



Breaking the Funding Famine

Why African Startups Can't Access Capital

In 2022, African entrepreneurship flourished, with startups raising a record **\$4.6 billion**. Investors were enthusiastic, and founders felt on the verge of a new era for innovation across the continent.

\$2.6B



\$2.2B

But by 2024, the tide turned. Funding plummeted by 25% to **\$2.2 billion**, half what it was just two years earlier.

External economic shocks have intensified local investor weakness amid fragmented lending

External Economic Shocks

Early-stage and large late-stage investments have nearly frozen; Q1 2025 Africa VC deals declined **21%**, dominated by seed rounds.

Local Investor Weakness

Only 31% of investors in 2024 were African, a historic high but still an indicator of reliance on foreign pools of capital

Gender and Demographic Inequality

Female-led startups received just 2% of Africa's total startup funding in Q1 2025, and only 0.7% when excluding grant funding



Africa's **\$3.3 billion** in startup funding in 2022 was a fraction of the **\$216 billion** raised by US startups



Informal business structures, and absence of well-functioning incubators hamper startups' ability to become "investment-ready"



African startups struggle accessing bank loans due to high rates, poor assets, and unclear credit.



Investors seek exits, but illiquid capital markets and unclear acquisition pathways deter participation, especially in late-stage capital rounds



Nigeria, Kenya, Egypt, and South Africa ("the Big Four") claim **83%** of all VC funding, leaving other nations with minimal access



Donor support declined sharply in March 2025; US USAID freeze and cuts further hurt African startups.



African entrepreneurs frequently cite inconsistent regulation, and unreliable infrastructure as obstacles for both startup growth and investor confidence



African startups face an underdeveloped domestic equity market, forcing reliance on foreign VC and sensitivity to global shocks.

As capital grew scarce, even star startups shuttered

Sources: Africa: Venture Capital Report 2024", Briter Bridges



Notable names like 54gene (Nigeria) and Sendy (Kenya) collapsed, blaming investor exodus and funding droughts.

Sources: Why African Giants Failed: Case Studies", TechCabal (2024)

Startups turned to alternative options: venture debt surged to **37%** of all deal values in 2024. **Angels, crowdfunding, and diaspora investors** grew in importance.

Africa's startups need stronger local investment, clearer regulations, and broader inclusion; 2025 shows rebound but lasting change needed.