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# The Role of Private Equity in Enhancing Entrepreneurial Growth and Management Practices in Africa: A Narrative Literature Review

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## ABSTRACT

Over the last twenty years, Private Equity (PE) has emerged as an alternative funding source for entrepreneurs in emerging markets, including Africa, where the availability of traditional financing has been limited. The literature review in this study provides an overview of the current literature on the role of PE in aiding entrepreneurial development and enhancing management practices among entrepreneurs in Africa. A narrative literature methodology was used to review publications focusing on the contribution of PE investment to the growth of firms, the improvement of their governance, the adoption of innovations and the inclusive development of African entrepreneurial ecosystems between 2014-2024. The results reveal that, in addition to financial assistance, PE investors play a strategic role in enhancing managerial practices, strengthening governance structures, and expanding access to networks and markets. However, the literature also identifies structural obstacles, such as regulatory complexity, limited exit options, and an uneven regional pattern of investment. By summarising the current literature on PE in African markets, the study adds to a growing body of knowledge on PE's influence on entrepreneurship and identifies key gaps in African-focused scholarship. Thus, future research should focus on the long-term sustainability of firms after PE investors exit and the overall developmental effects of PE investment on African economies.

## **1. Introduction**

The use of PE has emerged as a more significant mode of financing entrepreneurial firms worldwide. Investments in private equity in developing markets, especially in Africa, are vital to financing emerging businesses. African entrepreneurs also face structural challenges, including limited access to credit, poor institutional infrastructure, and underdeveloped capital markets. Over the last few years, PE investment in Africa has increased. The report on African Private Capital Activity indicates that the amount of capital invested by private capital in Africa in 2022 was about USD 7.6 billion across more than 600 deals. These investments span sectors such as technology, infrastructure, healthcare, financial services, and consumer goods.

In addition to providing capital, PE investors often bring managerial skills, governance, and strategy that enable firms to expand their operations and become more competitive. Such contributions cannot be underestimated, especially in emerging markets that may have limited managerial capacity and institutional structures. Although investment activity has continued to increase, there is a lack of academic knowledge about the role that PE plays in the growth and management practices of African companies. Whereas other studies have emphasised the economic and business advantages of PE investments, few have presented a synthesis of their effects on entrepreneurial growth in African economies.

The paper thus aims to review and synthesise the literature to date on how PE can improve the growth and management practices of small entrepreneurs in Africa. In particular, the research questions of the study are the following: (i) What role does the contribution of private equity play in enhancing entrepreneurship in Africa? (ii) How do African firms respond to the presence of the private equity investors in terms of governance and management practices? And (iii) What are the wider developmental consequences of the occurrence of investments by the private equity in the African economies?

By synthesising existing research, the study will add to the emerging literature on entrepreneurial finance and private equity in African markets.

## **2. Literature Review**

### **2.1 Private Equity as a Mechanism of Entrepreneurial Finance**

PE has become a significant source of funding for entrepreneurial ventures, especially in underdeveloped financial markets. In general, the term PE refers to investments in privately owned businesses through ownership of shares, aimed at creating long-term value through strategic, operational, and financial value addition (Gilligan & Wright, 2020). PE investors, unlike traditional debt providers, normally follow an active ownership model, integrating into governance frameworks and bringing strategic skills to portfolio firms.

Most literature on entrepreneurial finance emphasises the growing use of alternative sources of funding, including the advent of PE and venture capital as sources for high-growth companies. According to Kaplan & Strömberg (2009), PE is a unique governance and financing vehicle that aims to enhance firm performance by undertaking active surveillance, aligning incentives, and restructuring firms. Equally, Cumming, Walz, and Werth (2016) make it clear that entrepreneurial finance actors, such as venture capital and private equity investors, are essential in providing capital, managerial, and strategic networks that help the firm thrive. The literature also indicates that investments in the PE market are very instrumental in addressing the financing problems of the entrepreneurial firms. In new markets, where bank financing is frequently constrained by perceived risk and inadequate collateral, PE offers long-term growth capital, enabling firms to expand operations and invest in innovation (Kato, n.d.; Montchaud, 2014). Aterido et al. (2013) posit that access to finance has been a major obstacle to firm growth in Sub-Saharan Africa, especially for small and medium-sized enterprises (SMEs). In this regard, the PE may serve as an important source of finance, helping close the capital gaps that impede entrepreneurship growth.

Over the past 20 years, PE investments in Africa have increased. According to industry reports, private capital investments in Africa have risen considerably since the early 2000s, with investments directed to telecommunications, financial services, healthcare, consumer goods, and infrastructure (African Private Capital

Association, 2020). Such investments indicate investors' rising confidence in African markets and the growing need for growth capital among African enterprises. However, despite this growth, African companies still face structural barriers to capital access, including poor financial systems, bureaucratic hurdles, and limited exit options.

## **2.2 Private Equity and Firm Performance**

There has been a substantial body of empirical research examining the relationship between PE investment and firm performance. Studies from developed markets consistently indicate that PE-backed companies are more likely to achieve higher revenue growth, profitability, and productivity (Cohn et al., 2022). Bernstein et al. (2019) also show how PE investment may enhance productivity by bringing operational efficiencies and strategic reorganisation to portfolio firms. Labour market studies also indicate that PE investments may affect firm restructuring and productivity. For example, Davis et al. (2014) find that the employment dynamics and productivity of firms supported by PE investors change significantly due to investors' interventions that introduce operational restructuring and efficiency improvements. Such performance improvements are largely attributed to strategic interventions such as financial restructuring, operational effectiveness and managerial control.

This is supported by the findings of Gilligan & Wright (2020), who affirm that PE investors more often implement governance structures that enhance accountability and strengthen decision-making processes. Bruining et al. (2013) also state that PE investors add value by providing strategic direction, network access, and operational effectiveness, thereby increasing firms' competitiveness. In emerging markets, it is even more likely that private equity's influence on firm performance will be more intensive due to the institutional voids that characterise such environments. As Montchaud (2014) points out, the main advantage of private equity investments is not only financial capital but also managerial skills and strategies that are usually uncommon within entrepreneurial organisations operating in developing economies. The combination of capital and expertise enables firms to scale operations, venture into new markets, and make them more productive.

## **2.3 Private Equity and Corporate Governance**

One of the most frequently recorded contributions of the PE investors is corporate governance improvements. PE Investors usually have an active ownership strategy that includes direct control over board governance and continuous oversight of management performance. Using these mechanisms, investors will work to enhance transparency, accountability, and strategic decision-making within the portfolio companies.

The corporate finance literature has extensively explored the governance aspect of the investment in a PE. According to Wright et al. (2009), the introduction of governance mechanisms by investors often increases managerial discipline and improves the firm's performance monitoring. Acharya et al. (2013) also present empirical data showing that value creation from PE investments is significant, as it enhances governance structures and aligns incentives within firms.

Studies have shown significant improvements in corporate governance structures following private equity investments. Di Toma & Montanari (2017) indicate that private equity investors widely practise introducing formal governance models, performance control systems, and professional management systems to improve

organisational performance. Such governance interventions are particularly applicable in emerging markets, where institutional environments and regulatory controls can be feeble.

Moreover, the internalisation of managers' practices in entrepreneurial firms can be supported by private equity investors' activities. According to Klein et al. (2013), PE investors typically introduce new management systems, including strategic planning, financial reporting, and performance review systems. The practices will enhance the organisation's performance and raise managerial discipline.

The role of PE investors can also be significant in achieving organisational transformation in many African economies, where family-owned businesses are the leading entrepreneurs. PE investors assist firms in transforming their informal management structures into institutionalised forms of corporate governance by introducing external governance oversight and professional management practices.

#### **2.4 Private Equity and Innovation**

Another vital aspect of PE investment is innovation and the adoption of technology. One of the requirements of firms intending to invest in research and development, digital transformation, and product innovation is access to capital. Private equity can facilitate these investments in small businesses by providing financial resources and strategic expertise. Empirical studies indicate that companies that are privately financed through equity, such as private equity, tend to be more inclined towards innovation. Bernstein et al. (2017) show that firms' investment in research and development and innovation may be greatly enhanced by private equity. Correspondingly, Link et al. (2014) observe that patenting and technological collaboration activity are higher among privately equitised firms than among non-equitised firms. Corsi & Prencipe (2019) also demonstrate that, through private equity, innovation can be brought to fruition more rapidly, as it enables companies to engage in long-term research and development projects. These investments can also be used to transfer knowledge and drive technological advancement in emerging markets, helping firms compete better in international markets. In Africa, PE investments are significant because they can drive innovation in fintech, agritech, renewable energy, and telecommunications. These sectors have attracted increasing investor interest due to their potential to address structural development challenges across the continent. By supporting technology adoption and innovation, PE investors help build more competitive and resilient entrepreneurial ecosystems.

#### **2.5 Private Equity and Inclusive Development**

Over the past years, the growth of PE has been associated with more expansive development goals, such as inclusive growth, gender equality, and environmental sustainability. Environmental, social and governance (ESG) are now being considered in the investment strategies of many PE funds.

According to Fox et al. (2023), the success of the Sustainable Development Goals (SDGs) in emerging markets can be supported by PE investments. In Africa, private equity investors are focusing on investments that facilitate inclusive economic growth and support underserved communities of entrepreneurs. The concept of gender-oriented investment has also become well recognised in the PE field. Robino & Jackson (2022) describe the growing relevance of gender-lens investing, in which investors actively seek to support enterprises led by women and advance gender equality in business leadership. The strategies for these investments will close gender financing gaps that continue to limit female entrepreneurship in most African economies.

## **2.6 Research Gaps in the Literature**

Although the literature on PE's impact on entrepreneurial growth has expanded over the years, critical gaps remain. To begin with, most of the current literature on the topic has focused on developed economies like the United States and Europe, with little attention to the dynamics of private equity investment in African economies. Second, numerous studies have analysed the short-term performance improvements associated with PE investment; however, little research has examined the sustainability of these improvements over the long run after PE exits. The question of whether governance gains and operational efficiencies continue once investors are no longer holding their interests is also a key concern that warrants further research. Lastly, little literature has explored the effects of investments in private equity on the overall entrepreneurial ecosystems, their effect on the creation of jobs, innovation systems, and the economic growth of the region. To develop innovative ecosystems, according to Block (2019), the role of entrepreneurial finance actors cannot be overemphasised, yet their role in the development of emerging markets remains insufficiently studied.

Addressing these research gaps is essential for developing a more comprehensive understanding of the role of private equity in fostering sustainable entrepreneurial growth and economic development across African economies.

## **3. Methodology**

### **3.1 Research Design**

This study adopts a structured narrative literature review to examine the role of private equity in supporting entrepreneurial growth and management practices in Africa. A narrative review allows for the synthesis of findings across diverse theoretical and empirical studies while identifying key themes, debates, and research gaps within a field.

While narrative reviews typically emphasise conceptual synthesis rather than statistical aggregation, this study follows a structured review protocol to enhance methodological transparency. The protocol includes clearly defined search procedures, inclusion and exclusion criteria, and a systematic screening process. This approach enhances the credibility and replicability of the literature selection process while enabling broader analytical interpretation of interdisciplinary scholarship.

The review aims to synthesise existing academic and practitioner literature on the relationship between private equity investment, entrepreneurial development, and management practices within emerging markets, with a particular focus on Africa.

### **3.2 Search Strategy**

Several internationally recognised scholarly databases, including Scopus, Web of Science, Emerald Insight, ScienceDirect, and Google Scholar, were searched extensively to identify scholarly literature relevant to the field of study. The reason for selecting these databases is that they index a broad range of peer-reviewed journals across finance, entrepreneurship, development economics, and business management.

The search used a combination of keywords and Boolean operators to identify studies on PE and entrepreneurial development in emerging markets. The main search terms were: private equity AND Africa, venture capital AND Africa, private equity AND entrepreneurship, private equity AND SME growth, and entrepreneurial finance AND

Africa. Other searches used related terms such as governance, innovation, entrepreneurial ecosystems, and development finance to identify research examining the wider organisational and developmental impact of private equity investment. To ensure complete coverage, the reference lists of identified studies have also been reviewed to identify other relevant publications by tracking backward citations.

### **3.3 Review Period**

The literature review focuses on papers published during 2014-2024 and covers the latest 10-year period of scholarly investigation and review of private equity and entrepreneurial finance. This time is associated with the rapid growth of private capital flows into developing markets and increased academic interest in the financing mechanisms of entrepreneurship in developing economies.

Though the review mainly focuses on the literature published during this time, previous seminal work in the field of private equity and venture capital was cited as required to provide the theoretical background and conceptual basis.

### **3.4 Inclusion and Exclusion Criteria**

To ensure the relevance and quality of the literature reviewed, some inclusion and exclusion criteria were used. Articles were selected provided that they were published between 2014 and 2024, covered peer-reviewed academic journals, recognised research reports or resourceful institutional publications and were related to the topics that dealt with the issues of private equity, venture capital, entrepreneurial finance, or growth of the firms. Moreover, the chosen articles had to be applicable to emerging economies, especially African economies. They must have addressed at least one of the following thematic categories: entrepreneurial development, management, corporate governance, innovation, technology uptake, and inclusive development.

Articles were excluded if they fell outside the timeframe chosen to complete the review, were not seminal theoretical work, were specific to developed economies and not applicable to the emerging markets, or were non-academic commentary (e.g., opinion pieces, weblog posts, and unpublished materials). Articles that did not feature themes related to private equity investment or the development of an entrepreneur were also eliminated.

### **3.5 Literature Selection Process**

The literature selection was carried out using a three-stage systematic procedure comprising identification, screening, and eligibility assessment. At the identification stage, the database search yielded a first set of publications on private equity and entrepreneurship. During the screening phase, titles and abstracts were evaluated for relevance to the research topic and to eliminate studies that were clearly unrelated.

The remaining studies were then subjected to a full-text eligibility review based on the predefined inclusion and exclusion criteria. After this process, 50 sources of interest were retained for final analysis. These sources informed the thematic synthesis presented in this study. While the literature review highlights the most influential and representative studies, the broader pool of selected sources helped identify recurring themes in private equity financing, governance improvements, innovation, and entrepreneurial growth. These were peer-reviewed journal articles, academic books and book chapters, research reports of international organisations, and industry publications concerning private equity investment in emerging markets.

### **3.6 Data Analysis and Thematic Synthesis.**

To analyse the chosen studies, a thematic synthesis approach was used, which involves identifying common patterns and conceptual ideas across the literature. Through iterative reading and comparative analysis of the selected publications, several key themes emerged.

These themes included private equity as a source of entrepreneurial finance, the impact of the investment by the PE on the growth and performance of the firm, the improvement of governance and management brought about by the PE investor, innovation and the adoption of technology by the portfolio firms and consequences of the overall economic development and inclusion of the economic activity of the private equity investor. These thematic categories provide the analytical structure for the literature review and the direction for the discussion presented in the subsequent sections of the study.

## **4. Findings**

The review of the selected literature revealed common trends regarding the role PE can play in enhancing entrepreneurial development and overall management in Africa. Amongst the studies analysed, five major themes were identified. These are: the provision of growth capital, the enhancement of governance and management practices, the promotion of innovation and technology adoption, the facilitation of market expansion, and the contribution to inclusive economic development. All these themes emphasise the complex nature of the role that private equity can assume in the African entrepreneurial ecosystems. A detailed analysis of the identified themes is as follows.

### **4.1 Private Equity as a Critical Source of Growth Capital**

One of the most consistently reported findings in the literature is the significance of PE in providing growth capital to entrepreneurial firms in African markets. Finance remains among the most notable obstacles to entrepreneurs on the continent, especially for small and medium-sized enterprises (Aterido et al., 2013; Kato, n.d.). Conventional financing sources, such as commercial banks, often come with rigid lending conditions that most emerging firms cannot meet.

Thus, PE investment in financing plays an important role in addressing financing constraints by providing long-term capital, thereby facilitating the growth and scaling up of businesses (Montchaud, 2014). A number of studies highlight that the growth of companies supported by PE is accelerated because PE is patient capital, enabling firms to invest in infrastructure, technology, and market development (Cohn et al., 2022; Gilligan & Wright, 2020). This is especially necessary in underdeveloped African economies with limited capital markets and funding availability. The literature also shows that PE investors typically adopt a long-term investment horizon, giving firms sufficient time to implement growth initiatives. This type of capital structure contrasts with short-term lending structures, which can be a financial burden on entrepreneurial firms (Gilligan & Wright, 2020).

### **4.2 Governance and Management Improvements**

The second key observation from the literature is the role of PE investors in enhancing governance structures and management practices in portfolio companies. Most African entrepreneurial firms have informal management systems and limited governance structures. Private equity investors frequently introduce more

formal governance systems designed to improve accountability and strategic decision-making (Di Toma & Montanari, 2017).

These governance interventions typically include establishing professional boards of directors, introducing performance monitoring systems, and adopting financial reporting practices. By strengthening governance structures, private equity investors help firms transition from founder-driven organisations to professionally managed enterprises (Klein et al., 2013).

The literature also shows that PE investors are likely to provide managerial skills that enhance the firm's operational efficiency. Investors, through their active ownership and board involvement, offer strategic direction that improves organisations' performance and sustainability in the long term (Bruining et al., 2013). These governance enhancements are especially important in emerging markets, where institutional frameworks and regulatory controls may be weaker. In this regard, private equity investors typically play a significant role in promoting better corporate governance in entrepreneurial firms (Gilligan & Wright, 2020).

#### **4.3 Innovation and Technology Adoption**

Another important observation in the literature reviewed is that PE investment plays a significant role in innovation and technological advancement in entrepreneurial firms. The availability of capital helps companies to invest in research and development, embrace new technologies, and pursue product innovation strategies (Link et al., 2014). Through the stewardship of PE investors, portfolio companies can modernise their operations by adopting digital technologies and improving production systems. In sectors such as financial technology, renewable energy, and telecommunications, PE investments have played an important role in supporting the growth of innovative business models across African markets (Corsi & Prencipe, 2019; Turner, 2023).

The literature also indicates that PE investors often facilitate knowledge transfer and strategic alliances that aid innovation. Investors assist in integrating new technologies and enhancing firms' competitiveness by connecting them to international networks and industry expertise (Gilligan & Wright, 2020). These innovation-driven investments contribute to the development of more dynamic entrepreneurial ecosystems by supporting firms that can deliver new products and services to rapidly growing African markets (Abor et al., 2019).

#### **4.4 Market Expansion and Strategic Networks**

PE Investors also play a pivotal role in expanding market opportunities for entrepreneurial firms. Various studies report that PE investors help access new markets through their global networks and strategic alliances (Bruining et al., 2013). In the African markets, entrepreneurs are usually faced with challenges of fragmented markets, inadequate distribution infrastructure and information asymmetry. In such cases, the role of PE investors helps mitigate these challenges by introducing firms to wider business networks and partnerships that enable them to expand beyond local markets (Montchaud, 2014).

Besides access to the market, investors usually offer strategic guidance on business growth, acquisitions and mergers, and foreignisation opportunities. Such strategic interventions enable companies to expand their operations more efficiently and increase their competitiveness in local and international markets (Gilligan & Wright, 2020).

Through these mechanisms, private equity investors contribute not only to firm-level growth but also to broader market integration across African economies.

#### **4.5 Contribution to Inclusive Economic Development**

Another important theme is the role of PE investment in promoting inclusive economic development. An emerging trend in PE investment is the focus on ESG principles, such as investment strategies that incorporate environmental, social, and governance (ESG) factors (Fox et al., 2023). These strategies often involve investments in sectors that address development challenges such as energy access, financial inclusion, healthcare provision, and agricultural productivity. By investing in these sectors, PE investors contribute to broader socio-economic development while also generating financial returns (Nachemson-Ekwall, 2023).

Additionally, several studies highlight the increasing emphasis on gender-inclusive investment strategies within PE portfolios. Gender-lens investing has gained prominence as investors seek to support women-led enterprises and address gender financing gaps within entrepreneurial ecosystems (McAdam, 2023; Robino & Jackson, 2022). These inclusive investment approaches reflect a broader shift within the private equity industry towards balancing financial returns with social impact objectives.

#### **4.6 Synthesis of Findings**

Overall, the literature review indicates that private equity plays a multifaceted role in shaping entrepreneurial growth and management practices in Africa. While access to growth capital remains the most immediate contribution of private equity investment, the literature demonstrates that its impact extends far beyond financial support.

Private equity investors frequently provide strategic guidance, governance improvements, support for innovation, and access to networks, collectively strengthening the capacity of entrepreneurial firms to scale and compete in increasingly dynamic markets (Cohen et al., 2018; Gilligan & Wright, 2020). These contributions are particularly important within African economies, where institutional and financial constraints often limit the growth potential of entrepreneurial ventures.

However, the literature also highlights several structural challenges that continue to shape private equity activity across the continent. These include regulatory complexity, limited exit opportunities, and uneven investment distribution across regions and sectors (AVCA, 2023; Montchaud, 2014). Addressing these challenges will be critical for ensuring that private equity continues to play a constructive role in supporting entrepreneurial development across African economies.

### **5. Discussion**

#### **5.1 Interpreting the Role of Private Equity in African Entrepreneurial Ecosystems**

The findings of this review reinforce the growing consensus that private equity plays a multifaceted role in shaping entrepreneurial development in emerging markets. While the provision of growth capital remains a primary function of private equity investment, the literature analysed in this study demonstrates that private equity's contribution extends well beyond financial support. Across the reviewed studies, private equity investors emerge as strategic partners that actively influence governance structures, managerial practices, innovation capabilities, and market expansion within entrepreneurial firms.

This finding aligns with the broader literature on entrepreneurial finance, which increasingly emphasises the non-financial value added by private equity investors. In contrast to traditional lenders, private equity investors typically adopt an active ownership approach, participating in governance structures and providing strategic guidance to portfolio companies. In the African context, where entrepreneurial firms often operate within institutional environments characterised by weak capital markets and limited managerial capacity, these non-financial contributions appear particularly significant.

The literature suggests that private equity investors often function as catalysts for organisational transformation within entrepreneurial firms. By introducing formal governance mechanisms and professional management systems, private equity investors help firms transition from founder-driven organisations to professionally managed enterprises. This transition is particularly relevant in African markets where many businesses remain family-owned and operate with informal management structures.

## **5.2 Private Equity as an Institutional Substitute in Emerging Markets**

A key insight emerging from the reviewed literature is the role of private equity as an institutional substitute within African entrepreneurial ecosystems. In many African economies, institutional frameworks that support business development, such as efficient financial markets, robust regulatory systems, and strong corporate governance mechanisms, remain underdeveloped. These institutional gaps create significant constraints for entrepreneurial firms seeking to scale their operations.

Private equity investors appear to partially compensate for these institutional weaknesses by providing governance oversight, strategic guidance, and access to global business networks. In doing so, they perform functions that mature financial markets or well-developed regulatory institutions might otherwise provide. This perspective suggests that private equity investment plays a broader developmental role in emerging markets by strengthening firm-level capabilities and improving organisational governance. The concept of private equity acting as an institutional substitute has important implications for understanding the broader developmental impact of private capital in emerging markets. Rather than serving solely as providers of financial capital, private equity investors may contribute to institutional strengthening by introducing governance practices, managerial expertise, and performance-monitoring mechanisms that enhance organisational efficiency.

## **5.3 Implications for Entrepreneurial Development in Africa**

The findings of this review highlight the potential of private equity to support entrepreneurial development across African economies. By providing long-term growth capital and strategic support, private equity investors enable firms to overcome structural constraints that frequently hinder business expansion in the region.

However, the literature also suggests that the impact of private equity investment is uneven across sectors and geographic regions. Private equity activity remains concentrated in a limited number of African countries, particularly those with relatively more developed financial markets and stable regulatory environments. As a result, many entrepreneurial ecosystems across the continent remain underserved by private capital. This uneven distribution of investment underscores the need to improve regulatory frameworks and strengthen financial institutions to attract greater private equity participation across African markets. Policymakers, therefore, play an important role in creating enabling environments that encourage private investment while protecting investor confidence. In addition, the findings indicate that private equity investors increasingly

integrate environmental, social, and governance considerations into their investment strategies. This shift towards responsible investment reflects broader changes within the global private equity industry. It suggests that private capital may contribute not only to firm-level growth but also to broader socio-economic development.

#### **5.4 Contributions to the Literature**

This study contributes to the literature on private equity and entrepreneurship in several important ways. First, the review synthesises a fragmented body of research examining the relationship between private equity investment and entrepreneurial growth within African markets. While existing studies often focus on specific sectors or countries, this review provides a broader synthesis of the literature, highlighting common themes and patterns across the continent.

Second, the study contributes to the growing literature on entrepreneurial finance in emerging markets by emphasising the institutional role of private equity investors. The findings suggest that private equity investors not only provide financial capital but also contribute governance expertise and managerial capabilities that strengthen entrepreneurial firms operating within institutionally constrained environments. Third, the review highlights the increasing importance of private equity investments in supporting innovation and inclusive development across African entrepreneurial ecosystems. By examining these broader developmental implications, the study extends existing research that traditionally focuses primarily on firm-level financial performance.

#### **5.5 Implications for Policy and Practice**

The findings of this review have important implications for both policymakers and private equity practitioners. For policymakers, the evidence suggests that strengthening regulatory frameworks and improving investment climates can play a critical role in attracting private capital and supporting entrepreneurial development. Initiatives aimed at improving transparency, strengthening legal institutions, and facilitating cross-border investment may help expand private equity activity across the continent.

For private equity practitioners, the findings highlight the importance of adopting investment strategies that combine financial returns with long-term value creation. In emerging markets, successful private equity investments often depend on investors' ability to provide strategic support, governance expertise, and operational guidance in addition to capital.

Furthermore, the growing emphasis on environmental, social, and governance considerations suggests that private equity firms increasingly recognise the importance of aligning financial objectives with broader development goals. Investment strategies that support inclusive growth and sustainable development may therefore become increasingly important within African entrepreneurial ecosystems.

### **6. Conclusion and Recommendations**

This study examined the role of private equity in enhancing entrepreneurial growth and management practices within African economies through a structured narrative review of recent literature. The findings indicate that private equity investment plays a significant role in addressing the financing constraints faced by entrepreneurial firms while also contributing to broader organisational and strategic improvements.

The review highlights that the impact of private equity extends beyond the provision of financial capital. Private equity investors frequently contribute to improvements in corporate governance, managerial practices, operational efficiency, and innovation capacity within entrepreneurial firms. These non-financial contributions are particularly important in African markets where institutional frameworks, capital markets, and managerial capabilities may be less developed. By introducing formal governance structures and strategic oversight, private equity investors often act as catalysts for organisational transformation within entrepreneurial firms.

Another important insight emerging from the literature is the growing role of private equity in supporting innovation and technological adoption across key sectors of African economies. Investments in areas such as financial technology, renewable energy, telecommunications, and digital services demonstrate the potential of private capital to foster dynamic entrepreneurial ecosystems across the continent.

However, the literature also reveals several structural challenges that continue to shape private equity activity in Africa. These challenges include regulatory uncertainty, limited exit opportunities, uneven investment distribution across countries, and underdeveloped financial markets. Addressing these structural constraints remains essential for expanding private equity participation and unlocking the full potential of entrepreneurial growth in the region.

From a policy perspective, the findings suggest that governments play a critical role in fostering investment-friendly environments that attract private capital while supporting entrepreneurial development. Strengthening regulatory frameworks, improving transparency, and promoting cross-border investment initiatives, such as the African Continental Free Trade Area (AfCFTA), could significantly expand private equity investment across African markets.

Overall, this study's findings suggest that private equity has the potential to be an important driver of entrepreneurial development and economic transformation across African economies. By combining financial capital with strategic expertise and governance support, private equity investors can help strengthen entrepreneurial firms and contribute to sustainable economic growth.

## **7. Future Research Directions**

While the literature reviewed in this study provides valuable insights into the role of private equity in fostering entrepreneurial growth in Africa, several important research gaps remain.

First, there is limited empirical research examining the long-term sustainability of firms following private equity exit. Many studies focus on short-term performance improvements during the investment period. Still, relatively little is known about whether governance improvements, managerial capabilities, and operational efficiencies persist once investors divest their holdings. Future research should therefore investigate the long-term impact of private equity investments on firm performance and resilience in African markets.

Second, the literature reveals a geographical concentration of private equity investments within a small number of African countries, particularly those with relatively more developed financial markets. Comparative studies examining private equity activity across different African regions could provide deeper insights into how institutional environments influence investment patterns and entrepreneurial outcomes.

Third, further research is needed to explore the role of private equity in supporting innovation ecosystems within Africa. While existing studies highlight the growing presence of private equity in sectors such as fintech and renewable energy, more detailed analysis is required to understand how these investments contribute to technological development, knowledge transfer, and the emergence of innovation clusters.

Finally, future studies should examine the social and developmental implications of private equity investment, particularly regarding job creation, gender inclusion, and sustainable development. As private equity investors increasingly incorporate environmental, social, and governance (ESG) principles into their investment strategies, understanding the broader developmental impact of these investments will become increasingly important. Addressing these research gaps will contribute to a more comprehensive understanding of the evolving role of private equity in shaping entrepreneurial ecosystems across African economies.

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