

Private Credit

*Africa's New Engine of
Growth in 2026*

Unlocking the potential of SMEs and mid-market enterprises through alternative financing solutions.

Introduction

The Shifting Financial Landscape

Traditional banking facilities, often characterised by rigid loan terms and high interest rates, are increasingly unsuited to the dynamic needs of modern businesses. This gap has paved the way for private credit—a flexible, bespoke alternative that is reshaping how companies access capital.

Unlike public market debt, private credit involves direct lending by non-bank entities to private companies. It does not seek to replace traditional banks but rather to serve the vital economic segment that lies beyond their typical reach.

Definition

*"Private credit essentially refers to direct lending by non-bank lenders, typically to small and mid-sized businesses, where the loans are not issued or traded on the public market."*¹

Key Features of Private Credit



Bespoke Flexibility

Tailored covenants and terms aligned with the borrower's specific financial projections and business cycles.



Robust Agreements

Carefully drafted contracts setting out pricing, tenor, repayment mechanics, and clear events of default.



Complementary Role

Expands economic frontiers by funding entities that are "non-bank deserving" yet viable for growth.



Dispute Resolution

Incorporates jurisdiction clauses and arbitration frameworks to ensure remedies are practical and enforceable.

Scope of This Analysis

This document explores the concept of private credit and its transformative potential for the African economy in 2026. We conduct a comparative analysis with developed markets, focusing on:

Regulatory Frameworks & Compliance

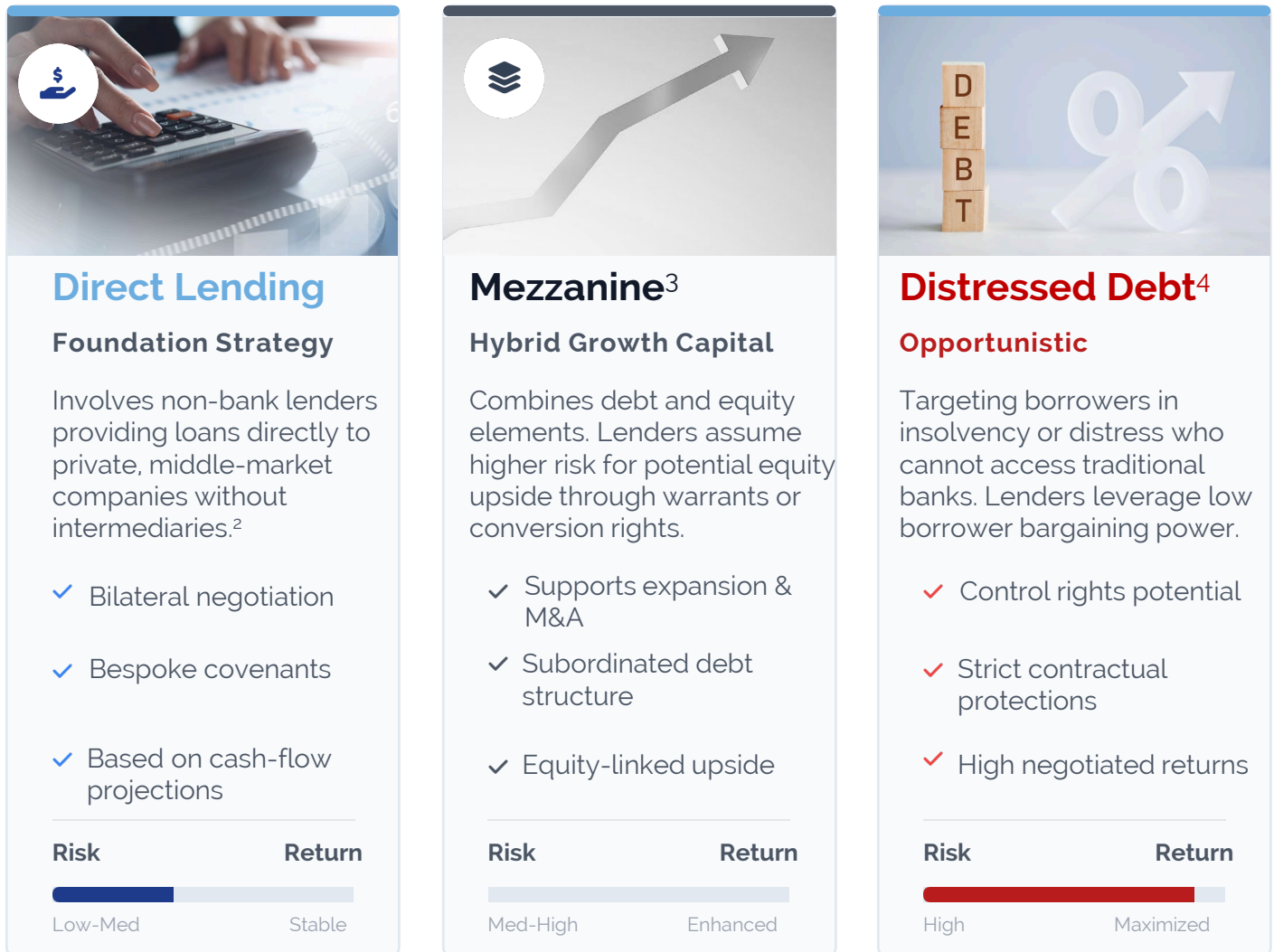
Risk Allocation & Management

Access to Capital for SMEs

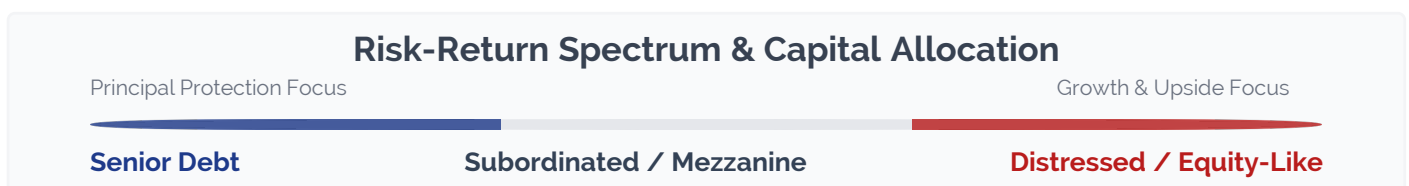
Implications for Economic Growth

Strategies of Private Credit

Although private credit encompasses a range of lending strategies, this analysis shall focus mainly on three core strategies which capture the primary risks and returns associated with each class:



Given the bespoke nature of private credit, comprehensive covenants, representations and warranties are critical to managing information asymmetry and credit risk. Furthermore, private credit agreements should incorporate clear dispute resolution mechanisms, including jurisdiction clauses, governing law provisions, and, where appropriate, arbitration frameworks. Careful attention must also be given to enforcement mechanisms, particularly in cross-border transactions, to ensure that remedies are practical rather than merely theoretical.



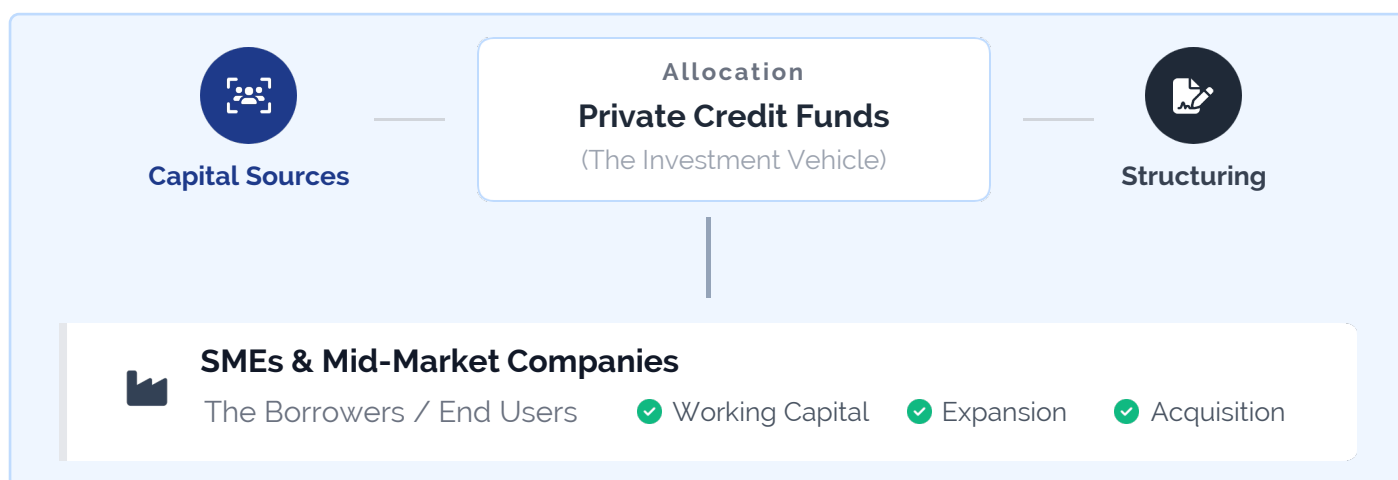
Sources of Private Credit

Private credit lenders are typically non-traditional banking sources. Institutional investors are the main source of capital for private credit funds. An institutional investor is an entity such as a hedge fund, mutual fund, pension fund, or insurance company that has access to large funds for long-term investments and low liquidity needs.⁵

These are the most common sources of private credit, as they have the resources required to explore a variety of investment opportunities.⁶ Other sources of private credit include specialised funds, high-net-worth investors who serve as alternative lending channels and private equity firms.



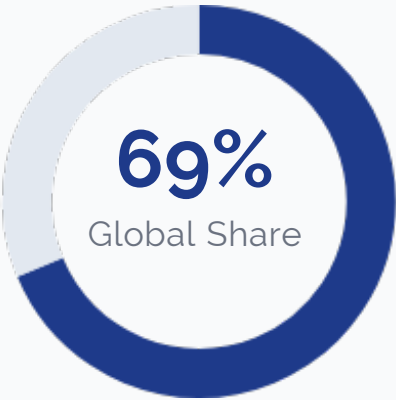
Capital Flow Structure



US Market Analysis

Benchmark for Success

The United States serves as the global benchmark for private credit deployment. Its mature ecosystem demonstrates how alternative lending can drive national economic growth when supported by institutional capital.



Market Dominance

The US accounts for **\$1.1 Trillion** of the \$1.6 Trillion global private credit funding.⁷ This liquidity depth allows mid-sized enterprises to bypass traditional bank syndication constraints.

US Volume	Rest of World
\$1.1T	\$0.5T

Economic Impact (2024 Estimates)

2.5M
Jobs Supported

Direct & indirect employment generated through portfolio companies.

\$217B
Wages & Benefits

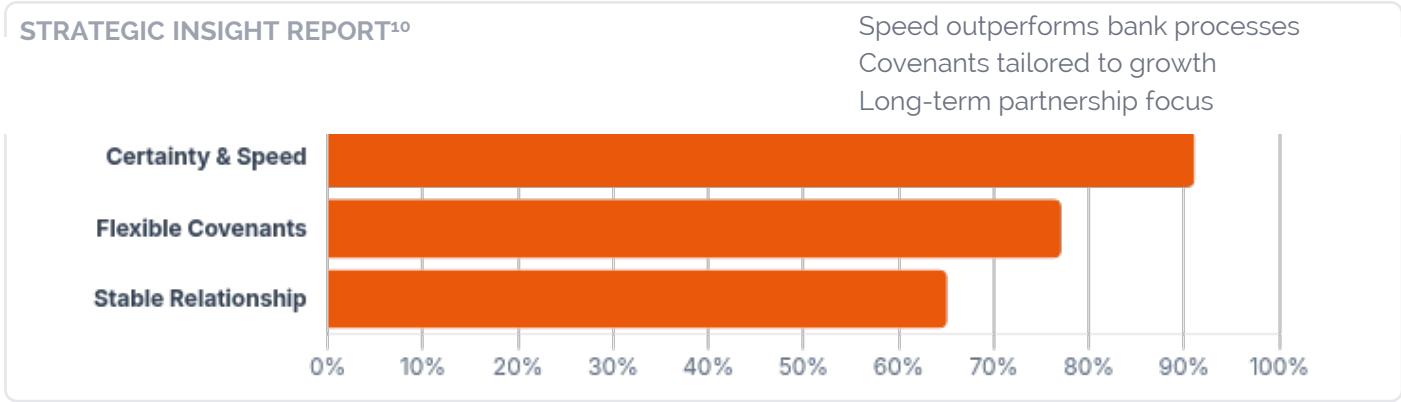
Income generated for the workforce across supported industries.

\$370B
GDP Contribution⁸

Significant additive value to the national economic output.

Why Borrowers Choose Private Credit

Survey of ~70% of U.S. private credit providers (2021)⁹



The credit facility obtained under this framework serves as working capital for these companies, providing sustained liquidity for business operations and employee wages, thereby increasing bargaining power and ultimately tax revenue for the government.

Africa & Nigeria

Position

The Gap & The Opportunity

There exists a conspicuous gap in the credit needs for African mid-sized companies. The majority of companies in Africa are Small and medium-sized enterprises (SMEs), which play an invaluable role in the continent's overall economic development.¹¹

"The World Bank reported that credit-to-GDP ratios in Sub-Saharan Africa remain low relative to those in high-income countries, underscoring the need for a developed private debt market."



Macro Context

Declining Foreign Aid
Requires Internal Solutions

Global Inflows Disparity

For instance, the global private credit market received inflows of **\$1.7 billion** at the end of 2023, with a measly **0.3%** of that amount going to the African market.¹²



0.3%
Share of Global
Inflows

Rest of World

99.7%

Africa

0.3%

Additionally, the World Bank reported that credit-to-GDP ratios in Sub-Saharan Africa remain low relative to those in high-income Countries. This underscores the need for a more developed private debt market to help address current deficits in the African economy.¹³

The financial need in this regard becomes more evident as lending countries, which hitherto funded some private-sector needs, now turn inward to address their own domestic issues, thereby cutting off aid and loans that were previously deployed to African economies.¹⁴

The Nigerian Position

SMEs are a critical aspect of the Nigerian economy.

Large-scale adoption of private credit is essential to harness this potential.

48%

GDP

Contribution of SMEs to
Nigeria's Gross Domestic
Product

84%

Workforce

Percentage of the workforce
employed by SMEs

Opportunity: Structured private credit can provide growth capital, creating jobs and increasing tax revenue.¹⁵

Regulatory Framework

Nigeria SEC 2025 Rules

A New Era for Private Securities

Private credit is generally structured through privately negotiated lending arrangements. Nevertheless, recent regulatory developments have expanded the range of instruments through which private credit may be deployed in Nigeria. In particular, the Securities and Exchange Commission's 2025 Rules introduced a regulatory framework allowing private companies to issue debt securities to qualified investors. Although these instruments constitute securities rather than loan facilities, the framework provides an additional, regulated channel through which private capital may be extended to private companies.

Private companies issuing securities under these rules are subject to certain restrictions on the issuance of securities.¹⁶ The rules restrict private companies from offering shares to the public and provide that the debt securities issued pursuant to these rules shall be sold only to qualified investors. A qualified investor under the rules is an institutional investor or a high-net-worth investor.¹⁷



"Qualified Investor"

Under the new rules, private debt securities must be sold exclusively to investors with the capacity to assess risk:

Institutional Investors
(Pension Funds, Hedge Funds, etc.)

High-Net-Worth Investors (HNWIs)

Key Provisions & Restrictions

⊘ No Public Offers

Private companies are strictly restricted from offering shares or debt securities to the general public. Any form of public solicitation is prohibited to maintain the private nature of the issuance.

⊙ Targeted Allotment

Issuance is strictly limited to qualified investors. This ensures that only those with sufficient financial sophistication and risk appetite participate in these private credit opportunities.

Implications for Private Credit Deployment

✓ Regulated Channel

Provides an additional, regulated avenue for capital formation alongside traditional bilateral loans, increasing market depth and legitimacy.

📄 Execution Requirements

Requires robust legal structuring to ensure regulatory compliance, enforceability of security, and effective dispute resolution mechanisms.

🛡️ Investor Confidence

SEC oversight enhances transparency and investor protection, potentially attracting more institutional capital to the private debt market.

📊 Instrument Diversity

Allows for the creation of standardized debt securities, offering different liquidity profiles compared to highly bespoke loan agreements.

Recommendations & Conclusion

01



Robust Contractual Frameworks

Parties participating in private credit transactions should ensure that all financing arrangements are documented through robust, well-structured contracts. Given the bespoke and often complex nature of private credit instruments, clear contractual allocation of rights, obligations, risk, and remedies is essential to protect the interests of both lenders and borrowers. Proper legal structuring also ensures regulatory compliance, enforceability of security and covenants, and effective dispute resolution, thereby reducing execution risk and promoting confidence in private credit as a sustainable financing option.

02



Macroeconomic Stability

While private credit providers play a significant role in expanding access to alternative financing, the broader macroeconomic framework also plays an important enabling role. In this context, business-friendly monetary policies that promote price stability and investor confidence help sustain an attractive climate for local and international institutional investors, as well as high-net-worth individuals, to deploy capital into private credit facilities for mid-sized businesses. Such stability supports both lending capacity and borrowers' ability to meet their debt obligations over the financing tenor.



Engine of Growth

Private credit has emerged as a critical component of modern financing ecosystems, particularly in environments where traditional bank lending is constrained by regulatory capital requirements and risk aversion. By offering flexible, bespoke funding structures, private credit fills a financing gap for businesses seeking growth capital, acquisition funding, or balance-sheet optimisation.

As capital markets evolve and demand for non-bank financing continues to rise, private credit is likely to play an increasingly prominent role in supporting enterprise growth and economic development, particularly in emerging markets. Its sustainability will ultimately depend on robust regulatory oversight, sound risk management, and transparency, ensuring that private credit remains a viable and responsible complement to traditional finance rather than a substitute for prudent lending practices.



Endnote

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