



## PART 2 - Raising Funds as a Startup in Nigeria – Where to get Investments



Nigerian startups usually have funding rounds wherein they raise funds to better scale their business. In [Part 1 of the Raising Funds as a Startup in Nigeria series](#), we highlighted the diverse types of funding, how to get funded and be investment ready. In this concluding part of our “Raising funds as a Startup in Nigeria” series, we shall explain the sources of investments for startups. Below are potential investors that can provide the requisite funding required to scale your business idea/startup.

1. Angel Investors - Angel investors are individuals with additional funds and a keen interest to invest in upcoming startups. They also work in groups of networks to collectively screen the proposals before investing. They can also offer mentoring or advice alongside capital. In Nigeria, we have the Lagos Angel Network (LAN) that invests in startups at their earliest stages. You can also find angel investors within your network and connections. It is important to note that most angel investors will take an equity share of your startup in exchange for their investment. If you find the right angel investor, you may benefit from their expert advice and management skills.
2. Friends/Families - You can raise interest free loans from your friends and families who like your idea and are willing to support you. Friends/Families are the people who trust you and believe in your business idea. Most importantly, they believe in you and your potential.

3. **Venture Capital Firms** - Venture capital (VC) is a type of private equity. It's a form of financing that is provided by firms or funds to small, early-stage, emerging startups that are deemed to have high growth potential, or which have demonstrated high growth (in terms of number of employees, annual revenue, or both). Venture capital firms or funds invest in these early-stage companies in exchange for equity—an ownership stake—in the companies they invest in. Venture capitalists take on the risk of financing risky startups in the hopes that some of the firms they support will become successful in future and in this process VC firm will get tremendous return on their investment.
4. **Crowdfunding** - Crowdfunding is getting popular in Nigeria. Crowdfunding is the practice of funding a project or venture by raising small amounts of money from a large number of people, typically via the Internet. The field is largely regulated by the Securities and Exchange Commission (SEC or Commission). In 2020, the SEC released a proposed set of rules for companies intending to crowdfund. According to the SEC's proposed rules, Micro, Small and Medium Scale Enterprises (MSMEs) incorporated in Nigeria with a minimum of two years' operating track record, shall be eligible to raise funds through a crowdfunding portal registered by the Commission. This could be done in exchange for the issuance of shares, debentures, or such other investment or instruments as the Commission may determine from time to time. It is important to mention that the maximum amount which may be raised shall not exceed ₦100 Million by a medium enterprise, ₦70 Million for

small enterprises and ₦50 Million for micro-enterprises. The limits set forth above shall not apply to MSMEs operating as digital commodities investment platforms, or such other MSMEs as may be designated by the Commission from time to time. This proposed rule makes crowdfunding an unviable option for companies looking at raising more than ₦100 Million.

5. Grants - Grants are non-repayable funds or products disbursed or given by one party (grant makers), often a government department, corporation, foundation or trust, to a recipient, often (but not always) a nonprofit entity, educational institution, business or an individual. In order to receive a grant, some form of "Grant Writing" often referred to as either a proposal or an application is required. Most grants are made to fund a specific project and require some level of compliance and reporting. There are several available grants for startups in Nigeria from the Tony Elumelu Entrepreneurship Programme Fund to the Federal Government's GEM Grant. It is important to note the eligibility requirements before applying for a grant.
6. Business Incubators and Accelerators - Both accelerators and incubators aim to support young firms through the early and fragile stages of growth. Most incubators and accelerators provide financial and other types of support to startups at their earliest stages. Some of the most popular incubators we have in Nigeria include CCHub, Ventures Platform, etc.



7. Bank Loans - You can apply for a loan at your personal bank. Most banks in Nigeria require a form of collateral before loaning any amount of money to you. It is advisable to approach a bank you already have an existing relationship with. Explain the reason for the loan, how long you intend on repaying back and any other necessary information.

## Conclusion

It is advisable to find the most suitable source of investment for your startups. Also, as a startup in Nigeria, you can approach your friends and families first before applying to outsiders. It is also important to carry your lawyer along the way to prepare relevant documents for each stage.