Issues in Development Finance* (pp. 411-434). Routledge.
[29] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[30] Achugbu, T.U. (2017). Venture Capital Financing for Innovative Start-up Companies in Nigeria. Texila International Journal of Management, 3(2).

2024)[31]. This significant increase reflects sustained investor interest and emphasizes the country's promising long-term potential. The biggest transactions were recorded in Nigeria's energy space, with international oil companies continuing to divest from onshore assets (PEVCA, 2024)[32]. This trend underscores the growing role of private equity in Nigeria's economic development, particularly in sectors requiring substantial capital investments.

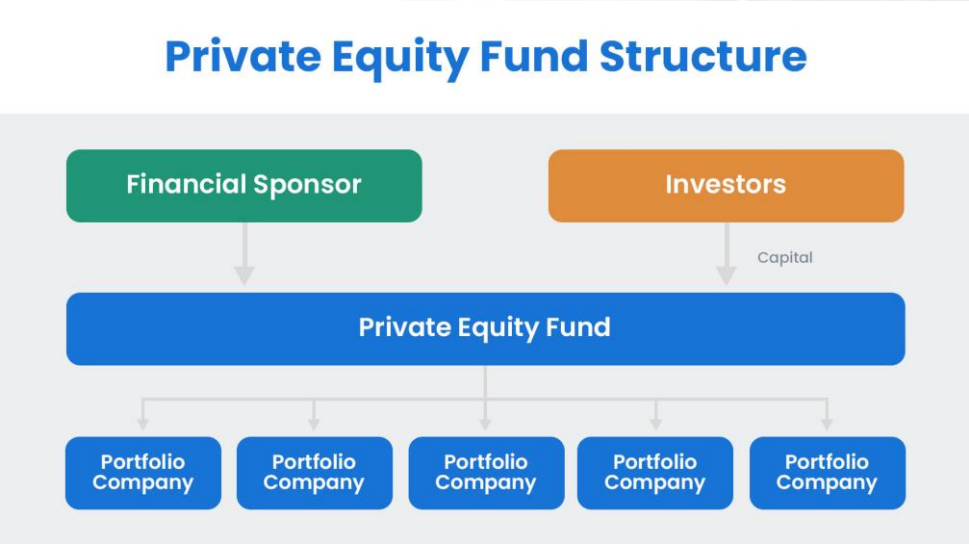


**Figure 3: Private Equity Fund Structure[33]**

Historically, Nigerian enterprises largely depended on commercial bank loans for finance; this technique proved unsustainable because of rigorous collateral requirements, high interest rates, and restricted lending capacity[34]. According to the Central Bank of Nigeria (2024), the banking system has failed to fulfil the financing expectations of medium-sized to big firms, which has led to a drive toward private equity as an alternative financial sources[35]. This transformation has been particularly visible in Nigeria's financial services industry, where private equity investments have enabled banks, insurance companies, and fintech firms to flourish fast and supply new products.

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[31] PEVCA (2024). *2024 Mid-Year Review and Strategic Outlook*. Private Equity and Venture Capital Association Nigeria. Available at: https://pevcang.org/dev/wp-content/uploads/2024/02/2024-H1-PEVCA-LRC-Report-Update-1.pdf

[32] PEVCA (2024). *2024 Mid-Year Review and Strategic Outlook*. Private Equity and Venture Capital Association Nigeria. Available at: https://pevcang.org/dev/wp-content/uploads/2024/02/2024-H1-PEVCA-LRC-Report-Update-1.pdf

[33] *Private Equity Investment Process: PE Deals Step-by-Step" | FirmRoom*. (n.d.). https://firmroom.com/blog/pe-deal-process

[34] Anigbo, A.J., 2022. *Regulatory Framework of Commercial Banks and its Operational Efficiency in Lending to Small Medium (SMEs) in Nigeria*. University of South Wales (United Kingdom).

[35] KPMG Advisory Services, & Othihiwa, A. (2024). *Nigeria's banking recapitalisation: What lies ahead.* https://assets.kpmg.com/content/dam/kpmg/ng/pdf/2024/06/Nigeria's%20Banking%20Recapitalisation%20What%20Lies%20Ahead%20(1).pdf

One of the key advantages of private equity is its potential to produce long-term growth by providing not just financing but also strategic guidance and industry knowledge[36]. As stated by Deloitte (2024), PE investors generally take an active interest in the administration of portfolio enterprises, giving opinions on corporate governance, financial management, and operational efficiency[37]. In Nigeria, this hands-on approach has been vital in reforming firms, raising corporate governance standards, and aligning local enterprises with global best practices. According to the Nigerian Securities and Exchange Commission (SEC) in one of their press release, regulatory steps to encourage transparency in private equity transactions have further increased investor trust, contributing to a growth in deal flows in recent years[38].

The role of pension funds in private equity investments has also become relevant in Nigeria. As stated by Agudah (2024), CEO of the Pension Fund Operators Association of Nigeria (PENOP), pension funds have the potential to produce large investments in private equity, given their long-term investment horizon and vast asset base[39]. However, factors like currency mismatch and perceived risks have limited the extent to which pension funds engage in PE initiatives. According to PEVCA (2024), legislative measures geared at expanding pension fund engagement in private equity are projected to deepen the sector further and strengthen capital flows[40].

[36] Caselli, S. and Negri, G., 2021. *Private equity and venture capital in Europe: markets, techniques, and deals*. Academic Press.
[37] Deloitte. (2024). *Navigating the Impact of Deduction of Tax at Source Regulations on Foreign Private Equity Investments in Nigeria*.
[38] RVO Media. (n.d.). *Press release – The Securities and Exchange Commission, Nigeria*. The Securities and Exchange Commission, Nigeria. https://sec.gov.ng/category/press-release/
[39] Agudah, O. (2024). *20 Years of Pension Reform: Reflections on Progress, Milestones, and Strategies for Catalysing Pension Fund Investments in Private Equity and Venture Capital in Nigeria*. PENOP.
[40] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.

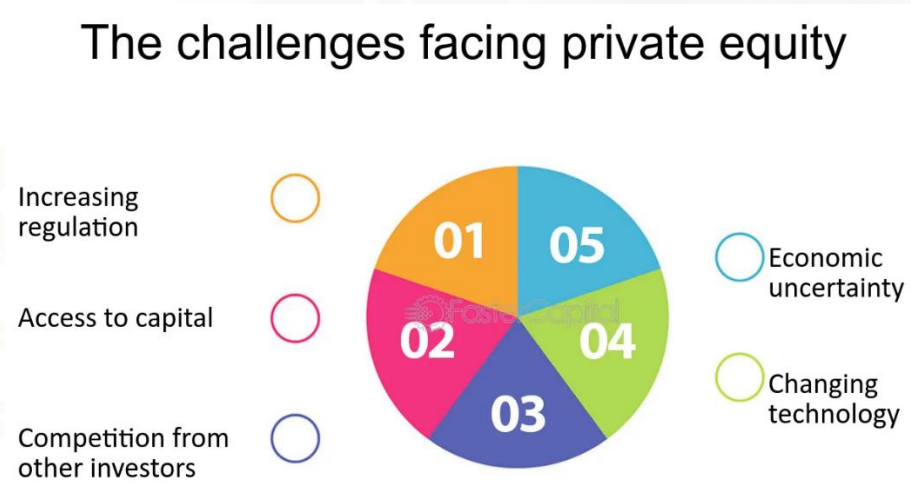


**Figure 4: Some Challenges Facing Private Equity**[41]

Despite its benefits, private equity in Nigeria suffers many difficulties, some of which are represented in the figure above. These difficulties impede the full potential of private equity. One of the primary issues is regulatory uncertainty. As reported by Young (2024), recent amendments to SEC regulations on private equity funds have brought greater clarification on investment structures and fund registration requirements. However, problems abound, mainly around taxation, foreign investment inflows, and repatriation of capital[42]. Regulatory inconsistencies have repeatedly deterred international investors who seek stability and predictability in investment settings[43].

Another important difficulty is the volatility of foreign exchange (FX) in Nigeria. As noted by Ernst & Young (2024), currency swings have created a substantial risk for private equity investors, particularly those dealing with dollar-denominated money[44]. The depreciation of the naira has led to value worries, impacting transaction structuring and investor exits. According to Control Risks (2024), FX volatility remains one of the most urgent challenges for PE firms operating in Nigeria, demanding sophisticated risk management approaches and

[41] *The future of private equity What lies ahead - FasterCapital*. (n.d.). FasterCapital. https://fastercapital.com/content/The-Future-of-Private-Equity--What-Lies-Ahead.html

[42] Young, R., 2024. Working from 10 to 5, What a Way to Make a Livin': The SEC's Most Recent Amendments to Promote Corporate Governance and Curb Exploitative Hedge Fund Activism. *UC LJ*, *76*, p.275.

[43] Bian, C., 2021. Foreign direct investment screening and national security: reducing regulatory hurdles to investors through induced reciprocity. *The Journal of World Investment & Trade*, *22*(4), pp.561-595.

[44] Ernst & Young. (2024). *Navigating the ESG and Climate Change Landscape: How ESG Is Changing Business Strategies*.

hedging systems[45]. The exit environment for private equity investments in Nigeria also causes barriers. As noted by PricewaterhouseCoopers (2024), effective exits are vital for PE businesses to gain revenues and reinvest in new operations[46]. However, Nigeria's immature capital markets and limited merger and acquisition (M&A) activity have reduced exit choices. While initial public offerings (IPOs) remain a potential exit strategy, the Nigerian Stock Exchange has seen very few listings from PE-backed firms due to market volatility and liquidity difficulties[47].

Nonetheless, private equity in Nigeria continues to evolve, with new tendencies shaping its future trajectory. One of the most important developments is the increase of impact investing. As stated by Dmuchowski (2023), environmental, social, and governance (ESG) problems are increasingly impacting investment decisions, with investors picking firms that exhibit sustainability and social influence[48]. In Nigeria, fields such as renewable energy, agribusiness, and healthcare have gained major PE interest due to their potential for both financial rewards and social advantages.

In 2024, Nigeria led Africa in venture capital funding, securing $520 million, marking an 11% year-on-year increase. According to a report by Partech (2024), this growth was driven by significant deals, including Moniepoint's $110 million and Moove Africa's $100 million funding rounds[49]. Additionally, Serrari Group reported that, private equity investments in Nigeria surged by 322% in Q1 2024, primarily due to substantial investments in the energy and edtech sectors[50]. These shows that Nigeria's growing appeal to investors, despite ongoing challenges like currency volatility and limited exit options.

Additionally, the digital revolution is transforming private equity investments in Nigeria. According to KPMG (2024), technology-driven firms, particularly in fintech, e-commerce, and health tech, are at the forefront of PE investing[51]. The success of companies such as

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[45] *African private equity in 2024: risks and opportunities*. (2025, February 14). https://www.controlrisks.com/our-thinking/insights/african-private-equity-in-2024-risks-and-opportunities

[46] PricewaterhouseCoopers. (2024). *Nigerian Banking Recapitalisation: A Response Pathway for Operators*.

[47] Tamunowariye, C. and Elisha, O.D., 2021. Economic development benefits of private equity in Nigeria. *European Journal of Research in Social Sciences*, *9*(2).

[48] Dmuchowski, P., Dmuchowski, W., Baczewska-Dąbrowska, A.H. and Gworek, B., 2023. Environmental, social, and governance (ESG) model; impacts and sustainable investment–Global trends and Poland's perspective. *Journal of Environmental Management*, *329*, p.117023.

[49] Partech (2024). *2024 Africa Tech Venture Capital Report*. Available at: https://partechpartners.com/africa-reports/2024-africa-tech-venture-capital-report

[50] Serrari Group (2024). *Private Equity Investments in Nigeria Surge 322% in Q1 2024, Driven by Energy and EdTech*. Available at: https://serrarigroup.com/private-equity-investments-in-nigeria-surge-322-in-q1-2024-driven-by-energy-and-edtech/

[51] KPMG. (2024). *An Examination of the Regulatory Landscape for FinTech Startups in Nigeria, and Its Impact on Investment Attractiveness.*

Flutterwave and Paystack, both of which garnered substantial PE investments before hitting unicorn status, indicates the increased appetite for tech-enabled firms in Nigeria. As stated by PEVCA (2024), technology presently ranks among the top industries for private equity investments, highlighting the increased reliance on digital solutions across organizations. Looking ahead, the development of private equity in Nigeria will mostly depend on regulatory changes, economic stability, and investor trust[52]. As emphasized by Lipton (2024), continued collaboration between regulators, investors, and industry stakeholders will be crucial in developing a more accommodating investment climate[53]. Moreover, as the Nigerian economy diversifies away from oil dependency, private equity is anticipated to play a significant role in investing in new growth industries and pushing economic reform.

**Venture Capital (VC)**

Venture capital (VC) has emerged as a crucial engine for the development of startups and economic change globally, with Nigeria being part of this trend. As mentioned by Achugbu (2017), venture capital is vital for financing early-stage enterprises with tremendous promise that cannot acquire conventional finance owing to their risk profiles[54]. According to Blumenberg (2024), unlike bank loans, which need collateral and frequently have high interest rates, venture capital gives cash in return for stock, allowing firms to develop swiftly[55]. In Nigeria, where securing money remains a big challenge for entrepreneurs, venture capital has become a critical option, especially in technology-centred industries. The fast emergence of Fintech, Agritech, and Healthtech firms is mostly ascribed to the surge in VC financing, showing more of venture capital's position as a catalyst for innovation and economic progress[56]. The figure below gives a summary of how to obtain Venture Capital Funding.

[52] Tamunowariye, C. and Elisha, O.D., 2021. Economic development benefits of private equity in Nigeria. *European Journal of Research in Social Sciences*, *9*(2).
[53] Lipton, A.M., 2020. Not everything is about investors: the case for mandatory stakeholder disclosure. *Yale J. on Reg.*, *37*, p.499.
[54] Achugbu, T.U. (2017). *Venture Capital Financing for Innovative Start-up Companies in Nigeria*. Texila International Journal of Management, 3(2).

[55] Blumenberg, K., 2024. *Assessing the Effects of High Interest Rates on German Venture Capitalists Investment Selection of Technology Startups* (Master's thesis, Universidade Catolica Portuguesa (Portugal)).
[56] Oturu, D., 2025. Venture Capital Ecosystem for Fintechs in Africa. In *The Palgrave Handbook of FinTech in Africa and Middle East: Connecting the Dots of a Rapidly Emerging Ecosystem* (pp. 1-22). Singapore: Springer Nature Singapore.

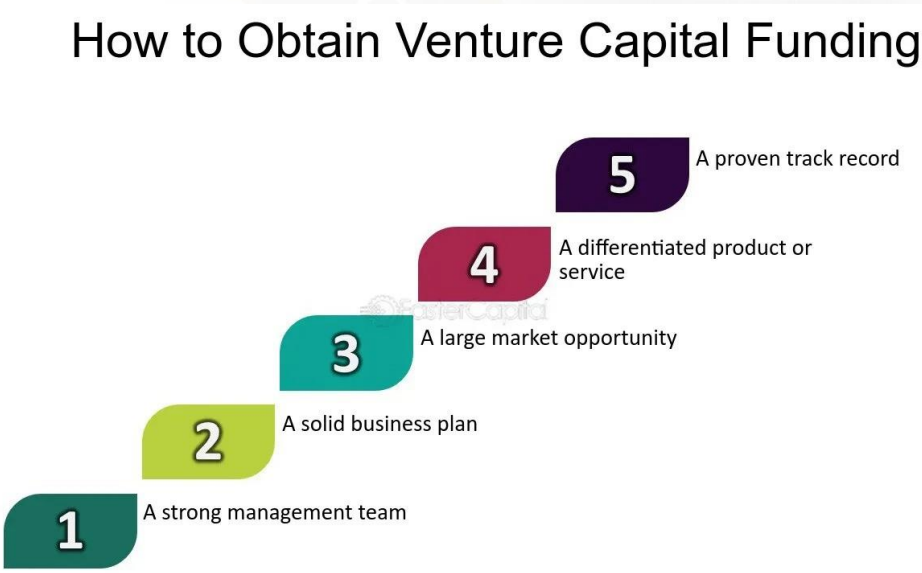


**Figure 5: A guide to securing venture capital funding**

Relatively, in 2024, as reported by Ecofin Agency, Nigeria led Africa in venture capital funding, securing $520 million, an 11% increase from 2023[57]. This growth was driven by major deals like Moniepoint's $110 million and Moove Africa's $100 million funding rounds. Despite a 7% drop in the number of deals to 103, Nigeria maintained its top position in VC investment on the continent[58]. Fintech startups dominated, attracting $1.4 billion across 116 deals, with Nigeria accounting for 16% of this total . Moniepoint's funding round, supported by investors including Google, elevated its valuation to over $1 billion, granting it "unicorn" status[59].

According to PEVCA (2024), Nigeria's venture capital has witnessed a tremendous increase over the last decade, fueled by rising interest from both local and global investors[60]. According to recent research results, African companies got over $6.5 billion in VC financing in 2022, with Nigeria accounting for a major part of this sum[61]. As reported by Oturu (2025), the growth Nigeria is currently experiencing as a top destination for venture capital investments in Africa is primarily driven by its large market size, youthful population, and advancements in digital infrastructure. The African Private Equity and Venture Capital Association (AVCA) claims that

[57] Ecofin Agency, 2024. *Africa Tech Venture Capital Report 2024*. [online] Available at: https://www.ecofinagency.com/public-management/2401-46360-african-startups-raise-3-2bn-in-2024-down-7-yoy-partech-africa [Accessed 20 May 2025]
[58] Semafor, 2025. *African investors led venture capital fundraising in 2024*. [online] Available at: https://www.semafor.com/article/04/17/2025/african-investors-led-venture-capital-fundraising-in-2024 [Accessed 20 May 2025]
[59] Reuters, 2024. *Google among investors putting $110 million into Nigeria's Moniepoint*. [online] Available at: https://www.reuters.com/technology/google-among-investors-putting-110-million-into-nigerias-moniepoint-2024-10-29/ [Accessed 20 May 2022
[60] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[61] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.

fintech businesses like Flutterwave and Paystack indicate that Nigerian entrepreneurs can reach global success, improving investor confidence in the country's venture capital climate[62].

Early government-led schemes like the Small and Medium Enterprises Equity Investment Scheme (SMEEIS), which was created in 2001, was where venture capital in Nigeria got its start[63]. This policy, as reiterated by the Central Bank of Nigeria (CBN, 2005), mandated commercial banks to set aside 10% of their post-tax revenues for equity participation investments in small and medium-sized firms (SMEs)[64]. Although the initiative provided the basis for venture capital activities in Nigeria, banks' risk-averse investing strategies and bureaucratic inefficiencies hindered its effect. However, throughout the previous 10 years, the private sector—fueled by foreign venture capital firms and regional investment funds—has contributed more to the expansion of the Nigerian venture capital industry.

The funding structure in Venture Capital has positively impacted the technology Industry, where various enterprises have gotten money to develop their ideas. As reported by Briter Bridges (2023), Nigeria has eclipsed other major markets, including South Africa and Kenya, accounting for around 35% of all venture capital deals in Africa[65]. The capacity of venture capital-backed enterprises to upend existing industries and give inventive remedies to chronic issues has been proved by the success of businesses like Opay, Kuda, and PiggyVest[66]. A popular example is Opay, one of the fastest and most reliable money transaction platforms, which collected more than $400 million in investment between 2019 and 2022, depicting the increased interest of international investors in Nigeria's fintech landscape[67].

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[62] African Private Equity and Venture Capital Association (AVCA). (2023). *Trends in African Venture Capital Investments*.
[63] Ogunsanwo, A.O. and Kazeem, G.A., 2022. Impact of Government Grant on Growth of Small and Medium Scale Enterprises in Nigeria (A Study of Some Selected SMEs Owners in Abeokuta, Ogun State). *International Journal of Research and Innovation in Social Science*, *6*(12), pp.65-71.
[64] Central Bank of Nigeria (CBN). (2005). *Guidelines for Small and Medium Enterprises Equity Investment Scheme (SMEEIS)*.
[65] Briter Bridges. (2023). *Africa Startup Funding Report 2023*.
[66] Olaniyan, O.J., Ajala, R.B. and Sijuade, O.O., 2023. DIGITAL DISRUPTION IN FINANCE: THE RISE OF FINTECH AND ITS IMPLICATIONS.
[67] Fintechnews Africa. (2024, March 11). *Africa's newest unicorn OPay raises US$400 million from SoftBank*. Fintech News Africa. https://fintechnews.africa/39755/fintech-nigeria/africas-newest-unicorn-opay-raises-us400-million/

**Figure 6: Challenges Faced by Venture Capitalist (FasterCapital, 2024)**

Notwithstanding these advances, there are still a number of challenges confronting venture capital investments in Nigeria; some of these are summarized in the figure above. PEVCA (2024) notes that regulatory uncertainty, particularly with regard to foreign currency laws and investment exit possibilities, is one of the primary challenges for investors[68]. According to Ninyio (2025), some international investors are hesitant to enter the Nigerian market owing to the depreciation of the naira and constraints on the repatriation of cash[69]. According to the Nigerian Economic Summit Group (NES, 2023), in one of their recent publications, foreign direct investment inflows declined by 26.7% in 2023 as a consequence of fears about currency volatility and inconsistent regulatory policies[70]. These issues suggest that in order to continue the development of venture capital in Nigeria, a more investor-friendly business environment is necessary.

The absence of local venture capital businesses with the capacity to aid entrepreneurs on a broad scale is another important difficulty plaguing the Nigerian VC market[71]. Many Nigerian companies continue to rely considerably on foreign investors, as Achugbu (2017) indicates, which poses risks during moments of global economic crises. While it is undeniable that the growth of Nigeria's startup ecosystem has been tremendously boosted by foreign investment, the lack of powerful local venture capital organizations hinders the industry's long-term

[68] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[69] Ninyio, N.N., 2025. FOREIGN DIRECT INVESTMENT IN NIGERIA: CHALLENGES AND PROSPECTS. *KAS African Law Study Library*, *11*(4), pp.617-634.
[70] *The Nigerian Economic Summit Group | Foreign Investment Inflows into Nigeria weakens in 2023*. (n.d.). https://nesgroup.org/blog/Foreign-Investment-Inflows-into-Nigeria-weakens-in-2023
[71] Imhonopi, D., Ekweogwu, C. and Urim, U., 2018. Financing entrepreneurship in Nigeria: Surmounting the hurdles. In *EDULEARN18 Proceedings* (pp. 11040-11047). IATED.

sustainability[72]. The Nigerian government and players in the business sector must unite to adopt regulations that support regional venture capital fund investment in order to narrow this gap.

Additionally, the organizational faults and structural weaknesses of many startups in Nigeria are some of the major factors causing challenges in attracting VC investments[73]. Investors generally complain about weak corporate governance, a lack of transparency, and inadequate financial management as important impediments to funding Nigerian companies, according to the African Development Bank (AfDB, 2023)[74]. Since many early-stage enterprises lack well-documented financial records, venture capitalists find it tough to evaluate the risks and development potential of these organizations objectively. Industry stakeholders have urged stronger mentorship programs and capacity-building initiatives to assist enterprises get ready for funding in order to decrease these problems.

The relevance of venture capital in pushing job creation and economic progress in Nigeria is further substantiated by statistical studies. A McKinsey & Company (2022) report indicated that VC-backed enterprises in Africa produce an average of 100 direct and indirect employment, making them a considerable contributor to job creation[75]. The expansion of the venture capital business may offer a long-term response to job creation in Nigeria, where youth unemployment is still a serious concern. According to the Nigerian Bureau of Statistics (NBS, 2024), the country's unemployment rate was 38.06% in 2023, underlining the necessity of additional private sector investment to bolster the economy[76].

According to a sectoral assessment of venture capital investments in Nigeria, the fintech sector continues to be the most enticing to investors, accounting for roughly 60% of all VC transactions (PEVCA, 2024)[77]. However, other areas, like edtech, agritech, and healthtech, are also gaining in popularity. Nigerian healthtech startups collected more than $200 million in 2022, according to Disrupt Africa (2023), illustrating the rising interest of investors in solutions that solve major healthcare challenges[78]. According to a report by Obiya (2024), Significant venture capital investment has been granted to startups like 54gene, which

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[72] Lin, L., 2022. Venture capital in the rise of sustainable investment. *European Business Organization Law Review*, *23*(1), pp.187-216.
[73] Oburo, N.N.A., 2021. *Strategies for Sourcing Funding for Startup Businesses in Nigeria* (Doctoral dissertation, Walden University).
[74] African Development Bank (AfDB). (2023). *Annual Report on Entrepreneurship and Investment in Africa*.
[75] McKinsey & Company. (2022). *Africa's Digital Transformation: The Role of Venture Capital*.
[76] *Home | National Bureau of Statistics*. (n.d.). https://www.nigerianstat.gov.ng/
[77] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[78] Disrupt Africa. (2022). The African Tech Startups Funding Report 2022. In *The African Tech Startups Funding Report*. https://old.disruptafrica.com/wp-content/uploads/2023/02/The-African-Tech-Startups-Funding-Report-2022.pdf

specializes in genomic research, indicating the potential of Nigeria's healthtech sector to stimulate innovation[79]. The future of venture capital in Nigeria appears bright since a number of reasons are projected to fuel its rise. PEVCA (2024) claims that greater economic digitalization and regulatory improvements meant to promote investor confidence will expand venture capital investment possibilities[80]. The rise of corporate venture capital (CVC) programs, in which major firms support startups to promote innovation, is also projected to extend Nigeria's venture capital industry[81]. The fact that firms like MTN and Dangote Group have already begun looking at venture capital investments indicates how interested established companies are in aiding startups.

In conclusion, VC has become an essential component of Nigeria's startup ecosystem, providing funding and strategic support for high-growth companies. Despite the challenges that have been highlighted above, the industry continues to thrive, driven by both local and international investors. The success of VC-backed startups in Fintech, Healthtech, and Agritech is a testament to the transformative impact of venture capital in Nigeria. As the investment landscape evolves, collaborative efforts between the government, investors, and entrepreneurs will be crucial in sustaining the momentum and ensuring that venture capital remains a key driver of economic growth in Nigeria.

**The Need for Private Equity and Venture Capital**

Particularly in developing countries like Nigeria, where conventional funding sources fall short of the demands of expanding companies, private equity (PE) and venture capital (VC) have become essential in contemporary economies. PEVCA (2024) claims that Nigeria has a notable funding gap that prevents existing businesses and startups from gaining the cash needed for competitiveness, innovation, and growth. Although government grants and commercial banks are still accessible, they can have bureaucratic obstacles, high interest rates, or limited restrictions that make them less suitable for companies with great development potential[82]. According to Achugbu (2017), PE and VC cover this hole by providing not just financial capital but also strategic mentoring, operational advice, and market access, thereby promoting

[79] Obiya, S.O., 2024. Impact of artificial intelligence (ai) on the growth of startups in nigeria. *Journal of economics and allied research (jear)*, p.1.
[80] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[81] Holdings, A. (2024, November 11). Powering Africa's Future through the Rise of Corporate Venture Capital. *Anza Capital*. https://anza.holdings/powering-africas-future-through-the-rise-of-corporate-venture-capital/
[82] Loo, P., Hastalona, D., Yakub, S. and Firmansyah, E., 2022. Analysis Of Factors Affecting The Rate Of Equity Returning Affecting Credit Distribution In Commercial Banks (Persero) In 2017-2020. *Jurnal Ekonomi*, *11*(03), pp.11-22.

sustainable company growth[83]. The insufficiency of conventional financial institutions in funding high-risk, high-reward businesses is one of the most urgent reasons for the need for physical education and virtual learning. According to the Yuan et al., commercial banks mostly concentrate on asset-backed lending; hence, they demand significant collateral from borrowers[84]. This strategy disproportionately impacts small enterprises and startups, many of whom lack the real assets required to get financing. On the other hand, PE and VC investors evaluate firms according to their scalability, market fit, and growth potential, thereby helping creative enterprises get the necessary funds free from the weight of conventional debt financing[85].

Nigeria's changing economic structure is another important feature driving the need for PE and VC in the nation. Nigeria's efforts to broaden its economy have heightened the need for investments in non-oil areas, including technology, agriculture, and healthcare, according to the African Development Bank (AfDB, 2023)[86]. However, in order to improve operations, boost technology utilization, and build infrastructure, these firms need large financial inputs[87]. The long-term funding important to achieve this shift is provided by PE and VC investments, allowing firms to encourage job growth and economic development.

Nigeria's global digital change has further shown the high need for PE and VC. According to a report by Bridge Africa Technologies (2024), Nigeria got around 81% of Africa's total venture capital investment in 2022, with the majority going to fintech, healthtech, and agritech companies[88]. This trend shows how vital private investment is to allowing digital innovation, which boosts access to healthcare, financial inclusion, and agriculture production. Venture money may aid local companies in becoming widely important, as proven by the growth of firms like Flutterwave, which has drawn over $475 million in investment (AVCA, 2023)[89].

In addition to offering financial help, PE and VC are important for improving business success and company control. According to the Nigerian Investment Promotion Commission (NIPC, 2023), a large majority of Nigerian businesses suffer from insufficient corporate governance

[83] Achugbu, T.U. (2017). Venture Capital Financing for Innovative Start-up Companies in Nigeria. Texila International Journal of Management, 3(2).
[84] Central Bank of Nigeria (CBN). (2023). Monetary Policy Report.
[85] Kostikov, E., Analysis of the Corporate Venture Capital Investments in Company/Organization.
[86] African Development Bank (AfDB). (2023). Annual Report on Entrepreneurship and Investment in Africa.
[87] Sun, Y., Ajaz, T. and Razzaq, A., 2022. How infrastructure development and technical efficiency change caused resources consumption in BRICS countries: Analysis based on energy, transport, ICT, and financial infrastructure indices. *Resources Policy*, *79*, p.102942.
[88] bridgeafricatech.com. (2024, November 7). Four Nigerian startups on the final list of Africa Tech Summit - Bridge Africa Technologies. *Bridge Africa Technologies*. https://bridgeafricatech.com/four-nigerian-startups-on-the-final-list-of-africa-tech-summit/
[89] African Private Equity and Venture Capital Association (AVCA). (2023). *Trends in African Venture Capital Investments*.

frameworks, bad financial management, and a lack of strategy direction[90]. By actively handling client companies, ensuring obedience to global best practices, and creating responsibility, PE and VC firms handle these problems. PE-backed firms in Africa are more likely than their non-PE-backed peers to adopt professional management practices and smart financial reporting systems, which boosts corporate performance (McKinsey & business, 2022)[91].

PE and VC are crucial for company reform and turnaround efforts, as well as for helping startups. According to PEVCA (2024), some Nigerian organizations that were fighting operational problems or financial issues were able to restart their operations with PE funding successfully. For example, private equity investments have helped reorganize important players in the energy and manufacturing sectors, showing the usefulness of PE in recovering failing companies[92]. This is especially true in Nigeria, where many businesses have experienced financial hurdles as a result of economic uncertainty, complicated legislation, and currency devaluation. PE companies provide businesses with the tools they need to weather economic crises and produce a profit again via financial injection, strategy rearrangement, and management tracking[93].

Macroeconomically speaking, PE and VC are important for wealth sharing and job growth. The Nigerian Bureau of Statistics (NBS, 2024) says that the country's jobless rate in 2022 was 33.3%, with young people facing concerningly high rates of unemployment[94]. PE and VC-backed companies play a crucial part in offering jobs, especially in the industrial and technology sectors. About 40 direct and secondary jobs are created for every $1 million spent in venture-backed businesses, according to McKinsey & Company (2022)[95]. Businesses like Paystack, which Stripe bought for $200 million, have extended their workforces and made job possibilities throughout Nigeria (Disrupt Africa, 2023)[96].

PE and VC are also needed to ease the building shortage in Nigeria. Nigeria needs around $100 billion in yearly infrastructure spending to meet its growth goals, according to the African Infrastructure Investment Report (2023)[97]. Private investment is necessary to close this gap,

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[90] Nigerian Investment Promotion Commission (NIPC). (2023). *Foreign Direct Investment Trends in Nigeria*.
[91] McKinsey & Company. (2022). *Africa's Digital Transformation: The Role of Venture Capital*.
[92] Kostikov, E., Analysis of the Corporate Venture Capital Investments in Company/Organization.
[93] Gallo, S. and Verdoliva, V., 2022. *Private equity and venture capital* (p. VIII). Springer.
[94] Nigerian Bureau of Statistics (NBS). (2023). Labour Force Survey Report.

[95] McKinsey & Company. (2022). *Africa's Digital Transformation: The Role of Venture Capital*.
[96] Disrupt Africa. (2023). Healthtech Startup Funding in Nigeria.
[97] Atta, D. & THE INFRASTRUCTURE BANK PLC. (n.d.). PAPER PRESENTATION AT THE 23RD EDITION OF THE JOINT PLANNING BOARD (JPB) AND NATIONAL COUNCIL ON DEVELOPMENT PLANNING (NCDP) MEETING. In *23RD EDITION OF THE JOINT PLANNING BOARD (JPB) AND NATIONAL COUNCIL ON DEVELOPMENT PLANNING (NCDP) MEETING* [Conference-proceeding]. https://nationalplanning.gov.ng/wp-

however, since government spending is insufficient on its own[98]. Large-scale projects, including transportation networks, internet infrastructure, and green energy facilities, are usually backed by PE companies that specialize in infrastructure investments. As an indication of the importance of private equity in handling the nation's infrastructure needs, Helios Investment Partners, a well-known African PE business, has been involved in a number of important energy and infrastructure projects throughout Nigeria[99].

The growing demand for effective investment and environmental, social, and governance (ESG) issues in Nigeria is another important factor causing the need for PE and VC. According to PEVCA (2024), investors are putting a bigger focus on socially aware and sustainable investments, with particular stress on businesses that fight poverty, gender equality, and climate change. In response, PE and VC companies have invested in businesses that share similar ideals, especially in areas like cheap healthcare, healthy agriculture, and green energy[100]. PE investments have been drawn to Nigerian solar energy companies like Daystar Power in order to grow their operations and support the country's shift to green energy (AVCA, 2023).

As reported by African Private Capital Association (2025), between 2020 and 2024, Nigeria secured 404 private capital transactions totaling US$3 billion, representing 66% of West Africa's deal volume and 52% of its deal value. The average deal size was US$9.7 million. Notably, 82% of venture capital activity, amounting to US$2.7 billion, was directed toward tech or tech-enabled businesses. The financial services sector led with 157 deals worth US$1.5 billion, followed by consumer discretionary and information technology sectors. Additionally, Nigeria recorded 42 infrastructure deals valued at US$562 million between 2020 and 2023, highlighting the country's growing appeal to private capital investors.

In the future, as Nigeria accepts technology innovation, sustainable development, and economic diversity, the country's need for PE and VC will definitely rise. PEVCA (2024) predicts that the business environment's changes, investor trust, and the building of digital infrastructure will all lead to growing PE and VC activity over the next 10 years[101]. Additionally,

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content/uploads/2024/10/INNOVATIVE-OPTIONS-FOR-FINANCING-INFRASTRUCTURE-DEVELOPMENT.pdf

[98] Fremstad, A. and Paul, M., 2022. Neoliberalism and climate change: How the free-market myth has prevented climate action. *Ecological Economics*, *197*, p.107353.

[9999] *Helios Investment Partners | Africa-focused investment | Helios Investment Partners*. (n.d.). Helios Investment Partners. https://www.heliosinvestment.com/

[100] Brönner, U., Sonnewald, M., & Visbeck, M. (2023). Digital Twins of the Ocean can foster a sustainable blue economy in a protected marine environment. *The International Hydrographic Review*, *29*(1), 26–40. https://doi.org/10.58440/ihr-29-a04

[101] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook.

Osimen, in 2024, mentioned that global investors will continue to regard Nigeria's promise as a top spot for private capital as more Nigerian firms become stars[102].

In conclusion, the importance of venture capital and private equity in Nigeria is clear in many ways, including growing economic variety, closing the financial gap, creating jobs, promoting corporate governance, and supporting infrastructure development. The success of PE and VC-backed companies in areas including finance, healthcare, and green energy prove their changing impact on Nigeria's economy. However, lifting governmental hurdles, giving exit possibilities, and adopting investor-friendly laws are all important to reach the full potential of private investment. PE and VC will continue to be key bases of Nigeria's economic growth, allowing creativity, sustainability, and long-term success if the necessary rules are put in place.

[102] Osimen, B., 2024. *The Transition of Nigerian Businesses into the Global Market* (Master's thesis, Itä-Suomen yliopisto).

04

# PART TWO: THE EVOLUTION AND TRENDS OF PRIVATE EQUITY AND VENTURE CAPITAL

ROME BUSINESS SCHOOL

## PART 2: THE EVOLUTION AND TRENDS OF PRIVATE EQUITY AND VENTURE CAPITAL

Nigerian private equity (PE) and venture capital (VC) have evolved in line with the nation's dynamic economic environment and expanding entrepreneurial ecosystem. According to Chukwu (2021), before these investment strategies were well-known, Nigerian small companies and startups mostly depended on conventional sources such as government subsidies, personal savings, and bank loans[103]. However, as reported by Babagana (2024), exorbitant loan rates, strict collateral requirements, and bureaucratic inefficiencies often proved inadequate. Many great companies, therefore, battled to grow, which limited innovation and economic development[104]. The private capital investment brought via PE and VC has fundamentally changed this scene by offering not only financial assistance but also strategic direction and access to worldwide markets[105].

The African Private Equity and Venture Capital Association (AVCA, 2023) claims that efforts at economic diversification, the digital transformation of sectors, and rising investor confidence in emerging markets help to explain the rise in PE and VC in Nigeria[106]. According to Paul and others, in 2024, Nigeria saw an infusion of international and local investment businesses aggressively backing high-growth businesses during the previous two decades[107]. The success of fintech businesses such as Paystack, Flutterwave, and OPay, which have garnered millions of dollars in VC financing, underscores the significance of venture capital in driving company development and establishing Nigerian entrepreneurs in the global arena[108].

As noted by PEVCA (2024), current trends in PE and VC investments indicate a move toward impact investing, environmental, social, and governance (ESG) compliance, and sector diversification[109]. Although, as stated by Ogwu (2022), fintech still dominates VC financing, other sectors like Healthtech, Agritech, and Edutech are seeing more investor attention[110].

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[103] Chukwu, A.O., 2021. *Small and Medium Scale Firms Financing Strategies in Nigeria* (Doctoral dissertation, Walden University).
[104] Babagana, A. W. (2024). *Political economy of exchange rate policy in Nigeria and Indonesia: investigating the influence of stakeholders on policy choices* (Doctoral dissertation, Doshisha University).
[105] Osimen, B., 2024. *The Transition of Nigerian Businesses into the Global Market* (Master's thesis, Itä-Suomen yliopisto).
[106] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[107] PAUL, K.A., UKO, F.E. and ASURU, D.M.C., VENTURE CAPITAL AND GROWTH OF SMES IN AKWA IBOM STATE.
[108] Fintechnews Africa. (2024, March 11). *Africa's newest unicorn OPay raises US$400 million from SoftBank*. Fintech News Africa. https://fintechnews.africa/39755/fintech-nigeria/africas-newest-unicorn-opay-raises-us400-million/
[109] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[110] Ogwu, O.J., 2022. A CRITICAL APPRAISAL OF FINTECH REGULATION IN NIGERIA. *Available at SSRN 4914808*.

Private equity companies are also concentrating on infrastructure, energy, and industrial projects, therefore meeting Nigeria's development demands and producing significant profits simultaneously. Further underlining the changing character of Nigeria's investment scene is the spread of corporate venture capital (CVC) projects, wherein big companies fund startups to stimulate innovation[111].

The expanding involvement of PE and VC in Nigeria proves their relevance in supporting entrepreneurship, economic resilience, and industrial modernization. However, concerns such as regulatory uncertainty, foreign currency volatility, and restricted exit alternatives continue to impact investment choices. As stated by the Nigerian Investment Promotion Commission (NIPC, 2023), resolving these concerns via regulatory changes and enhanced investor safeguards would be crucial in maintaining the rise of private capital investments in Nigeria[112]. Looking forward, the sustained growth of PE and VC will be driven by advances in digital infrastructure, rising global investor interest, and the ongoing change of important economic sectors. The sections below will go deeper into these evolution patterns and trends.

**Nigerian Startup Funding Model Before Private Equity and Venture Capital**

Before private equity (PE) and venture capital (VC) were popular in Nigeria, startup financing rested on conventional and frequently untrustworthy sources. As stated by Uzah (2021), commercial banks were the key makers of business finance. Still, their loan standards were mostly unfavourable to early-stage companies due to high interest rates and strict collateral requirements[113]. Nigerian businesses, especially those in high-risk areas such as technology and industry, failed to acquire loans, leading them to depend on alternative finance routes like personal funds, family gifts, and community organizations[114].

According to the African Development Bank (AfDB, 2024), over 80% of small and medium-sized companies (SMEs) in Africa function without formal financial backing[115]. In Nigeria, this number was significantly bigger before PE and VC companies joined the market. The limited access to structured finance hindered innovation since many firms could not grow beyond the available resources. As stated by the Nigerian Bureau of Statistics (NBS, 2022), out of every

[111] Guerrero, M., Amorós, J.E. and Urbano, D., 2021. Do employees' generational cohorts influence corporate venturing? A multilevel analysis. *Small business economics*, *57*(1), pp.47-74.
[112] Nigerian Investment Promotion Commission (NIPC). (2023). Foreign Direct Investment Trends in Nigeria.
[113] Uzah, C.K., 2021. COMMERCIAL BANKS. *FACULTY OF MANAGEMENT SCIENCES RIVERS STATE UNIVERSITY*, p.47.
[114] Soetan, T.O. and Mogaji, E., 2024. Financial Services Providers in Nigeria. In *Financial Services in Nigeria: The Path Towards Financial Inclusion, Economic Development and Sustainable Growth* (pp. 49-103). Cham: Springer Nature Switzerland.
[115] African Development Bank (AfDB). (2024). *Annual Report on Entrepreneurship and Investment in Africa*.

10 firms that formed in Nigeria between 2000 and 2015, six failed during their first three years due to insufficient finance[116].

Also, before PE and VC investments became common, firms usually looked to angel investors—wealthy people ready to add initial funds to possible businesses. According to the African Business Angel Network (ABAN, 2023), Nigeria has one of the best angel funding groups in Africa, with people backing early-stage companies in return for stock or revenue-sharing deals[117]. However, angel investments stayed limited since most investors chose low-risk companies with fast returns.

Another common financial approach before PE and VC was government involvement via different development finance projects. The Nigerian government created the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003 to give funds and low-interest loans to SMEs[118]. However, as stated by Youvan (2024), governmental incompetence, graft, and misallocation of money frequently hindered the completion of these projects[119]. While some firms benefited from government-backed schemes such as the Bank of Industry (BoI) and the Central Bank's Agricultural Credit Guarantee Scheme (ACGS), these programs lacked the scale and efficiency to support Nigeria's fast-rising business scene.

The lack of formal private investment models also hindered the capacity of Nigerian firms to compete in global markets. As reported by Engel (2015), firms in places such as Silicon Valley and Europe had access to well-established VC ecosystems that supplied not just capital but also mentoring, strategic help, and market access[120]. In contrast, Nigerian firms had to depend on fragmented and unpredictable financial sources, which frequently hampered their development potential.

Despite these hurdles, several firms managed to achieve considerable success using unstructured finance sources. The emergence of cooperative societies and rotating savings and credit organizations (ROSCAs) enabled entrepreneurs with small-scale capital to begin and

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[116] *Home | National Bureau of Statistics*. (n.d.-b). https://www.nigerianstat.gov.ng/
[117] Tchoumba, F., African Business Angel Network (ABAN), & Catalytic Africa. (2023). ABAN 2023 ANGEL INVESTMENT SURVEY REPORT. In Briter Bridges, African Angel Academy, & Dutch Good Growth Fund (DGGF), *ABAN 2023 ANGEL INVESTMENT SURVEY REPORT* (p. Cover Page). https://abanangels.org/wp-content/uploads/2023/11/ABAN-2023-Angel-Investment-Survey-Report_V1.pdf
[118] Arinzeh, I.F., 2022. Microcredit Loan Accessibility and its Effect on the Performance of Small and Medium-sized Enterprises (SMEs) in the Niger Delta Region of Nigeria.
[119] Youvan, D.C., 2024. The Graft Principle: Exploring the Dynamics of Corruption in Hierarchical Government Systems.
[120] Engel, J.S., 2015. Global clusters of innovation: Lessons from Silicon Valley. *California Management Review*, *57*(2), pp.36-65.

run firms[121]. According to a survey report published by NBS and CBN (2010 and 2013 respectively), informal lending networks accounted for over 60% of all business finance in Nigeria before 2010, notably among micro-enterprises and rural entrepreneurs[122] and [123]. However, the absence of organized repayment procedures and professional investment management meant that these finance sources could not sustain long-term company development.

Therefore, the constraints of conventional financing sources showed the need for a more organized investment strategy, leading to the birth of private equity and venture capital in Nigeria. As foreign investors saw the potential of Africa's biggest economy, international VC companies started to investigate possibilities in Nigeria's startup ecosystem. According to the African Private Equity and Venture Capital Association (AVCA, 2023), the arrival of global investors signalled the beginning of a revolutionary age for Nigerian entrepreneurs, opening the path for large-scale fundraising rounds and faster company development[124].

**The Rise of Private Equity and Venture Capital**

The rise of private equity (PE) and venture capital (VC) in Nigeria has transformed the nation's startup environment and overall economic framework. According to the African Private Equity and Venture Capital Association (AVCA, 2023), the implementation of organized private investment has greatly narrowed the funding gap for Nigerian enterprises, enabling startups to obtain capital outside conventional banking and informal lending methods[125]. This change has allowed entrepreneurs to grow their operations, enter new markets, and compete internationally.

The first surge of PE and VC investments in Nigeria was mainly fueled by international investors who acknowledged the opportunities presented by the nation's expanding consumer market and entrepreneurial skills. According to McKinsey & Company (2022), Africa's economic change offered a $1.4 trillion business potential, with Nigeria standing out as one of

[121] JEPKOMEN, K.B., 2024. *INFLUENCE OF ROTATING SAVINGS AND CREDIT ASSOCIATIONS SERVICES ON FINANCIAL PERFORMANCE OF MICRO AND SMALL ENTERPRISES: A CASE STUDY OF WOMEN OWNED MICRO AND SMALL ENTERPRISES IN NAKURU, KENYA* (Doctoral dissertation, KABARAK UNIVERSITY).
[122] Muhammad Nadada Umar. (2010). *2010 NATIONAL MSME COLLABORATIVE SURVEY*. https://www.nigerianstat.gov.ng/pdfuploads/MSMES.pdf
[123] Central Bank of Nigeria. (2013). *Financial inclusion in Nigeria: issues and challenges* [Report]. https://www.cbn.gov.ng/Out/2014/RSD/Occasional%20Paper%20No.%2045%20Issues%20and%20Challenges.pdf
[124] African Private Equity and Venture Capital Association (AVCA). (2023). *Trends in African Venture Capital Investments*.
[125] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.

the most appealing markets because of its significant and youthful demographic[126]. International venture capital firms like Y Combinator, Sequoia Capital, and SoftBank started funding Nigerian startups, signifying the emergence of an organized venture capital ecosystem[127].

The Central Bank of Nigeria (CBN, 2024) indicates that regulatory modifications significantly contributed to the development of PE and VC[128]. As stated by Nwoke (2023), the Nigerian Investment Promotion Commission (NIPC) implemented strategies to lure foreign investments, while the Securities and Exchange Commission (SEC) updated investment rules to support PE and VC companies[129]. Solomon and Fidelis (2018) also reported that the launch of the National Economic Recovery and Growth Plan (NERGP) in 2017 strengthened the significance of private investment in realizing sustainable economic growth[130].

A significant milestone in Nigeria's VC history occurred when Stripe acquired Paystack for $200 million in 2020. According to TechCrunch (2021), this agreement showcased the potential of Nigerian startups and validated the nation's appeal to international investors[131]. Fintechnews Africa (2024) also reported that After Paystack's success, other startups like Flutterwave, OPay, and Andela secured funding rounds exceeding $100 million, further establishing Nigeria as Africa's top destination for venture capital investment[132].

The rise of private equity in Nigeria has also been crucial in encouraging corporate restructuring and sector consolidation. Further validated by PEVCA (2024), PE companies have played a vital role in rejuvenating troubled enterprises via financial infusion, operational

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[126] Kuyoro, M., Leke, A., White, O., Woetzel, J., Jayaram, K., Hicks, K., & McKinsey Global Institute. (2023). Reimagining economic growth in Africa: Turning diversity into opportunity. In S. Strom (Ed.), *McKinsey Global Institute*. https://www.mckinsey.com/~/media/mckinsey/mckinsey%20global%20institute/our%20research/reimagining%20economic%20growth%20in%20africa%20turning%20diversity%20into%20opportunity/reimagining-economic-growth-in-africa-v6.pdf

[127] *The most expensive tech startups in Nigeria 2024*. (n.d.). https://www.nigeriatechsummit.com/biggest-tech-startups-in-nigeria-by-capital-raised/

[128] Central Bank of Nigeria. (2024). *Macroeconomic Outlook: Price discovery for economic stabilisation*. https://www.cbn.gov.ng/Out/2024/RSD/2024%20CBN%20Macroeconomic%20Outlook.pdf

[129] Nwoke, C., 2023. Regulatory Framework for Alternative Investments in Nigeria. *Available at SSRN 4825269*.

[130] Solomon, B.A. and Fidelis, M.A., 2018. An appraisal of the Nigeria economic recovery and growth plan, 2017-2020. *African Research Review*, *12*(3), pp.25-37.

[131] Lunden, I. (2020, October 15). Stripe acquires Nigeria's Paystack for $200M+ to expand into the African continent. *TechCrunch*. https://techcrunch.com/2020/10/15/stripe-acquires-nigerias-paystack-for-200m-to-expand-into-the-african-continent/

[132] Fintechnews Africa. (2024a, March 11). *9 top fintech companies in Nigeria You should know*. Fintech News Africa. https://fintechnews.africa/40224/fintech-nigeria/9-top-fintech-companies-in-nigeria-you-should-know/#:~:text=Interswitch%20is%20one%20of%20the%20earliest%20fintech,at%20US$200%20million)%20from%20Visa%20in%202019.

restructuring, and governance changes[133]. As reported by Renga (2022), a notable example is the purchase and turnaround of Mouka Foam, one of Nigeria's major mattress makers, by Actis, a global PE company specialising in developing markets.

In addition to financial assistance, PE and VC firms give strategic advice, coaching, and industry experience to portfolio businesses. As stated by the African Development Bank (AfDB, 2023), venture capitalists play a critical role in mentoring companies through different development phases, ensuring they adopt sustainable business models and governance frameworks[134]. This hands-on approach has contributed to the durability and scalability of many Nigerian enterprises.

Despite the tremendous rise of PE and VC in Nigeria, difficulties such as foreign currency volatility, regulatory inconsistencies, and exit limits persist. As indicated by the Nigerian Investment Promotion Commission (NIPC, 2023), investors continue to seek regulatory clarity and better market conditions to maintain the pace of private capital investments[135]. However, with continuing reforms and the rising success of Nigerian companies, the future of PE and VC in the nation seems positive.

Recent figures by Disrupt Africa (2025), shows that Nigeria attracted $1.18 billion in startup funding in 2024, maintaining its lead as the top destination for venture capital in Africa, ahead of Kenya and South Africa[136]. Out of this, fintech alone accounted for nearly 38% of total funding, followed by healthtech and logistics[137]. According to PEVCA (2025), over 65% of new VC deals were concentrated in Lagos, highlighting the city's dominance in Africa's tech investment landscape[138]. These confirm that investor interest in Nigeria remains strong, especially in sectors aligned with digital innovation and urban consumer markets.

**Current Trends of Private Equity and Venture Capital**

The structural set-up used in Private equity (PE) and venture capital (VC) in Nigeria has witnessed major changes in recent years, reflecting both global investment patterns and local economic restrictions. As stated by the African Private Equity and Venture Cash Association

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[133] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[134] African Development Bank (AfDB). (2023). *Annual Report on Entrepreneurship and Investment in Africa*.
[135] Nigerian Investment Promotion Commission (NIPC). (2023). *Foreign Direct Investment Trends in Nigeria*.
[136] Disrupt Africa. (2025). *African Tech Startups Funding Report 2024*. Available at: https://disrupt-africa.com
[137] African Private Equity and Venture Capital Association (AVCA). (2025). *African Venture Capital Activity Report 2024*. AVCA
[138] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2025). *Nigeria Private Capital Snapshot: H1 2025*. PEVCA

(AVCA, 2023), Nigeria is one of the top sites for private investment in Africa, with fintech, healthtech, and agritech enterprises receiving big cash[139]. The move toward impact investment, environmental, social, and governance (ESG) compliance, and infrastructure development clearly shows the expanding complexity of Nigeria's PE and VC industry.

One of the most apparent changes in Nigeria's VC market is the dominance of fintech investments. As reported by Briter Bridges (2023), fintech accounted for nearly 60% of all VC funding in Nigeria in 2022, outperforming other industries such as edtech, logistics, and energy[140]. Startups such as Flutterwave, OPay, and Moniepoint have acquired multimillion-dollar investment rounds, showing investor confidence in Nigeria's digital payment ecosystem[141]. The rising popularity of mobile banking and financial technology solutions has produced possibilities for enterprises to flourish fast, luring local and international investors.

Another major trend is the development of Healthtech and Agritech investments. According to Disrupt Africa (2023), Nigerian healthtech entrepreneurs got over $200 million in financing in 2022, suggesting growing investor interest in healthcare innovation[142]. Companies such as 54gene, which concentrates on genetic research, and Helium Health, a producer of electronic medical records, have demonstrated the potential of technology to boost healthcare access and efficiency. Similarly, as reported by Pandey (2025), Agritech startups such as Thrive Agric and Releaf have secured money to modernize Nigeria's agricultural value chain, demonstrating the necessity of private investment in solving food security challenges[143].

Private equity investment in Nigeria is also going towards infrastructure and energy projects. As indicated by the African Development Bank (AfDB, 2023), Nigeria needs around $100 billion in annual infrastructure investments to achieve its development objectives, presenting possibilities for PE businesses specializing in large-scale projects[144]. Renewable energy enterprises such as Daystar Power and Arnergy have drawn money from private investors, reflecting the rising focus on sustainable energy choices[145]. Gemson and Thillai (2023)

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[139] African Private Equity and Venture Capital Association (AVCA). (2023). Trends in African Venture Capital Investments.
[140] Briter Bridges. (2023). Africa Startup Funding Report 2023.
[141] Mocacc. (2025, February 6). *The future of fintech in Nigeria and investment opportunities*. Matthew Ogagavworia & Co.(Chartered Accountants). https://mocaccountants.com/the-future-of-fintech-in-nigeria-and-investment-opportunities-for-foreign-investors/
[142] Disrupt Africa. (2022). The African Tech Startups Funding Report 2022. In *The African Tech Startups Funding Report*. https://old.disruptafrica.com/wp-content/uploads/2023/02/The-African-Tech-Startups-Funding-Report-2022.pdf
[143] Pandey, S., 2025. *A study on customer retention in agri-tech startups* (Doctoral dissertation, Bennett university).
[144] African Development Bank (AfDB). (2023). Annual Report on Entrepreneurship and Investment in Africa.
[145] Arnergy. (2024, February 15). *Arnergy, a leading distributed renewable energy player, closes $US 3 million bridge Round - Arnergy*. Arnergy. https://arnergy.com/arnergy-a-leading-distributed-renewable-energy-player-closes-us-3-million-bridge-round/

reported that the expansion of PE investments into real estate, transportation, and industrial projects underscores the strategic value of infrastructure development in Nigeria's economic growth[146].

Corporate venture capital (CVC) is becoming an increasingly significant aspect of Nigeria's financial sector. As stated by PEVCA (2024), large companies such as MTN and Dangote Group have begun investing in startups to stimulate innovation and increase their business portfolios[147]. This trend indicates the expanding relationship between established firms and emerging entrepreneurs, promoting knowledge transfer and strategic growth. The creation of CVC also gives enterprises access to industry knowledge and distribution networks, boosting their possibilities of long-term success[148].

Despite these positive advances, difficulties such as currency depreciation, regulatory worries, and limited departure possibilities exist. As stated by the Nigerian Investment Promotion Commission (NIPC, 2023), foreign currency volatility has made it tougher for investors to repatriate cash, affecting investment inflows[149]. However, continual regulatory changes and rising investor trust reflect the resilience of Nigeria's PE and VC ecosystem. With continual improvements in the business climate and digital infrastructure, the future of private capital investments in Nigeria remains promising.

[146] Gemson, J. and Thillai Rajan, A., 2023. Private Equity Financing in Infrastructure and Real Estate. *Springer Books*.
[147] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[148] Sjölin, E. and Sjölin, S., 2024. Navigating Corporate Venture Capital: A Framework for Strategic Success.
[149] Nigerian Investment Promotion Commission (NIPC). (2023). *Foreign Direct Investment Trends in Nigeria*.

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# PART 3: PRIVATE EQUITY AND VENTURE CAPITAL IN NIGERIA

ROME BUSINESS SCHOOL

## PART 3: PRIVATE EQUITY AND VENTURE CAPITAL IN NIGERIA

As shown in the previous sections, it is clear that private equity (PE) and venture capital (VC) have positively impacted Nigeria's economy by supporting start-ups, creating jobs, and innovation generation. According to the African Private Equity and Venture Capital Association (AVCA, 2023), Nigeria is still among the top investment destinations in Africa, with PE and VC firms being the key players in supporting high-growth companies[150]. Rising digital companies, industrial growth, and infrastructure building have made Nigeria a target for investors seeking prospects in developing nations.

In addition, PEVCA (2024) claims that the existence of PE and VC companies in Nigeria has helped companies go beyond conventional finance constraints[151]. High interest rates and rigorous lending criteria make it difficult for many startups and medium-sized businesses to get bank loans. According to Lerner and Leamon (2023), investing in PE and VC offers a substitute with funds in return for equity, strategic assistance, and industry knowledge[152]. In fields such as Fintech, Healthtech, and Agritech—where Nigerian entrepreneurs have attracted significant capital from international investors—this strategy has been very helpful.

Nigeria has had both successes and setbacks in private equity and venture capital investments. According to Brogaard et al. (2020), certain investments have suffered because of governance issues, currency swings, and legal uncertainty[153]. The capacity of firms to expand and produce returns on investment generally relies on the stability of Nigeria's economy and regulations. However, despite these limitations, the overall effect of PE and VC remains favourable, with many firms attaining growth and development via these investment channels.

Furthermore, the expanding prospects for entrepreneurs and investors in Nigeria show the country's potential as a major centre for private investment in Africa. As stated by McKinsey & Company (2022), Nigerian entrepreneurs continue to receive funding capital from global VC companies, while local investors are starting to take a more active role in supporting new enterprises[154].

However, as PE and VC continue to expand in Nigeria, it is crucial to understand their position in the economy, their achievements and problems, and the potential they bring for

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[150] African Private Equity and Venture Capital Association (AVCA). (2023). Trends in African Venture Capital Investments.
[151] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). *2024 Mid-Year Review and Strategic Outlook*.
[152] Lerner, J. and Leamon, A., 2023. *Venture capital, private equity, and the financing of entrepreneurship*. John Wiley & Sons.
[153] Brogaard, J., Dai, L., Ngo, P.T. and Zhang, B., 2020. Global political uncertainty and asset prices. *The Review of Financial Studies*, *33*(4), pp.1737-1780.
[154] McKinsey & Company. (2022). Africa's Digital Transformation: The Role of Private Capital.

companies and investors. Therefore, this part will go into these thoughts in depth, showing how PE and VC affect Nigeria's business environment and what the future holds for private investments in the nation.

**The Place of Private Equity and Venture Capital in Nigeria**

Private equity (PE) and venture capital (VC) play a crucial part in Nigeria's economic growth, business development, and industrial change. As stated by the African Private Equity and Venture Capital Association (AVCA, 2023), Nigeria is one of the top receivers of private capital investment in Africa, with billions of dollars coming into various businesses each year[155]. The value of PE and VC is clear in their input to job growth, creativity, and general economic development. By giving huge capital and strategic guidance, PE and VC groups have helped startups grow, boost efficiency, and compete worldwide.

According to Anetor (2019), private equity has established itself as a vital source of economic growth in Nigeria[156]. As proposed by the Private Equity and Venture Capital Association of Nigeria (PEVCA, 2024), PE investments in Nigeria are focused on important industries such as financial services, energy, manufacturing, and infrastructure[157]. These businesses need vast sums of money, which PE firms supply in exchange for stock control. Unlike normal bank loans, which focus on short-term payback, PE investments assist businesses in growing operations, adopting modern technologies, and entering new markets.

**The Place of Private Equity**

One of the major impacts of private equity in Nigeria is its input to economic diversity. According to a report by PricewaterhouseCoopers (2024), PE investments have boosted non-oil companies, lowering the country's dependence on crude oil earnings[158]. For example, PE-backed firms in the farming and factory sectors have expanded food production and industry output, strengthening Nigeria's status as a regional economic star[159].

PE firms also play an important role in company transformation and business growth. As stated by McKinsey & Company (2022), certain failed businesses in Nigeria have been revived by PE investments, which give better financial management, operating efficiency, and control

[155] African Private Equity and Venture Capital Association (AVCA). (2023). Trends in African Venture Capital Investments.
[156] Anetor, F.O., 2019. Economic growth effect of private capital inflows: a structural VAR approach for Nigeria. *Journal of Economics and Development*, *21*(1), pp.18-29.
[157] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). *2024 Mid-Year Review and Strategic Outlook*.
[158] PricewaterhouseCoopers. (n.d.-b). *PWC*. PwC. https://www.pwc.com/gx/en.html
[159] DigitalDefynd, T. (2025, March 9). *How private equity is Shaping the future of Agriculture? [2025] - DigitalDefynd*. DigitalDefynd. https://digitaldefynd.com/IQ/private-equity-and-future-of-agriculture/

structures[160]. As reported by Renga (2022), an example is the purchase and change of Mouka Foam, a top mattress maker, by Actis, a global PE business focusing on developing countries. This investment improved the company's output potential and market reach[161].

In addition, PE companies offer entry into foreign financial markets, allowing companies in Nigeria to seek funding abroad[162]. According to AVCA (2023), Nigeria made for roughly 23% of Africa's entire PE deal value in 2022, showcasing the country's draw to investors[163]. The presence of major PE companies such as Helios Investment Partners, Development Partners Intl (DPI), and The Carlyle Group shows the confidence of international investors in Nigeria's economic prospects.

**The Place of Venture Capital**

Venture funding has been important in the quick rise of Nigeria's startup environment, especially in the technology industry. As reported by the African Private Equity and Venture Capital Association (AVCA) in 2022, Nigerian companies got over $1.2 billion in venture capital funding in 2022, making the country the top VC investment target in Africa[164]. According to a report by Abati (2023), Fintech is the main sector, accounting for around 60% of all VC investments. Still, other fields such as healthtech, agritech, and edtech are already getting substantial money[165]. VC companies not only supply financial support but also teaching, strategy advice, and foreign market access. As stated by Disrupt Africa (2023), Nigerian businesses backed by VC companies grow faster and gain international fame[166]. A significant example is Flutterwave, which received over $475 million in funding and spread its payment network throughout different African states[167]. Similarly, Paystack, a Nigerian fintech startup, was bought by Stripe for $200 million in 2020, showing the value offered by VC

[160] McKinsey & Company. (2022). Africa's Digital Transformation: The Role of Private Capital.
[161] Renga, C. (2022, March 31). *Actis acquires a majority stake in Nigeria's Mouka Limited, and new Chairman and CEO appointed - Actis*. Actis. https://www.act.is/2007/08/03/actis-acquires-a-majority-stake-in-nigerias-mouka-limited-and-new-chairman-and-ceo-appointed/
[162] Iheanachor, N. and Ozegbe, A.E., 2021. The role of networks in the internationalization process of firms from emerging economies: The Nigerian perspective. *International Journal of Management, Economics and Social Sciences (IJMESS)*, *10*(1), pp.9-31.
[163] African Private Equity and Venture Capital Association (AVCA). (2023). *Trends in African Venture Capital Investments*. https://www.avca.africa/media/05makqy5/avca234-19-vc-report_4.pdf
[164] African Private Equity and Venture Capital Association (AVCA). (2022). *Trends in African Venture Capital Investments*. https://www.avca.africa/media/m3db4yt0/02175-avca-vc-report-2023_4-final-1.pdf
[165] Abati, A. A. (2023). Financial Technology (Fintech); An "e-florescence" of Commercial Transactions in Nigeria. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.4589544
[166] Disrupt Africa. (2023). Healthtech Startup Funding in Nigeria.
[167] Flutterwave. (n.d.-a). | The Flutterwave Blog. False | the Flutterwave Blog. https://flutterwave.com/us/blog/flutterwave-expands-african-footprint-with-payment-systems-license-in-uganda

funding[168]. Another important aspect of VC in Nigeria is the promotion of innovation. According to the Nigerian Bureau of Statistics (NBS, 2023), startups in Nigeria are responsible for a big part of new job creation and technology-driven solutions[169]. The introduction of Agritech firms such as Thrive Agric and Releaf has proven how VC-backed entrepreneurs may change traditional industries by adopting new, scalable business models.

In addition to backing startups, PE and VC capital have played a major part in Nigeria's infrastructure and manufacturing growth. As stated by the African Development Bank (AfDB, 2023), Nigeria needs around $100 billion in yearly infrastructure development to meet its economic demands[170]. PE companies focusing on infrastructure financing have come in to fix this gap by funding projects in green energy, real estate, and transportation. One notable example is the investment in Daystar Power, a green energy company offering solar solutions to businesses. As reported, this funding has helped solve Nigeria's electricity problems, cutting reliance on fossil fuels and improving the energy economy[171]. Similarly, PE-backed real estate projects have added to urban growth, supporting Nigeria's rising population and living demands.

Furthermore, Private equity and startup capital have greatly added to job growth in Nigeria. As stated by PwC (2022), every $1 million spent in PE and VC-backed companies led to the creation of about 40 direct and secondary jobs[172]. Given Nigeria's high jobless rate, these investments have played a major part in settling labour market problems. According to Gornall and Strebulaev (2015), employment at VC-backed businesses has grown by an average of 18% yearly, showing the effect of private money on workforce growth. Companies like Andela, which offers software engineering training and job choices, have spawned thousands of roles for Nigerian computer workers[173]. Similarly, as reported by Tsan in 2019, VC-backed shipping companies such as Kobo360 and MAX.ng have improved job chances in the delivery business[174].

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[168] *Global Ventures*. (n.d.). https://www.global.vc/thoughts/stripes-200m-paystack-acquisition-affirms-the-value-of-african-startups#:~:text=Global%20firms%20are%20clearly%20seeing,world%2C%20from%20Lagos%20to%20London.

[169] Nigerian Bureau of Statistics (NBS). (2023). *Labour Force Survey Report*.

[170] African Development Bank (AfDB). (2023). Annual Report on Entrepreneurship and Investment in Africa.

[171] *Daystar Power secures $20 million facility from IFC*. (n.d.). https://www.daystar-power.com/news-post/daystar-power-secures-20-million-facility-from-ifc

[172] PricewaterhouseCoopers. (n.d.-b). *PWC*. PwC. https://www.pwc.com/gx/en.html

[173] Ebuehi, A. (2024, February 21). 6 Best Andela Alternatives for hiring Remote Developers in 2024 - Terminal.io. *Terminal.io*. https://www.terminal.io/blog/5-best-andela-alternatives-for-hiring-remote-developers-in-2024

[174] Tsan, M., Totapally, S., Hailu, M., & Addom, B. K. (2019). *The Digitalisation of African Agriculture Report 2018–2019*. CTA.

While foreign investors continue to play a big role in Nigeria's PE and VC industry, local investment businesses are getting more busy. As proven by PEVCA (2024), Nigerian investors are starting to understand the benefits of private capital investments, leading to the creation of local PE and VC businesses[175]. Organizations such as Ventures Platform, EchoVC, and Future Africa are helping local businesses, ensuring that Nigerian firms acquire finance fitted to their unique market needs. The rise of corporate venture capital (CVC) is another important trend. As stated by Molamu (2021), notable Nigerian companies such as MTN and Dangote Group have started CVC programs to invest in new entrepreneurs[176]. These investments represent the growing cooperation between established businesses and the startup environment, promoting innovation and industry growth.

**Successes and Failures in Private Equity and Venture Capital in Nigeria**

Private equity (PE) and venture capital (VC) have played a new part in Nigeria's business environment, backing companies in many fields and driving economic growth. As stated by Ramachandra et al. (2019), Nigeria remains one of the top business sites in Africa, with billions of dollars put into high-growth companies. The successes recorded in PE and VC investments have added to job growth, greater market competitiveness, and better access to funding. However, despite these successes, there have also been big failures, such as when investments failed to deliver promised returns due to structural, operational, or market-related factors. Examining these wins and mistakes offers a clear picture of the effect of PE and VC in Nigeria and the factors that drive investment results.

**Successes in Private Equity and Venture Capital Investments**

One of the most surprising success stories in Nigeria's VC sector is the fast rise of fintech startups. According to a report by PanFinance(2023), fintech companies in Nigeria got over $1.2 billion in VC capital in 2022, making fintech the top field for investments[177]. A great example is Flutterwave, which raised over $475 million in funding and achieved a value of $3 billion, showing the promise of the fintech market[178]. Similarly, TechCrunch in 2021 reported that Paystack, another Nigerian payment-handling business, was bought by Stripe for $200

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[175] Private Equity and Venture Capital Association of Nigeria (PEVCA). (2024). 2024 Mid-Year Review and Strategic Outlook. PEVCA Publications.
[176] Molamu, K., 2021. *African Entrepreneurship Ecosystems: A Comparative Study of The Top Five* (Doctoral dissertation, Massachusetts Institute of Technology).
[177] PF News Desk. (2023, January 5). *Fintechs investments reach $1.2bn in Nigeria - PAN Finance*. PAN Finance. https://panfinance.net/fintechs-investments-reach-1-2bn-in-nigeria/#:~:text=According%20to%20recent%20data%2C%20Nigerian%20fintech%20companies,by%20various%20Start%2Dups%20across%20the%20innovation%20sector.
[178] *Leapfrogging a generation: Talking with GB Agboola, CEO of Flutterwave*. (2022, April 8). McKinsey & Company. https://www.mckinsey.com/industries/financial-services/our-insights/leapfrogging-a-generation-talking-with-gb-agboola-ceo-of-flutterwave

million in 2020, marking one of the biggest exits in Africa's VC history[179]. These successes show how VC funding has helped Nigerian firms to grow quickly and earn worldwide recognition.

Private equity has also backed major company growth, especially in the energy and consumer goods businesses. As stated by the Emerging Markets Private Equity Association (EMPEA, 2023), Actis, a global PE company, bought and increased Mouka Foam, one of Nigeria's top mattress makers[180]. This investment led to business changes and market growth, showing how PE actions may increase efficiency and profits. Similarly, Helios Investment Partners successfully funded Axxela, a major gas and power provider, helping it grow its facilities and improve energy distribution throughout Nigeria[181].

In the healthcare industry, VC-backed companies such as 54gene and Helium Health have leveraged the offered capital to make positive changes in medical study and healthcare management. According to Disrupt Africa (2023), these startups have combined raised over $200 million, allowing them to improve medical tests and hospital management systems throughout Nigeria[182]. These investments suggest that VC finance is important in solving major social issues by backing firms that offer critical services.

Furthermore, the Agritech business has experienced great growth due to VC investments. Companies like Thrive Agric and Releaf have utilized VC cash to boost food output, delivery, and processing. As stated by the African Development Bank (AfDB, 2023), Nigeria's Agritech companies won over $150 million in funding in 2022, showing the sector's draw to investors[183]. The ability of these businesses to increase supply chain efficiency and reduce post-harvest losses shows the impact of PE and VC investments beyond technology and money.

**Failures in Private Equity and Venture Capital Investments**

Despite the amazing success stories, not all PE and VC investments in Nigeria have achieved positive results. Some businesses have failed due to market instability, regulation issues, or mismanagement. One of the most noteworthy flops in the Nigerian startup scene is the story of Konga, an e-commerce business that was once considered Nigeria's answer to Amazon[184].

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[179] TechCrunch. (2021). Paystack Acquisition: A Milestone for African Startups.
[180] Emerging Markets Private Equity Association (EMPEA). (2023). *Private Equity Investments in Africa*.
[181] *AxXela | Helios Investment Partners | Helios Investment Partners*. (n.d.). Helios Investment Partners. https://www.heliosinvestment.com/axxela
[182] Disrupt Africa. (2023). Healthtech Startup Funding in Nigeria.
[183] African Development Bank (AfDB). (2023). Annual Report on Entrepreneurship and Investment in Africa.
[184] *The many pitfalls of e-commerce in Nigeria*. (2023, September 6). Stears. https://www.stears.co/article/the-many-pitfalls-of-e-commerce-in-nigeria/

Despite receiving over $79 million from VC finance investment companies like Kinnevik and Naspers, Konga dealt with organizational errors and harsh competition from Jumia[185]. As stated by Quartz Africa (2018), the business failed to attain success and was subsequently bought at a substantially lower value, underlining the risks connected with Nigeria's e-commerce market[186].

The failure of VC-backed companies is not limited to e-commerce. GoMyWay, a ride-sharing service, halted operations in 2017 despite early promise and support from VC backers. According to BusinessDay (2017), the company failed to build a successful business plan and faced hurdles in growing its operations[187]. This shows the importance of strategy planning and practical efficiency in keeping long-term business success.

In the private equity market, certain investments have failed to achieve stated gains due to financial problems. As noted by Oguntoye (2021), certain PE companies that invested in Nigeria's oil and gas business suffered losses due to changes in global oil prices[188]. For instance, several energy assets suffered when crude oil prices fell sharply between 2014 and 2016, leading to lower profits and financial stress on client companies. This shows that external economic factors can greatly affect the success of PE-backed businesses.

In 2024, Nigeria led Africa in venture capital deals, accounting for 16% of the continent's total $3.6 billion VC investments. However, this leadership came amid a 22% year-on-year decline in deal value and a 28% drop in deal volume compared to 2023[189]. These declines highlight the challenges faced by startups and investors in Nigeria's PE and VC landscape, including economic instability and regulatory hurdles.

Another example of failed PE investment is the purchase of Starcomms, a Nigerian telecoms firm, by Capcom Limited[190]. The deal, which was earlier valued at over $210 million, was intended to rescue the failing carrier. However, as revealed by the Nigerian Communications

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[185] Nsembo, U. (2024, May 27). Naspers sold Konga because the online shopping mall wasn't *growing*. *Medium*. https://nsemboo.medium.com/naspers-sold-konga-because-the-online-shopping-mall-wasnt-growing-545dce6d34ce

[186] Quartz Africa. (2018). *What Went Wrong with Konga?*

[187] BusinessDay. (2017). Why GoMyWay Shut Down Despite Early Promise.

[188] Oguntoye, M. and Oguntoye, A., 2021. An appraisal of the impact of the oil sector on the Nigerian economy. *LLM Thesis Faculty of Law University of Lagos*.

[189] African Private Capital Association (2025) *Despite Headwinds, Nigeria Leads as Africa Raises $3.6bn in Venture Capital*. Available at: https://www.thisdaylive.com/index.php/2025/04/15/despite-headwinds-nigeria-leads-as-africa-raises-3-6bn-in-venture-capital/ (Accessed: 20 May 2025)

[190] Nigeria, G. (2015, December 10). *'Why $210m telecoms firms' merger deal failed'*. The Guardian Nigeria News - Nigeria and World News. https://guardian.ng/business-services/why-210m-telecoms-firms-merger-deal-failed/

Commission (NBS, 2017), Starcomms failed to recover market share due to poor strategy choices and operating errors, leading to financial difficulties and final bankruptcy[191].

**Lessons from Successes and Failures**

The wins and mistakes of PE and VC investments in Nigeria show important traits that impact investment results. One of the most important lessons is the importance of market fit and growth[192]. As demonstrated by Flutterwave and Paystack, firms that handle pressing market requirements and provide scalable solutions tend to receive considerable funding and achieve prolonged development. On the other side, firms like Konga and GoMyWay struggled due to market saturation, operating problems, and business plan flaws.

Another important lesson is the importance of government and management in shaping the success of projects. According to McKinsey & Company (2022), VC-backed organizations that value great leadership, financial openness, and strategic decision-making tend to beat those with governance problems[193]. This is mirrored in the different results of firms such as 54gene, which successfully handled the difficulties of the healthcare market, and Starcomms, which failed due to bad management and lack of strategic vision. The impact of financial factors on business success cannot be ignored. As explained by the Nigerian Investment Promotion Commission (NIPC, 2023), economic uncertainty, currency devaluation, and regulation changes have had a key effect in shaping the results of PE and VC investments[194]. Investors must carefully examine economic circumstances and possible risks before giving funds to Nigerian firms.

**Opportunities for Startups and Investors - Industry Insights**

Private equity (PE) and venture capital (VC) have opened huge opportunities for firms and investors in Nigeria, giving the financial support and strategic help necessary to drive growth across various industries. As stated by the African Private Equity and Venture Capital Association (AVCA, 2023), Nigeria is one of Africa's top places for private investments, drawing both local and global investors wanting high-growth prospects[195]. The quick expansion of digital innovation, increased government funding for business, and a youthful

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[191] National Bureau of Statistics & Nigerian Communication Commission (NCC). (2017). *Nigerian Telecommunications Sector Summary Report: December 2016*. https://www.nigerianstat.gov.ng/pdfuploads/Nigerian_Telecommunications_Sector.compressed%20(1)%20(1).pdf

[192] Bygrave, W.D., Zacharakis, A., Wise, S. and Corbett, A.C., 2024. *Entrepreneurship*. John Wiley & Sons.

[193] McKinsey & Company. (2022). Africa's Digital Transformation: The Role of Private Capital.

[194] Nigerian Investment Promotion Commission (NIPC). (2023). Foreign Direct Investment Trends in Nigeria.

[195] African Private Equity and Venture Capital Association (AVCA). (2023). Trends in African Venture Capital Investments.

population present numerous possibilities for firms and investors wanting to join or grow within Nigeria's market.

### Growing Investment in Technology Startups

Technology has become one of the most attractive industries for investors, with Nigerian startups gaining substantial funds in fintech, healthtech, agritech, and edtech. As stated by Fuwa n.d, Nigerian entrepreneurs made approximately $1.2 billion in VC money in 2022, representing about 30% of all African startup investments[196]. This shows Nigeria's role as a centre for technology-driven creativity and digital change.

One of the most promising industries is fintech, where startups such as Flutterwave, Moniepoint, and Paga have received big finance to create digital payment systems. According to Veriv Africa (2023), fintech startups made up approximately 60% of all venture capital deals in Nigeria in 2022, showing investor confidence in financial technology[197]. The high rate of mobile phone adoption and increasing usage of digital banking give new companies an ongoing chance to develop in this industry.

Similarly, the healthtech industry is having steady growth, driven by increased investment in digital healthcare solutions. As stated by Waminaje et al. (2022), healthtech startups in Nigeria raised millions of naira in 2022, with organizations like Helium Health and 54gene leading the way in medical testing, electronic health records, and medicine delivery[198]. The desire for increased healthcare services and the addition of technology into medical practice also show the huge potential for investment in this industry.

### Opportunities in Agritech and Food Security

Agriculture is a sizable component of Nigeria's economy, employing more than 35% of the workers and providing around 23% of the GDP[199]. Despite its importance, the industry has productivity gaps, which have offered investment options for agritech companies and individual investors. As reported by Statista, agritech companies won over $53.2 billion in

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[196] Fuwa, N. (n.d.). Ecosystem Report: Nigeria's startup Scene 2022. In *Ecosystem Report: Nigeria's Startup Scene 2022* [Report]. https://www.jica.go.jp/Resource/nigeria/english/office/topics/emo4vc000000wl3m-att/230323_01.pdf

[197] *Why The Nigerian Tech Industry is FinTech-Driven*. (n.d.). https://www.verivafrica.com/insights/why-the-nigerian-tech-industry-is-fintech-driven

[198] Waminaje, Z., Kazeem, Y., Yusuf, A., Adeseun, R., & Salient Advisory. (2024). *2023 Roundup: Investments in African Healthtech* [Report]. https://www.salientadvisory.com/wp-content/uploads/2024/02/2023-Roundup-Investments-in-African-Healthtech.pdf

[199] Oyaniran, T. & PwC Nigeria. (2020). Current state of Nigeria Agriculture and agribusiness sector. In *AfCFTA WORKSHOP*. https://www.pwc.com/ng/en/assets/pdf/afcfta-agribusiness-current-state-nigeria-agriculture-sector.pdf

funding in 2021, with firms like Thrive Agric and Releaf winning capital to boost farm production and food supply networks[200].

The mix of artificial intelligence (AI), blockchain, and automated farming technologies is helping to improve agriculture operations, boost yields, and remove post-harvest losses. Therefore, investors looking to capitalize on food security and supply chain efficiency have found agritech to be a promising industry for long-term benefits. As proven by the GSMA AgriTech Program (2020), agritech businesses funded by venture capital have led to an increase in farming output across Nigeria, demonstrating the promise of technology-driven agriculture[201].

**Expansion of Renewable Energy and Infrastructure Investments**

Renewable energy is another possible opportunity for private investment because Nigeria continues to have challenges with supply power. According to Word Bank Group (2023), over 85 million Nigerians lack access to stable power, causing a huge demand for alternative energy sources[202]. PE and VC investors have taken advantage of this gap, backing companies that provide solar energy, battery storage, and microgrid solutions. As reported by Businessday NG statistical report (2025), investments in green energy projects in Nigeria topped $500 million in 2022, with businesses such as Daystar Power and Arnergy getting big finance[203]. These firms are helping companies and people move from reliance on fossil fuels to green energy options, showing the growing importance of PE-backed investments in sustainable development.

Infrastructure growth also gives businesses new possibilities. According to Ajia (2025), Nigeria needs roughly $100 billion in yearly building spending to meet its growth goals[204]. Private equity firms have gained a large part in investing in road networks, ports, and transport infrastructure, highlighting the sector's promise for long-term investment.

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[200] Statista. (2023, September 19). *Global funding value in agtech 2017-2022*. https://www.statista.com/statistics/1110728/agriculture-and-food-technology-funding-value-worldwide/

[201] *AgriTech in Nigeria: Investment opportunities and challenges* [Report]. https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/wp-content/uploads/2020/04/AgriTech_in_Nigeria_Investment_Opportunities_and_Challenges1.pdf

[202] World Bank Group. (2023, December 18). Nigeria to expand access to clean energy for 17.5 million people. *World Bank*. https://www.worldbank.org/en/news/press-release/2023/12/15/nigeria-to-expand-access-to-clean-energy-for-17-5-million-people#:~:text=As%20of%202021%2C%20over%2085,women%20in%20the%20energy%20sector.

[203] Ibrahim, A. (2025, March 15). *NSIA, SEforALL, others launch $500m fund for renewable energy projects in Nigeria - Businessday NG*. Businessday NG. https://businessday.ng/energy/article/nsia-seforall-others-launch-500m-fund-for-renewable-energy-projects-in-nigeria/

[204] Ajia, J. (2025, February 28). *FG targets $100bn GDP boost from creative industries growth – Minister*. Punch Newspapers. https://punchng.com/fg-targets-100bn-gdp-boost-from-creative-industries-growth-minister/

### The Growth of Corporate Venture Capital and Local Investment Funds

While foreign investors continue to play an important part in Nigeria's PE and VC industries, local investors are becoming more involved. As confirmed by Pichna (2021), local investing companies, including Ventures Platform, EchoVC, and Future Africa, are growing their involvement in the startup environment[205]. These funds are letting Nigerian firms receive cash fit to the local market, lowering dependency on outside investors. Corporate venture capital (CVC) is also growing, with major Nigerian companies investing in high-potential startups. As reported by Nairametrics (2020), companies such as MTN, Dangote Group, and Nigerian Breweries have started funding programs to help startups match with their industries[206]. This marks an emerging trend where big firms are pushing innovation by backing smaller startups with funds, knowledge, and market access.

### Increasing Focus on Impact Investing and ESG Compliance

Impact investment, which focuses on offering both cash gains and social benefits, is gaining more acceptance in Nigeria. According to Macey (2022), investors are growing, choosing companies that agree with environmental, social, and governance (ESG) ideals[207]. This change has led to rising spending in areas such as green energy, education, and healthcare.

One of the main areas of benefit investment is financial inclusion. As reported by KPMG (2023), out of 69.7% of adult Nigerians, 44% of Nigerians stay unbanked, creating a chance for fintech businesses that focus on mobile money, digital loans, and financing solutions[208]. Companies such as FairMoney and Carbon have won VC money to improve access to financial services for underserved groups, showing the importance of impact investment in economic growth. Similarly, the education technology (edtech) business has drawn investors who understand the need for cheap and available learning options. According to a report by Statista, Nigeria has one of the biggest young populations in the world, driving demand for new education platforms[209]. Startups such as uLesson and Edukoya have received financing

[205] Pichna, J., 2021. VENTURING TO AFRICA.

[206] Team, R., & Team, R. (2020, December 11). *Dangote Cement, MTN, Nigerian Breweries, 9 others raise N478.4 billion from commercial papers*. Nairametrics. https://nairametrics.com/2020/12/11/dangote-cement-mtn-nigerian-breweries-9-others-raise-n478-4-billion-from-commercial-papers/

[207] Macey, J.R., 2022. ESG Investing: Why Here? Why Now?. *Berkeley Bus. LJ*, *19*, p.258.

[208] KPMG. (2023). *Consumer Goods Market in Nigeria*. https://assets.kpmg.com/content/dam/kpmg/ng/pdf/nigerias-financial-inclusion-the-way-forward.pdf

[209] Statista. (n.d.). *Online Education - Nigeria | Statista market forecast*. https://www.statista.com/outlook/emo/online-education/nigeria

to provide digital learning services, showing the possibility for investments in education technology[210].

**Private Equity in Consumer Goods and Retail**

The consumer goods business continues to show great investment possibilities for private equity companies. As Reported by Jaggi (2024), Nigeria's fast-moving consumer goods (FMCG) market is valued at over $20 billion, with rising demand for packed food, drinks, and personal care items[211]. Private equity companies have taken advantage of this trend by investing in businesses that make and sell market things at scale. Furthermore, a notable example is the investment in Fan Milk, a big dairy maker, by PE company Danone. This investment promoted corporate growth, increased product spread, and strengthened the company's market position[212]. Similarly, PE-backed investments in retail chains and e-commerce platforms have promoted the growth of digital shopping and transportation services, showing the growing possibilities in Nigeria's consumer market.

[210] *From ULESsons to Edukoya, here are Nigeria top five educational technology companies for 2021 | Online Courses | SIIT | IT Training & Technical certification*. (n.d.). https://siit.co/blog/from-ulessons-to-edukoya-here-are-nigeria-top-five-educational-technology-companies-for-2021/4279
[211] Jaggi, M. (2024, June 6). *Unveiling the potential of FMCG distribution in Nigeria*. Bizom. https://bizom.com/opportunities-in-fmcg-distribution-in-nigeria/
[212] *Danone and Abraaj inject further $25m in Fan Milk*. (n.d.). Africa Global Funds. https://africaglobalfunds.com/news/private-equity/deals/danone-and-abraaj-inject-further-25m-in-fan-milk/

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# PART FOUR: FACTORS TO CONSIDER FOR PRIVATE EQUITY AND VENTURE CAPITAL IN NIGERIA

ROME BUSINESS SCHOOL

## PART 4: FACTORS TO CONSIDER FOR PRIVATE EQUITY AND VENTURE CAPITAL IN NIGERIA

Investments from private equity (PE) and venture capital (VC) have helped companies grow, develop, and create jobs, thereby changing Nigeria's economy. However, some important factors have to be taken into account if these investments are to be successful. As concluded by Contractor et al. (2020), before making investments, investors carefully analyze companies' political structure, legal environment, and business environment[213]. These factors affect decisions on investments, the course of growth of supported businesses, and the general success of the private investment situation in Nigeria. According to Lerner and Leamon (2023), a key factor for PE and VC investments is the structural architecture of startups[214]. Investors value companies with clear control systems, scalable business models, and strong leadership teams. Therefore, startups that show financial control, managerial efficiency, and openness are more likely to draw investment and keep long-term ties with investors. This supports the need for strong organizational systems to maintain and defend investment relationships. The investors' methods and investment portfolios are other very important factors. McKinsey & Company (2022) says that Nigerian PE and VC companies use varied investment methods, ranging from early-stage capital for high-growth startups to later-stage financing for established companies[215]. Investors study industry changes, market demand, and risk factors before building their investment plans. Sectors such as fintech, agritech, and green energy have drawn big PE and VC investments due to their scalability and long-term growth potential.

Additionally, the challenges of funding in Nigeria must be handled while analyzing opportunities offered by PE and VC. As stated by the African Development Bank (AfDB, 2024), issues such as foreign currency instability, infrastructure flaws, and economic differences might affect investment results[216]. While Nigeria remains an attractive business location, recognizing and avoiding these risks is important for successful private equity and venture capital activity. This part will study these factors in further detail, analyzing how they affect business options, business longevity, and the general growth of private capital in Nigeria. By

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[213] Contractor, F.J., Dangol, R., Nuruzzaman, N. and Raghunath, S., 2020. How do country regulations and business environment impact foreign direct investment (FDI) inflows?. *International Business Review*, *29*(2), p.101640.

[214] Lerner, J. and Leamon, A., 2023. *Venture capital, private equity, and the financing of entrepreneurship*. John Wiley & Sons.

[215] *Start-ups & Venture Capital*. (2023, July 17). McKinsey & Company. https://www.mckinsey.com/industries/technology-media-and-telecommunications/how-we-help-clients/startups-venture-capital

[216] African Development Bank (AfDB). (2024). Annual Report on Entrepreneurship and Investment in Africa. https://am.afdb.org/en/news/african-development-bank-new-report-highlights-africas-strengthening-economic-growth-amid

knowing these critical issues, investors and businesses may make informed choices that add to the long-term success of PE and VC in the country.

**A. The Structural Architecture of Startups**

The structural architecture/design of startups has a vital role in determining their success, sustainability, and capacity to attract private equity (PE) and venture capital (VC) investments. According to Lerner and Leamon (2023), Investors assess businesses based on their organizational frameworks, governance models, and long-term development prospects before committing to funding[217]. The Nigerian startup ecosystem has evolved dramatically over the last decade, with increasing investments in technology, banking, agriculture, and healthcare. However, the ability of these businesses to gain and maintain funding primarily rests on their internal structures, operational efficiency, and strategic vision[218].

According to Ghaleb (2024), businesses with well-defined business concepts, clear financial structures, and strong leadership teams are more likely to attract investors[219]. PE and VC firms seek businesses with defined revenue-generation plans, scalable goods, and a competitive market position. Startups that display these attributes give investors confidence that their cash will produce returns over time. This shows why organized company models are a major determinant in investment choices. The governance relative architecture of a firm also plays a key role in garnering PE and VC financing. As Solomon (2020) investigated in his research on *corporate governance and accountability*, investors prefer enterprises with solid corporate governance, transparent decision-making procedures, and accountability measures[220]. Governance frameworks that specify leadership positions, financial monitoring, and stakeholder duties boost investor trust and decrease operational risks. According to Ozili (2020), many Nigerian businesses deal with governance concerns, which typically repel investment. Startups that embrace international corporate governance norms are likely to receive greater amounts of investment.

Leadership and management teams are also crucial in the structural design of companies. As stated by the African Development Bank (AfDB, 2023), investors consider the knowledge, experience, and track record of a startup's leadership before making investment choices[221]. A

[217] Lerner, J. and Leamon, A., 2023. *Venture capital, private equity, and the financing of entrepreneurship*. John Wiley & Sons.
[218] Agbeyangi, A., Makinde, A. and Odun-Ayo, I., 2024. Nigeria's ICT and Economic Sustainability in the Digital Age. *arXiv preprint arXiv:2401.03996*.
[219] Ghaleb, B.D.S., 2024. The importance of organizational culture for business success. *Jurnal Riset Multidisiplin Dan Inovasi Teknologi*, *2*(03), pp.727-735.
[220] Solomon, J., 2020. *Corporate governance and accountability*. John Wiley & Sons.
[221] African Development Bank (AfDB). (2023). Annual Report on Entrepreneurship and Investment in Africa. https://www.afdb.org/sites/default/files/documents/publications/afdb23-01_aeo_main_english_0602.pdf

strong leadership team with industry understanding and execution ability raises the chance of company success. As reported by Odufuwa and Mureithi (2023), any Nigerian firms that have successfully acquired venture capital financing, such as Flutterwave and Paystack, have been headed by entrepreneurs with clear strategic goals and good managerial abilities[222]. Operational efficiency is another essential element in examining a startup's structural design. According to Soares (2024), firms that have effective supply chain management, well-integrated technological systems, and streamlined company processes tend to do better in garnering investment[223]. Investors seek organizations that exhibit good cost management, product-market fit, and a clear development trajectory. Startups that can grow operations without excessive inefficiencies are more desirable to private financing.

Financial transparency and reporting norms greatly affect investment choices in Nigeria's startup ecosystem. As stated by KPMG (2023), many businesses deal with financial mismanagement, lack of sufficient accounting records, and confusing value measures[224]. Investors reward organizations that maintain audited financial records, comply with tax requirements, and show steady income creation. Startups that submit reliable financial reports and predictions give PE and VC companies the required information to determine investment feasibility. This also indicates why financial discipline is vital for businesses seeking private finance. Industry expertise and market positioning are also significant parts of a startup's structural foundation. As validated by the World Bank (2024), businesses that operate in high-growth areas such as fintech, agritech, healthtech, and e-commerce get more capital than those in saturated or slow-growing markets[225]. Most PE and VC Investors study industry trends, competitive landscapes, and market demand to assess if a company matches their investment portfolio. Nigerian businesses that utilize market data and consumer behaviour analytics position themselves more strategically for financing.

Intellectual property (IP) protection and innovation management play a significant role in the success of startups. As stated by Vaverka (2023), investors analyze the originality and defensibility of a startup's intellectual property assets before investing[226]. Startups that establish exclusive technologies, patents, or distinctive business strategies create barriers to entry and competitive advantages. Investors like organizations with robust IP portfolios since they give long-term value and market leadership potential. Scalability and growth potential

[222] Odufuwa, F. and Mureithi, M., 2023. African Tech Startups.
[223] Soares, M.B., 2024. ENHANCING COMPETITIVENESS AND DIFFERENTIATION STRATEGIES IN INTEGRATED SUPPLY CHAIN.
[224] KPMG, & Venkateshwaran, S. (2024). Accountingand Auditing update. *KPMG*. https://assets.kpmg.com/content/dam/kpmgsites/in/pdf/2024/10/aau-accounting-and-auditing-update-october-2024.pdf.coredownload.inline.pdf
[225] *World Bank SME Finance*. (n.d.). World Bank. https://www.worldbank.org/en/topic/smefinance
[226] Vaverka, T., 2023. Intellectual Property Protection for Startups: A Law and Economics Perspective.

are also essential parts of a startup's architectural design. According to Sahlman (2023), investors desire organizations that have the potential to grow operations, access new markets, and diversify income sources[227]. Startups that establish scalable business models with defined client acquisition tactics tend to acquire investments more quickly. The rise of Nigerian businesses such as Andela, Opay, and Kuda shows the necessity of scalability in attracting investment[228].

Strategic partnership and networking, which are also key elements of a business architectural structure, can boost a startup's investment chances. As published by the Lagos Chamber of Commerce and Industry (LCCI, 2023), entrepreneurs who develop alliances with industry players, government agencies, and international enterprises obtain competitive benefits[229]. Investors know that strategic partnerships give businesses access to resources, distribution channels, and market credibility. Nigerian startups that engage in collaborations increase their value proposition and investor appeal.

Customer acquisition and retention tactics are crucial variables in the structural evaluation of startups. As stated by Harvard Business Review (2023), firms with excellent customer loyalty programs, data-driven marketing techniques, and creative product offers attract more funding[230]. Investors assess customer engagement measures, user growth rates, and market penetration levels to establish company viability. Nigerian firms that establish loyal client bases via customized services and technology-driven solutions boost their investment attractiveness.

The cultural and organizational structure of businesses also impacts investor choices. As revealed by PwC Nigeria (2023), organizations with strong corporate cultures, employee engagement methods, and inclusive workplace rules tend to do better in the long term[231]. Investors know that firms with engaged staff and a defined company strategy are more likely to thrive. Nigerian firms that concentrate on personnel development and organizational growth position themselves advantageously for funding prospects.

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[227] Sahlman, W.A., 2022. The structure and governance of venture-capital organizations. In *Venture capital* (pp. 3-51). Routledge.
[228] Gaschler, F., 2021. *Fintech in Africa: how digital payment tech is bringing financial services to the unbanked* (Master's thesis, Universidade NOVA de Lisboa (Portugal)).
[229] Francis Momoh, Osanyintuyi, S., Omeiza-Michael, S., & Almona, C. (2023). HOW TO DRIVE ECONOMIC GROWTH IN NIGERIA WITH DIGITAL TECHNOLOGIES – SAMPLE ROADMAP FOR 2023-2027. *The Lagos Chamber of Commerce and Industry Business News*, 3. https://www.lagoschamber.com/wp-content/uploads/2023/02/LCCI-Newsletter-January-2023-1st-Edition-2.pdf

[230] Burns, M., Pierce, A., & Motaal, B. A. (2024, September 13). *Why loyalty programs fail*. Harvard Business Review. https://hbr.org/2024/09/why-loyalty-programs-fail
[231]PwC Nigeria. (2023). *Organizational Growth and Employee Engagement Strategies*.

Access to funds and capital management methods are key to establishing a startup's financial viability. As stated by Robert et al. (2023), investors analyze how businesses use funding, manage cash flow, and allocate resources for development[232]. Startups that exhibit capital efficiency and sustainable financial planning seek long-term investment. The significance of data analytics and digital transformation in startup success has become more significant. According to Gartner (2023), investors are more willing to fund firms that utilize big data, artificial intelligence, and automation technologies[233]. Digital-driven organizations that employ analytics to streamline operations and enhance consumer experiences have a competitive advantage[234]. Nigerian startups that incorporate technology into their company operations boost their operational performance and investment possibilities. In 2024 alone, Substack (2024) reported that, nigerian startups raised over $1.2 billion in disclosed venture funding, with fintech, logistics, and AI-powered platforms attracting most of the capital[235]. According to the AVCA H1 2024 report, 62% of these deals went to startups with defined governance, data-driven operations, and digital product delivery models[236]. This shows that investors are prioritizing companies with strong structures and tech integration. Additionally, 74% of Nigerian startups that received over $5 million in funding in early 2024 had CTOs and formal advisory boards, showing how internal leadership and structure shape capital access (AVCA, 2024).

## B. Investors and their Investment Portfolios

The makeup of investment portfolios is controlled by factors such as industry trends, risk tolerance, return goals, and market conditions. Understanding how investors build and spread their investment portfolios gives insight into how investment moves into different areas and the general effect of private investments in Nigeria.

### Types of Private Equity and Venture Capital Investors in Nigeria

[232] Robert, C.H., Jennifer, L.K. and Todd, M., 2023. *Analysis for financial management*. McGraw-Hill Education.
[233] Gartner. (2023). *Digital Transformation and Investment Trends*.
[234] Bhanushali, H., Navigating the Digital Revolution: The Evolution and Impact of Digital Transformation.
[235] Africa: The Big Deal. (2024). *Startups in Africa: Q1–Q2 2024 Funding Insights*. Retrieved from https://africathebigdeal.substack.com/
[236] AVCA. (2024). H1 2024 African Venture Capital Activity Report. African Private Equity and Venture Capital Association. Retrieved from https://www.avca-africa.org

The Nigerian PE and VC market comprises a range of investors, running from institutional investors to startup investors and corporate venture capital (CVC) organizations. Each investment type has a particular buying technique and risk level.

- **Institutional Investors**

Institutional investors, such as pension funds, national wealth funds, and insurance companies, add greatly to Nigeria's private business environment. According to the Pension Fund Operators Association of Nigeria (2021), pension funds in Nigeria have expanded their exposure to private equity funds in an attempt to broaden their assets and make long-term gains[237]. Data from Aneasoronye suggests that as of Febuary 2025, Nigerian pension funds spent over ₦22 trillion (about $13 billion) in October 2024 on private equity investments, showing the rising interest in alternative assets[238].

- **Private Equity Firms**

PE companies often focus on existing businesses with large cash flows and a chance for growth. As stated by Tamunowariye and Elisha (2021), private equity investments in Nigeria have been focused on businesses such as financial services, telecoms, and infrastructure[239]. Firms like Helios Investment Partners and Actis have made big investments in Nigerian firms, showing the importance of PE in supporting corporate growth.

**Venture Capital Firms**

Venture capital businesses focus on helping early-stage companies with great growth potential. As stated by a report by AVCA (2023), Africa raised over 5.2 billion dollars in venture capital across over 786 deals spent in 2022, demonstrating the country's appeal for startup investments[240]. Firms like Ventures Platform and Future Africa have been important in helping fintech, agritech, and healthtech firms, allo wing them to grow operations and develop regionally.

- **Corporate Venture Capital (CVC) Firms**

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[237] Pension Fund Operators Association of Nigeria, Mustapha-Maduakor, A., & Agudah, O. (2021). Pension funds and private equity in Nigeria. In *AVCA*. https://www.avca.africa/media/523mzpsh/avca-penop-pension-funds-study-nigeria-2021.pdf

[238] Aneasoronye, M. (2025, February 19). *PFAs tap private equities, infrastructure funds for high yields - Businessday NG*. Businessday NG. https://businessday.ng/insurance/article/pfas-tap-private-equities-infrastructure-funds-for-high-yields/

[239] Tamunowariye, C. and Elisha, O.D., 2021. Economic development benefits of private equity in Nigeria. *European Journal of Research in Social Sciences*, *9*(2).

[240] Abimbola, O. (2023, April 25). *Nigeria leads Africa in venture capital investments*. Punch Newspapers. https://punchng.com/nigeria-leads-africa-in-venture-capital-investments/

CVC businesses are big organizations that invest in startups to encourage growth and develop their business strategies. According to Kostikov, big firms like MTN, Dangote Group, and Nigerian Breweries have started CVC groups to invest in high-potential startups[241]. These investments give businesses not only cash but also industry knowledge and access to existing marketing networks.

- **Angel Investors**

Mustafa (2021) described Angel investors as high-net-worth people who invest in businesses at an early stage[242]. As stated by the African Business Angel Network (ABAN, 2023), Nigeria has one of the biggest angel investment networks in Africa, with important groups such as Lagos Angel Network and Rising Tide Africa actively supporting companies[243]. Angel investments are important in the pre-seed and seed stages, helping companies fill the financial gap before they draw bigger VC deals.

**Portfolio Diversification and Industry Focus**

Investors in Nigeria's PE and VC sector build their holdings based on industry trends, market prospects, and risk ratings. According to AVCA (2023), investment trends have changed greatly in recent years, with fintech, healthtech, agritech, and green energy receiving the most funds[244].

- **Fintech Investments**

According to a report by Damilola (2022), fintech is the biggest industry for venture capital funding in Nigeria[245]. As reported by the Women Entrepreneurs Finance Initiative, Fintech companies accounted for around 60% of all VC deals in 2023[246]. Companies like Flutterwave, Opay, and Moniepoint have received big financing deals, showing the promise of digital financial services in Nigeria's growing economy.

- **Healthtech and Agritech Investments**

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[241] Kostikov, E., Analysis of the Corporate Venture Capital Investments in Company/Organization.
[242] Mustafa, M., 2021. *Angel investing*. Springer Singapore.
[243] African Business Angel Network (ABAN). (2023). *Angel Investing in Africa: Growth and Trends*. https://abanangels.org/wp-content/uploads/2023/11/ABAN-2023-Angel-Investment-Survey-Report_V1.pdf
[244] *2023 African Private Captial Activity Report*. (n.d.). AVCA. https://www.avca.africa/data-intelligence/research-publications/2023-african-private-capital-activity-report/
[245] Damilola, A.O., 2022. FinTech and Financial Inclusionin West Africa: Nigeria's SMEs Market. *International Journal of Multidisciplinary and Current Educational Research*, *4*, pp.210-2018.
[246][246] Secretariat, W. (2023, January 20). *Move over 'tech bros': Women entrepreneurs join Africa's fintech boom | Women Entrepreneurs Finance Initiative*. Women Entrepreneurs Finance Initiative. https://we-fi.org/move-over-tech-bros-women-entrepreneurs-join-africas-fintech-boom/

Healthcare and agriculture are also growing as major focus areas for investment. As stated by AgFunder News, By 2027, ThriveAgric wants to provide $500 million in loans to 10 million smallholder farmers, and by 2050, it wants to give $1 billion to 20 million[247]. Also, according to Oluwasemilore (2023), healthtech companies such as 54gene and Helium Health have also received considerable VC financing, showing investor trust in the area[248].

- **Renewable Energy and Infrastructure**

The need for energy and infrastructure growth has drawn large private investment. According to Nairametrics in one of their reports, green energy companies received over $500 million in funding in 2022, with businesses like Daystar Power and Arnergy leading the switch to solar energy solutions[249].

**C. Regulatory Framework**

The legal system in Nigeria has a vital impact in defining private equity and venture capital deals. As stated by Agrawal, A. and Hockerts (2019), investment rules affect capital transfers, company operations, and exit options. Investors must go through all the license processes, fee rules, and safety standards to keep smooth operations.

**Regulatory Bodies Governing Private Investments**

- **Securities and Exchange Commission (SEC)**

The SEC is Nigeria's major governing body managing investment funds, offering openness and client safety. As stated by SEC Nigeria (2023), private equity companies are required to register under the Alternative Investment Fund category, which sets high reporting and compliance criteria[250].

- **Central Bank of Nigeria (CBN)**

The CBN handles banking operations and foreign exchange rules. As stated by the CBN Monetary Policy Report (2023), foreign investors must meet forex limits controlling

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[247] Njiraini, J. (2025, January 7). *300,000 tons of grain and counting: Nigeria's ThriveAgric aims for year-round food production for Africa's smallholders*. AgFunderNews. https://agfundernews.com/300000-tons-of-grain-and-counting-nigerias-thriveagric-aims-for-year-round-food-production-for-africas-smallholders

[248] Oluwasemilore, I.O., 2023. CHALLENGES OF NIGERIA'S DIGITAL ECONOMY: WAY FORWARD. *UCC Law Journal*, *3*(1), pp.229-260.

[249] Odeyinka, O., & Odeyinka, O. (2025, March 4). *Nigeria, UN set $500 million fund target to aid local developers of solar energy*. Nairametrics. https://nairametrics.com/2025/03/03/nigeria-un-set-500-million-fund-target-to-aid-local-developers-of-solar-energy/

[250] RVO Media. (2016, January 13). *Rules on Private Equity Funds – Rule 249D_February 28, 2013*. The Securities and Exchange Commission, Nigeria. https://sec.gov.ng/rules-on-private-equity-funds-rule-249d_february-28-2013/

capital returns, bonus payments, and foreign currency transactions[251].

### Corporate Affairs Commission (CAC)

The CAC is responsible for company filing and compliance with corporate governance rules. According to the CAC Annual Report (2023), PE and VC companies must adapt to Nigeria's Company and Allied Matters Act (CAMA), ensuring clarity in business operations[252].

### Taxation Policies Affecting PE and VC Investments

- **Capital Gains Tax (CGT)**

Investors are subject to CGT on gains made from the sale of stock shares. As stated by the Federal Inland Revenue Service (FIRS, 2024), the average CGT rate is 10%, affecting exit options for PE companies[253].

- **Withholding Tax on Dividends**

Foreign owners must meet withholding tax rules on profit payments. According to FIRS (2024), a 10% withholding tax applies to gains released by partner companies[254].

- **Tax Incentives for Private Investments**

The Nigerian government gives tax benefits to draw private businesses. Rewards such as Pioneer Status Grants allow businesses in defined areas to benefit from tax breaks and lower corporation tax rates[255].

### Corporate Governance and Compliance Standards

Investors must comply with corporate governance rules to ensure business openness and responsibility. According to research published by Gornall and Strebulaev (2023), PE and VC-

[251] Central Bank of Nigeria. (2022). CBN Monetary Policy review. In *CBN Monetary Policy Review*. https://www.cbn.gov.ng/Out/2024/CCD/MPR%20Aug%202022.pdf

[252] Corporate Affairs Commission. (2020). *Annual return of companies (CAC 19)*. https://www.cac.gov.ng/wp-content/uploads/2021/03/Annual-return-of-companies.pdf
[253] *FIRS - Simplifying tax, maximizing revenue*. (n.d.). https://www.firs.gov.ng/capital-gains-tax
[254] *FIRS - Simplifying tax, maximizing revenue*. (n.d.). https://www.firs.gov.ng/capital-gains-tax
[255] Oyerogba, E.O., Alamu, J.A., Olugbenro, S.K. and Sangodare, T.O., 2024. Tax Incentives and Foreign Direct Investment: Evidence from the Nigeria Listed Manufacturing Firms. *J. Tax Reform*, *10*, pp.355-380.

backed companies are obligated to adopt best practices in financial reporting, board makeup, and stockholder rights[256].

**Challenges of Investment in Nigeria**

Investing in Nigeria has great promise, but it also comes with big hurdles that investors must manage. As stated by Osimen (2024), Nigeria remains one of Africa's top business places due to its huge customer market, natural resources, and creative culture[257]. However, obstacles, including governmental uncertainty, infrastructure flaws, currency volatility, and security risks, continue to harm the ease of doing business in the nation. According to Mutua (2024), these problems affect both foreign direct investment (FDI) and private equity (PE) and venture capital (VC) activities, shaping investment decisions and capital flows[258].

**Regulatory and Policy Uncertainty**

One of the major problems facing businesses in Nigeria is legal and policy volatility. As stated by Kobrin (2024), frequent changes in government policies, tax laws, and company limits create an uncertain business atmosphere. Investors usually face trouble in dealing with changing legal requirements, which may upset company operations and influence long-term planning[259].

According to the Securities and Exchange Commission (SEC, 2023), investment laws ruling PE and VC companies have undergone significant changes in recent years, changing fund registration, taxes, and exit plans[260]. Foreign investors, in particular, face greater monitoring and governmental hurdles, which often impede capital outflows. As stated by McKinsey & Company (2022), Nigeria's grade in the World Bank's Ease of Doing Business Index has varied due to differences in business policies and legal systems[261].

**Foreign Exchange Volatility and Capital Repatriation**

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[256] Gornall, W. and Strebulaev, I.A., 2023. The contracting and valuation of venture capital-backed companies. In *Handbook of the Economics of Corporate Finance* (Vol. 1, No. 1, pp. 3-76). North-Holland.
[257] Osimen, B. (2024). *The Transition of Nigerian Businesses into the Global Market* (Master's thesis, Itä-Suomen yliopisto).
[258] MUTUA, M.W., 2024. SELECTED MACROECONOMIC FACTORS AND INVESTMENT DECISION MAKING IN KENYA'S PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRY.
[259] Kobrin, S.J., 2022. *Managing political risk assessment: Strategic response to environmental change*. Univ of California Press.
[260] RVO Media. (2016, January 13). *Rules on Private Equity Funds – Rule 249D_February 28, 2013*. The Securities and Exchange Commission, Nigeria. https://sec.gov.ng/rules-on-private-equity-funds-rule-249d_february-28-2013/
[261] McKinsey & Company. (2022). Ease of Doing Business in Emerging Markets.

Currency instability is one of the top fears for investors in Nigeria. As stated by the Central Bank of Nigeria (CBN, 2023), the naira has seen a great weakening against major foreign currencies in recent years, affecting business profits and capital transfers[262]. Foreign investors typically fight to move gains into foreign currency due to foreign exchange rules and cash limits.

The Nigerian Bureau of Statistics (NBS, 2023) reported that the instability of Nigeria's foreign currency market has led to a fall in FDI imports as investors seek more safe markets[263]. The limitation of FX supply for some operations has also made it hard for businesses to acquire important raw materials and equipment, lowering production. As stated by the International Monetary Fund (IMF, 2023), Nigeria's foreign currency management policies need extra changes to draw and keep international investment[264]. According to a report by the National Bureau of Statistics (2024), In the second quarter of 2024, Nigeria's Foreign Direct Investment (FDI) inflows dropped to $29.83 million, marking the lowest level ever recorded, according to the National Bureau of Statistics[265]. This decline shows the impact of foreign exchange instability on investor confidence. As also reported by Punch Newspaper, naira depreciated by 40.9% in 2024, ending the year at ₦1,660 per US dollar in the parallel market[266]. The International Monetary Fund (IMF) noted that despite monetary policy tightening and resumed FX interventions in early 2024, the naira only began to stabilize modestly[267]. These factors continue to challenge capital repatriation and deter foreign investment.

**Infrastructure Deficiencies and High Operating Costs**

Nigeria's poor infrastructure greatly affects corporate operations and raises investment risks. As stated by the Government National Planning (2024), Nigeria needs an expected $3 trillion yearly in infrastructure spending to solve gaps in transportation, power, and services[268]. Poor road networks, irregular power sources, and developing ports produce high running costs for

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[262] Central Bank of Nigeria (CBN). (2023). Foreign Exchange Management Policies.
[263] Nigerian Stock Exchange (NSE). (2023). Capital Market Trends in Nigeria.

[264] Mordi. (2006). *Exchange rate management in Nigeria* [Book]. https://www.cbn.gov.ng/out/2022/mpd/series%208.pdf
[265] National Bureau of Statistics (NBS) (2024) *Capital Importation Report Q2 2024*. Available at: https://punchng.com/fdi-crashes-to-record-low-of-29-8m/ (Accessed: 20 May 2025).
[266] Punch (2024) 'FDI crashes to record low of $29.8m', *Punch Newspapers*, 7 October. Available at: https://punchng.com/fdi-crashes-to-record-low-of-29-8m/ (Accessed: 20 May 2025).
[267] IMF (2024) *Nigeria: 2024 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Nigeria*. Available at: https://www.imf.org/en/Publications/CR/Issues/2024/05/08/Nigeria-2024-Article-IV-Consultation-Press-Release-Staff-Report-Staff-Statement-and-548726 (Accessed: 20 May 2025)
[268] INNOVATIVE-OPTIONS-FOR-FINANCING-INFRASTRUCTURE-DEVELOPMENT. (n.d.). In *INNOVATIVE-OPTIONS-FOR-FINANCING-INFRASTRUCTURE-DEVELOPMENT*. https://nationalplanning.gov.ng/wp-content/uploads/2024/10/INNOVATIVE-OPTIONS-FOR-FINANCING-INFRASTRUCTURE-DEVELOPMENT.pdf

businesses and discourage investment. The power business remains one of the largest hurdles to investment. According to the African Energy Commission (Punch Reporte, 2025), Nigeria provides roughly 4,500 megawatts of power, well below the need of nearly 30,000 megawatts[269]. As a result, businesses depend mainly on diesel engines, which raise running costs and weaken profits. The cost of energy alone accounts for approximately 40% of business spending in several industries, underlining the pressing need for power sector changes (Nigerian Electricity Regulatory Commission, 2023)[270].

**Security Concerns and Political Instability**

Security problems have also hurt investor trust in Nigeria. As reported by Ajodo-Adebanjoko (2019), cases of terrorism, kidnappings, and community disagreements have created an uncertain economic environment, especially in the northern and oil-producing areas[271]. The presence of terrorist groups like Boko Haram and the actions of oil theft syndicates in the Niger Delta have stopped economic operations, hurting sectors such as manufacturing, agriculture, and energy[272].

As suggested by Udoh et al. (2024) in their article Homeland Security and Terrorism in Nigeria, Nigeria is one of the top ten nations plagued by terrorism-related events, which affects investor views of risk[273]. Political upheaval, especially during election years, also adds to unpredictability since changes in government policy and leadership moves usually lead to delays in business choices. According to Lerner and Leamon (2023), investors prefer economies with reliable government setups, making political security a critical component in drawing private capital[274].

**Taxation and Bureaucratic Challenges**

The complexity of Nigeria's tax system offers an extra challenge for investment. According to the Federal Inland Revenue Service (FIRS, 2023), companies working in Nigeria are subject to several taxes at the federal, state, and local government levels, leading to hefty compliance

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[269] Reporters, O. (2025, January 10). *Power stagnates at 4,500MW despite $3.23bn loans*. Punch Newspapers. https://punchng.com/power-stagnates-at-4500mw-despite-3-23bn-loans/
[270] Nigerian Electricity Regulatory Commission. (2023). Power Supply and Business Operations in Nigeria.
[271] Ajodo-Adebanjoko, A., 2019. Political economy and national security implications of resource-based conflicts in Nigeria. *African security review*, *28*(1), pp.56-71.
[272] Bukarti, A.B., 2020. The Origins of Boko Haram—And Why It Matters. *Current Trends in Islamist Ideology*, *13*.
[273] Udoh, O., Owolabi, F. and Dele-Dada, M., Effects of Terrorism on Nigeria. *Homeland Security and Terrorism in Nigeria*, p.107.
[274] Lerner, J. and Leamon, A., 2023. *Venture capital, private equity, and the financing of entrepreneurship*. John Wiley & Sons.

costs[275]. The lack of agreement among tax officials often leads to double taxation, stopping businesses from stretching their activities.

As confirmed by PwC (2023), Nigeria's corporation tax rate of 30% is one of the highest in Africa, hurting company profits and investment choices[276]. As reported in March 2025, the adoption of extra taxes, such as the Value Added Tax (VAT) rise to 7.5%, has further increased running costs for companies[277]. Tax benefits exist for particular companies; however, as stated by Manjo (2023), uneven execution and governmental bottlenecks have limited its effectiveness in drawing investment[278].

**Limited Access to Long-Term Financing**

Despite the presence of PE and VC companies, access to long-term funding remains a barrier for businesses in Nigeria. According to the African Private Equity and Venture Cash Association (AVCA, 2023), many Nigerian startups and medium-sized companies struggle to gather investments beyond the early-stage funding phase[279]. Banks usually focus on short-term lending with high interest rates, making it difficult for businesses to get cheap cash for growth.

As reported by Carter and Ayres (2024), the insufficient depth of Nigeria's capital markets limits exit options for PE investors[280]. The underdevelopment of the mergers and acquisitions (M&A) sector further restricts funding options, showing the need for a more stable financial infrastructure to support long-term investments.

[275] Federal Inland Revenue Service (FIRS). (2023). Taxation Policies for Investors in Nigeria.
[276] *Nigeria - Corporate - Taxes on corporate income*. (n.d.). https://taxsummaries.pwc.com/nigeria/corporate/taxes-on-corporate-income
[277] Sule, I. D. (2025, March 14). Daily Trust. *Daily Trust*. https://dailytrust.com/vat-remains-7-5-as-reps-adopt-tax-reform-bills/
[278] MANJO, Y.G., 2023. CORRUPTION PHENOMENON IN NIGERIA (1960-2023).
[279] African Private Equity and Venture Capital Association (AVCA). (2023). Private Investment in Emerging Markets.
[280] Carter, P., & Ayres, S. (2024). Investing for Impact in African Private Equity Funds.

07

# PART FIVE: FUTURE OUTLOOK OF PRIVATE EQUITY AND VENTURE CAPITAL IN NIGERIA

ROME BUSINESS SCHOOL

## PART 5: FUTURE OUTLOOK OF PRIVATE EQUITY AND VENTURE CAPITAL IN NIGERIA

Over the last decade, private equity and venture capital investment methods have supported business, job creation, and industry growth, especially in technology, agriculture, healthcare, and clean energy[281]. However, for players to effectively understand the course of PE and VC in Nigeria, it is necessary to examine not only the past and present but also the prospects. This future view is better known through organized analysis models that measure the external world affecting these investing models. One of the most effective tools for this is the PESTLE analysis model, which looks at the Political, Economic, Social, Technological, Legal, and Environmental forces affecting a business or market. According to Buye (2021), this model is used in this study to show the key trends, external conditions, and future hopes likely to shape the growth and longevity of private equity and venture capital in Nigeria[282]. Accroding to DataReportal (2025), as of January 2025, Nigeria had 107 million internet users, representing 45.4% of the population[283]. This marks a 1.9% increase from the previous year, indicating steady growth in digital connectivity. Additionally, broadband subscriptions rose to 101.8 million in March 2025, reflecting ongoing investments in digital infrastructure (Nigerian Communications Commission, 2025)[284]. These shows a strengthening foundation for digital innovation, which is crucial for attracting venture capital and private equity investments, particularly in tech-driven sectors.

In addition, according to Johnson, Scholes, and Whittington (2021), the PESTLE framework offers a structured way to find and analyze macro-environmental factors that affect business strategies and investment results[285]. Unlike internal studies such as SWOT, PESTLE focuses entirely on external factors, giving a wider understanding of the conditions that private capital investors, client companies, and lawmakers must consider when navigating Nigeria's complicated business environment. As stated by Daft and Marcic (2020), PESTLE analysis is particularly successful in developing markets like Nigeria, where changes in policy, economic performance, and infrastructure can have a significant impact on long-term investments[286].

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[281] Groh, A., Liechtenstein, H., Lieser, K. and Biesinger, M., 2023. Venture capital and private equity country attractiveness index. In *The Palgrave Encyclopedia of Private Equity* (pp. 1-10). Cham: Springer International Publishing.
[282] Buye, R., 2021. Critical examination of the PESTEL Analysis Model. *Project: Action Research for Development*.
[283] DataReportal. (2025). *Digital 2025: Nigeria*. Retrieved from https://datareportal.com/reports/digital-2025-nigeria
[284] Nigerian Communications Commission. (2025). *NCC Notes that Broadband Penetration Rose Modestly in March 2025*. Retrieved from https://proshare.co/articles/ncc-notes-that-broadband-penetration-rose-modestly-in-march-2025
[285] Johnson, G., Scholes, K., & Whittington, R. (2021). *Exploring Strategy: Text and Cases*, 12th ed., Pearson Education Limited.
[286] Daft, R.L. & Marcic, D. (2020). Understanding Management, 11th ed., Cengage Learning.

In the Nigerian setting, government and economic security is a key driver of investor trust. As stated by the Nigerian Investment Promotion Commission (NIPC, 2023), foreign direct investment is highly affected by the stability of political leadership, the certainty of economic changes, and the government's openness to foreign capital[287]. Therefore, the political part of the PESTLE analysis offers insights into how government practices, elections, and public sector changes could affect the future of PE and VC funding in the country. Understanding these political processes helps investors predict risks and match their plans with policy goals.

The economic part of the model catches critical factors such as GDP growth, inflation rates, unemployment, exchange rate stability, and consumer spending trends. According to Zafer (2021), Nigeria's economic rebound post-COVID-19 remains unstable, yet sectors such as fintech, agriculture, and industry show signs of resiliency and offer attractive chances for investment[288]. The rising climate and changing value of the naira, however, continue to test investor trust. Therefore, studying economic data helps investors and companies to measure financial prospects and make projections based on realistic market expectations.

Social factors, including population trends, growth, income levels, and schooling, also affect how PE and VC companies distribute funds. Nigeria has one of the youngest populations in the world, with over 60% under the age of 25, as reported recently[289]. This offers a unique chance for startups in education, e-commerce, mobile banking, and healthcare to reach a tech-savvy and growing user base. As proven by Abdulkarim (2023), investors view Nigeria's big population and growing middle class as key drivers of long-term business growth, making social research critical in determining where future investments will move[290].

Technological progress is another major factor shaping the future of PE and VC in Nigeria. The spread of mobile technology, digital payment systems, and internet access has enabled the rise of creative companies and better financial inclusion. As stated by a statistical company, Nigeria's internet adoption hit 45.5% in early 2023, building a strong infrastructure base for digital innovation[291]. Technology-driven startups continue to receive major VC interest, especially in finance, edtech, and healthtech. This part of the PESTLE analysis allows

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[287] Nigerian Investment Promotion Commission (NIPC). (2023). Annual Investment Report.
[288] Zafar, A., 2021. *The CFA franc zone: Economic development and the post-COVID recovery*. Springer Nature.
[289] *United Nations Population Fund Country programme document for Nigeria*. (n.d.). UNFPA-Nigeria. https://nigeria.unfpa.org/en/publications/united-nations-population-fund-country-programme-document-nigeria#:~:text=Women%20of%20childbearing%20age%20make,humanitarian%20and%20public%20health%20emergencies.
[290] Abdulkarim, Y., 2023. A systematic review of investment indicators and economic growth in Nigeria. *Humanities and Social Sciences Communications*, *10*(1), pp.1-13.
[291] Kemp, S. (2024, February 23). *Digital 2024: Nigeria — DataReportal – Global Digital Insights*. DataReportal – Global Digital Insights. https://datareportal.com/reports/digital-2024-nigeria

us to evaluate how ongoing technological changes may improve business growth and draw tech-focused investors in the coming years.

Legal and legal systems also play a crucial role in setting the direction of PE and VC investments. Legal uncertainties and governmental delays remain a worry for many investors[292]. A full legal study offers guidance on how the rule of law, intellectual property rights, and contract execution affect the ability of investors to commit long-term capital to Nigerian companies.

Finally, environmental factors are becoming increasingly important, especially with the rise of impact investment and ESG (environmental, social, and governance) models. According to the African Development Bank (AfDB, 2023), there is a rising demand for projects that not only produce profits but also solve climate-related problems, such as green energy, waste management, and sustainable agriculture[293]. The environmental component of the PESTLE model helps measure how green finance laws, carbon impact worries, and climate change efforts might affect future investment paths.

The choice to use the PESTLE analysis in this part of the study was, therefore, driven by its ability to provide a multi-dimensional view of Nigeria's business environment. By using this model, the study offers an organized and evidence-based method for understanding the various external factors that could affect the development of PE and VC in Nigeria. It changes the focus from just looking at past business trends to carefully reviewing what lies ahead, using real-time data and sector-specific insights.

This part of the study will build on the PESTLE framework to identify and discuss the political, economic, social, technical, legal, and environmental issues likely to impact the growth of PE and VC in Nigeria. By studying each of these six aspects in-depth, this part aims to reveal the key results that will affect how capital is deployed in the coming years. Whether it is new government policies, financial changes, or digital transformation trends, the lessons from this study will offer a well-rounded and research-informed understanding of the factors shaping the next part of PE and VC in Nigeria.

## PESTLE ANALYSIS

### Political Factors

[292] Metrick, A. and Yasuda, A., 2021. *Venture capital and the finance of innovation*. John Wiley & Sons.
[293] African Development Bank (AfDB). (2023). African Economic Outlook 2023.

The future of PE and VC in Nigeria is much shaped by political stability, policy direction, and government backing. Consistent government commitment to economic diversification has, according to the Nigerian Investment Promotion Commission (NIPC, 2023), resulted in a slow change from oil reliance toward assistance for non-oil industries, particularly in technology, agriculture, and manufacturing[294]. For sectors in line with national development goals especially, this change has produced a more favourable political environment for PE and VC investment. Still, Nigeria's political climate is rife with ambiguity throughout election seasons. A recent report claims that times of political change often cause concern in the corporate sector, therefore postponing capital commitments and upsetting policy continuity[295]. PE companies which rely on long-term planning and consistent governance systems should make this issue a top priority.

On the positive side, Nigeria has seen various government-sponsored projects targeted at helping SMEs and startups. Signed into law in 2022, the Nigeria Startup Act is one prominent example, as it offers institutional and legal tools to support innovation, simplify regulatory compliance for startups, and enable investment flows. As reported by Startup Nigeria (2023), this strategy has already begun to enhance investor trust in Nigeria's startup environment[296]. For VC and PE investors, the wider implications are really important. Political risks remain, but increased coordination between public and private players, as well as a clear orientation toward promoting entrepreneurship, implies that the political climate may become more friendly in the future. According to PwC (2023), investor-friendly policies and stronger public-private partnerships would likely lessen political instability and provide more possibilities for local and global companies[297].

**Economic Factors**

The Nigerian economy provides a combination of high-growth potential and fundamental difficulties. As stated by the World Bank (2024), Nigeria is Africa's biggest economy by GDP, with a growing middle class and massive consumer base[298]. These dynamics are appealing to PE and VC investors searching for scale. Moreover, the rise of areas such as fintech, agritech, healthtech, and logistics has provided new investment options. However, macroeconomic instability continues to be a key worry. According to the Central Bank of Nigeria (CBN, 2024),

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294 Yiaga Africa. (2025, February 18). *Analysis Report on the Nigerian Investment Promotion Commission Act - YIAGA Africa*. http://yiaga.org/publications/analysis-report-on-the-nigerian-investment-promotion-commission-act/

295 Brown, G., El-Erian, M., Spence, M. and Lidow, R., 2023. *Permacrisis: A plan to fix a fractured world*. Simon and Schuster.

296 *Startup Nigeria*. (n.d.). https://startup.gov.ng/

297 PricewaterhouseCoopers. (n.d.-c). *PWC's Global Investor Survey 2023*. PwC. https://www.pwc.com/gx/en/issues/c-suite-insights/global-investor-survey-2023.html

298 *Overview*. (n.d.). World Bank. https://www.worldbank.org/en/country/nigeria/overview

Nigeria's inflation rate reached above 20% in late 2023, driven by currency depreciation, subsidy cuts, and supply-side disruptions[299]. This high inflation environment raises the cost of conducting business and diminishes buying power, making it tougher for portfolio firms to generate predictable growth.

In addition, the foreign currency (FX) market remains unstable. As noted by Sifiat et al. (2019), currency swings and a multi-tiered exchange rate system have deterred some foreign investors owing to worries about capital repatriation and value issues[300]. This problem has led PE companies to put in greater currency risk buffers or, in certain circumstances, confine their activities to locally hedged assets. Despite these economic challenges, Nigeria's youth population presents a major demographic advantage. As stated by the European Commission (2024 ), over 60% of the population is below the age of 25, giving the nation a perfect environment for consumer-focused innovation and technology-driven firms[301]. Furthermore, the surge in mobile and internet use is giving wider access to services, creating more options for digital firms to expand. According to KPMG (2023), Nigeria's rising informal sector also provides untapped possibilities for PE and VC investors[302]. While informal enterprises usually lack legal frameworks, many are turning into scalable SMEs with the correct financial and technical backing. Investors that can handle these subtleties stand to gain considerably.

In 2024, Nigeria's economy experienced its strongest growth in a decade, expanding by 4.6% year-on-year in the fourth quarter, according to the World Bank. This growth was fueled by fiscal improvements and bold reforms implemented by President Bola Tinubu, including the removal of petrol subsidies, reduction in electricity allowances, and two devaluations of the naira. Despite these advances, the economy continues to struggle with high inflation. The World Bank projects a 3.6% overall growth rate in 2025. Foreign exchange reforms have led to a more stable and market-reflective exchange rate, helping the central bank replenish official reserves to over $37 billion. Additionally, government revenue rose by 4.5% of GDP in 2024, attributed to subsidy removal, better tax administration, and increased remittances.

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[299] Central Bank of Nigeria. (2022). CBN Monetary Policy review. In *CBN Monetary Policy Review*. https://www.cbn.gov.ng/Out/2024/CCD/MPR%20Aug%202022.pdf

[300] Sifat, I.M., Mohamad, A. and Hamid, Z., 2019. Aberrant investor participation amid substantial price swings: high-frequency evidence of magnet-repellent effect from Malaysia. *Macroeconomics and Finance in Emerging Market Economies*, *12*(1), pp.71-94.

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[302] KPMG. (2023). *Consumer Goods Market in Nigeria*. https://assets.kpmg.com/content/dam/kpmg/ng/pdf/nigerias-financial-inclusion-the-way-forward.pdf

This revenue boost enabled a reduction in the fiscal deficit from 5.4% in 2023 to 3% in 2024[303]. However, the full benefits of removing the fuel subsidy are yet to be realized. The World Bank emphasized the need for continued tight monetary and disciplined fiscal policies to address inflation challenges .

**Social Factors**

Nigeria's population size, variety, and cultural dynamism present some distinct possibilities and considerations for PE and VC investors. As stated by Akin-Odunkoya (2025), the Nigerian consumer is youthful, urbanising fast, and more linked to digital platforms[304]. This generates high demand for mobile banking services, e-commerce, on-demand logistics, and inexpensive healthcare—all industries where VC-backed firms are rapidly developing. However, economic inequality remains a big challenge. According to a report by Kasuwa (2024), the wealthiest 10% of Nigerians control over 55% of national income, while a huge majority of the population lives below the poverty line[305]. This unequal wealth distribution creates a problem for growing consumer goods and services since the market for premium solutions may be less than it looks at first sight.

On the positive side, evolving societal attitudes regarding entrepreneurship are encouraging the startup culture. As validated by the Tony Elumelu Foundation (2023), more Nigerian youngsters are exploring entrepreneurship as a feasible career choice. This cultural change is fostering innovation and making it simpler for VC firms to uncover ambitious entrepreneurs with innovative ideas. It is also affecting educational institutions, many of which are now providing programs on entrepreneurship, digital skills, and innovation management. The development of the gig economy also shows a positive signal. According to Jobberman (2023), freelancing and gig-based jobs have grown prevalent among young Nigerians, particularly in the IT industry[306]. This labour flexibility helps businesses to expand operations without incurring full-time employment expenditures. For investors, this trend means increased operational adaptability across portfolio businesses.

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[303] World Bank. (2025). *Nigeria's economy grows strongly amid high inflation, World Bank says*. Retrieved from https://www.reuters.com/world/africa/nigerias-economy-grows-strongly-amid-high-inflation-world-bank-says-2025-05-12/

[304] Akin-Odukoya, O.O., Okunade, J.K., Ogbonna, S. and Falobi, F., 2025. Assessment of Influencer Marketing in the Nigerian Public Relations Industry. *Britain International of Humanities and Social Sciences (BIoHS) Journal*, *7*(2), pp.113-125.

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[306] Okamgba, J. (2024, October 29). *Informal sector accounts for 76.7% of Nigeria's workforce – Jobberman*. Punch Newspapers. https://punchng.com/informal-sector-accounts-for-76-7-of-nigerias-workforce-jobberman/

Additionally, social awareness is developing, notably around gender inclusion and sustainability. As stated by Impact Investors Foundation (2023), gender-lens investment is on the increase, with some VC firms actively looking to support women-led businesses[307]. Social inclusion measures are increasingly becoming part of investing theses, particularly among funds with foreign limited partners that have ESG requirements.

**Technological Factors**

Technology is likely the most transformational force affecting the future of PE and VC in Nigeria. As stated by the report recently, internet usage in the nation hit over 45% as of mid-2023, with cell phone use topping 190 million active lines[308]. This digital infrastructure has allowed the fast growth of tech firms in areas ranging from banking and edtech to transportation and healthtech. One of the most important developments is the growth of mobile money apps and digital payment systems. According to the Central Bank of Nigeria (CBN, 2023), over ₦387 trillion was processed via electronic payment methods in 2022, driven by greater smartphone access and governmental support of cashless policies[309]. This trend is crucial for VC companies that focus on financial inclusion, as it shows the rising demand for open and tech-enabled financial solutions.

Cloud technologies and data analytics are also changing how companies operate. As revealed by GSMA Intelligence (2023), Nigeria is one of the major markets for cloud service usage in sub-Saharan Africa, with businesses quickly using SaaS platforms to boost output and grow with minimal costs[310]. This helps businesses to stay lean while still adopting enterprise-grade solutions, which is attractive to PE and VC investors worried about capital efficiency. Moreover, technology has improved transparency, record-keeping, and scale, which are vital for investors managing risk. According Krebs in his article on *the Role of e-HRM in Technology Startups*, digital accounting, HR, and CRM systems used by startups make it easier for investors to do due research, watch performance, and check compliance with reporting requirements[311]. Nigeria's growing digital centres and startups further boost this innovation wave.

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[307] Adamkiewicz, K. (2024, December 10). EIF backs gender lens fund with €30m investment. *Impact Investor*. https://impact-investor.com/eif-backs-gender-lens-fund-with-e30m-investment/
[308] Jaiyeola, T. (2025, February 25). *Monthly internet usage surges 93% on smartphones growth - Businessday NG*. Businessday NG. https://businessday.ng/technology/article/monthly-internet-usage-surges-93-on-smartphones-growth/
[309] SemiColonWeb. (n.d.). *Cash-less Nigeria | Central Bank of Nigeria*. https://www.cbn.gov.ng/Cashless/
[310] Ballon, K. O. B. K. A. (2023). The Mobile Economy Sub-Saharan Africa 2023. In *GSMA Intelligence*. https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-economy/sub-saharan-africa/
[311] Krebs, R. The Role of e-HRM in Technology Startups.

As reported by Arinze (2024), Lagos, Abuja, and Port Harcourt in Nigeria feature some of the most busy startup centres in the region[312]. These centres are increasingly backed by government programs and foreign development finance organizations, which improve the larger innovation environment and produce a stream of investible companies. Artificial Intelligence (AI), bitcoin, and the Internet of Things (IoT) are all starting to gain recognition. While still young, these technologies have begun to impact venture capital interest in Nigeria, especially in sectors such as supply chain management, digital identification, and automatic banking services. According to the African Union Commission (2023), AI and blockchain are expected to upset existing business structures and create new funding possibilities in future years[313].

**Legal Factors**

Legal and legal systems greatly impact investor trust, fund design, and capital release methods. As stated by the Securities and Exchange Commission (SEC, 2023), Nigeria has made efforts to change its legal structure to support investment vehicles, including releasing instructions for crowdsourcing, alternative investment funds, and digital investment platforms[314]. However, investors still face hurdles related to policy differences and administrative delays. One of the fears most frequently stated by foreign buyers is the performance of contracts. According to a recent publication in 2024 on *Tasking the Presidential Enabling Business Environment Council*, it takes an average of 447 days to settle a business disagreement in Nigeria, with big spending involved[315]. This wait creates doubt for PE firms, especially in situations where equity exits depend on formal clarity regarding ownership rights or share transfer agreements.

The Companies and Allied Matters Act (CAMA), changed in 2020, was a key legislation milestone. As stated by the Corporate Affairs Commission (CAC, 2023), the new law speeds company registration, authorizes single-member businesses, and allows internet filing, all of

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[312] Arinze, E. D. (2024). The Impact of Digital Innovation on Economic Growth in Nigeria. *IDOSR JOURNAL OF COMPUTER AND APPLIED SCIENCES*, *9*(2), 1-9.
[313] *African Union committed to developing AI capabilities in Africa | African Union*. (n.d.). https://au.int/en/pressreleases/20240828/african-union-committed-developing-ai-capabilities-africa
[314] RVO Media. (2024, August 29). *Press Release: Update on the SEC's Accelerated Regulatory Incubation Program and Regulatory Incubation Program*. The Securities and Exchange Commission, Nigeria. https://sec.gov.ng/wp-content/uploads/2024/12/B-Amendments-to-the-Rules-on-Digital-Assets.pdf
[315] *Tasking the Presidential Enabling Business Environment Council*. (n.d.). Financial Nigeria International Limited. http://financialnigeria.com/tasking-the-presidential-enabling-business-environment-council-blog-236.html

which make it easier to start and run a business[316]. These changes are particularly critical to VC-backed firms that frequently begin with limited organization and require legal frameworks that can grow with them. However, the situation of multiple governmental bodies remains a worry. For example, tech companies in Nigeria may come under the control of the SEC, the Central Bank of Nigeria, the Nigerian Communications Commission, and the National Information Technology Development Agency (NITDA); this regulation conflict may create misunderstanding, raise compliance costs, and slow business choices.

Another part of legal concern is taxes. As revealed by PwC Nigeria (2023), businesses typically face uncertainties surrounding tax benefits, deductions, and VAT applications[317]. PE and VC funds, especially those formed abroad, also face problems with double taxes and transfer limits. Clearer tax laws and successful investor protection deals would help soothe fears and support longer-term capital investments. Finally, intellectual property (IP) safety remains a worry in law. As stated by WIPO (2023), while Nigeria is a member of key international IP treaties, implementation processes are bad[318]. This limit is particularly crucial for businesses in artistic, tech, and health sectors that depend on protecting private ideas.

**Environmental Factors**

While previously under-emphasised, environmental issues are becoming more important in shaping Nigeria's investment future, especially among impact-focused PE and VC companies. According to Mupa et al., (2024), investors are increasingly adding ESG (Environmental, Social, and Governance) concepts into their decision-making, with a focus on green energy, sustainability, and climate resilience[319]. One key trend is the rise of green energy companies. As stated by Utoh et al., (2024), Nigeria has one of the biggest off-grid energy access gaps in the world, with over 568 million people without reliable power[320]. This shows a strong possibility for sustainable energy firms backed by PE and VC funds. Firms like Daystar Power and Arnergy have already won big funds to adopt solar systems across businesses and rural areas.

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316 *Business names, Corporate Affairs commission*. (n.d.). Corporate Affairs Commission. https://www.cac.gov.ng/business-names/
317 PricewaterhouseCoopers. (n.d.-c). *PWC's Global Investor Survey 2023*. PwC. https://www.pwc.com/gx/en/issues/c-suite-insights/global-investor-survey-2023.html
318 Okonkwo, I.E., 2023. *An Outlook of Nigeria's Intellectual property Reforms That Will Impact Foreign and Local Businesses from 2023*. SSRN.
319 Doni, F. and Johannsdottir, L., 2020. Environmental social and governance (ESG) ratings. *Climate action*, pp.435-449.
320320 IRENA, AfDB, UN ECA, ECOWAS, World Bank, & IMF. (n.d.). Scaling up renewable energy investments in West Africa. In *Regional Power Decarbonisation and Trading Opportunities in West Africa for More Affordable and Secure Access to Energy*.

Environmental issues such as storms, deforestation, and pollution are also impacting how investments are managed. As stated by the Nigerian Meteorological Agency (NiMet, 2023), climate worries have affected agriculture, transport, and real estate—sectors that are frequently key to PE investment plans[321]. Investors increasingly consider environmental exposure as part of their risk management methods, especially when dealing with long-term assets or physical infrastructure. Sustainable gardening is also getting more attention. According to the Food and Agriculture Organization (FAO, 2023), there is greater interest in climate-smart farming methods, precision agriculture, and organic food production[322]. Agritech businesses that support sustainability and food security are now more likely to draw funding, especially from funds with ESG-aligned goals.

In addition, foreign investors, particularly development finance institutions (DFIs), are putting pressure on local PE and VC companies to respond to global environmental rules. As stated by the United Nations Environment Programme Finance Initiative (UNEP FI, 2023), environmental compliance is no longer a choice but a necessity for drawing global capital investments. Another area of growth is trash control and recycling[323]. Startups targeting plastic litter, tech waste, and urban cleaning are starting to draw attention. As recognized by the Lagos Waste Management Authority (LAWMA, 2023), over 13,000 metric tons of garbage are made daily in Lagos alone, providing an open market for sustainable waste solutions[324].

**CONCLUSION**

Private equity and venture capital have become important tools that affect the future of Nigeria's economy, especially in an environment where conventional finance frequently falls short. Through thorough research and data-driven insights, this study has explored the many facets of PE and VC in Nigeria. As proven throughout the paper, PE and VC play a key role in meeting financial gaps for startups and SMEs, promoting innovation, improving economic variety, and adding to job creation. The study showed that the Nigerian startup ecosystem—led by fintech, agritech, healthtech, and green energy—has gradually received major

[321] *NIMET to unveil 2025 seasonal climate Prediction February 4*. (2025, January 20). https://www.nimet.gov.ng/news?id=90
[322] The State of Food and Agriculture 2024. (2024). In *FAO eBooks*. https://openknowledge.fao.org/server/api/core/bitstreams/2e90c833-8e84-46f2-a675-ea2d7afa4e24/content
[323] Raes, J., Lefort, P., & UN Environment Programme Finance Initiative. (2023). *Redirecting financial flows to end plastic pollution*. https://www.unepfi.org/wordpress/wp-content/uploads/2023/10/UNEP-FI-Redirecting-Financial-Flows-to-end-Plastic-Pollution.pdf
[324] Expadd. (2024, April 21). *NIGERIA: Lawma accelerates waste circularity training in Lagos*. EXPADD. https://www.expadd.org/en/nigeria-lawma-accelerates-waste-circularity-training-in-lagos/

investments from both local and foreign investors. This demonstrates the growing credibility and draw of Nigeria as a high-growth business choice in Africa.

At the same time, the study carefully outlined the allowing and limited factors that investors must consider. Structurally, the internal design of startups, the mix of investor portfolios, and the larger regulation frameworks were noted as crucial factors affecting investment decisions. Through in-depth study, it became obvious that strong government, openness, and unity amongst stakeholders are essential for lasting investment results. Challenges such as foreign currency volatility, governmental instability, poor infrastructure, and legal factors were also highlighted. These factors provide major problems for investors, especially those handling long-term investments. However, rather than focusing merely on the dangers, the study positioned these difficulties as chances for strategy change and policy attention. Understanding them gives significant information to both current and potential clients.

To give a structured, forward-looking analysis, the study applied the PESTLE model—analyzing Political, Economic, Social, Technological, Legal, and Environmental factors affecting the future of PE and VC in Nigeria. The PESTLE results showed that although political security, environmental growth, and technology adoption are good signs, economic and legal instability are still needed to release Nigeria's full investment potential. Notably, sustainable goals are growing, impacting investment strategies and pointing toward a more open and responsible future for private capital. Therefore, Nigeria is at a possible crossroads where growing business energy, political change, and global investor interest can produce transformational progress. For this progress to be kept, all stakeholders—government, investors, businesses, and regulators—must work collectively to solve structural problems and boost the investment environment.

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