Assessment #8: Research

Name: Anhad Kohli

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Kabengele, Christian, and Rüdiger Hahn. "Venture Capital Funding in Africa: A Mixed-Methods Study of Evolving Ecosystems and Financial Discrimination." *Journal of International Business Studies*, vol. 56, no. 6, 2025, pp. 777–794. https://doi.org/10.1057/s41267-025-00788-w.

Assessment:

In "Venture Capital Funding in Africa: A Mixed-Methods Study of Evolving Ecosystems and Finance Discrimination," Christian Kabengele and Rüdiger Hahn examine why African founders have historically received lower venture funding than non-African founders operating within the same market. Using 37 interviews and a fuzzy-set qualitative comparative analysis of 335 African fintech startups, they find institutional uncertainty and investor homophily interact to shape funding outcomes. They concurrently discover the disadvantage facing African founders decreases as the ecosystem matures and investors gain more local knowledge (Kabengele and Hahn 2).

This article progresses my research as it provides a central example of familiarity being both potentially rational and distortionary. My earlier research made clear that cross-border investors face real information and institutional risks, whereas local partners can help reduce those risks. Kabengele and Hahn offer an important complication to this understanding: when foreign investors possess institutional voices and limited local knowledge, they may rely more

deeply on founders and networks they currently understand (4). Such behavior can often start as risk mitigation, yet still prompt unequal funding outcomes. As our semester progresses, my research question is therefore continuously becoming more precise in the realm of familiarity; I now ask when does familiarity provide useful information, and when does it substitute for evidence?

Arguably the finding that changed my thinking most, however, involved international networks. Among predominantly African-led fintechs in top funding quartiles, roughly 94% possess founders who'd previously studied or worked abroad (Kabengele and Hahn 5). This implies international experience provides founders valuable skills and connection, but more importantly, makes them easier for foreign investors to interpret. I can't claim this to be the sole reason they are favored though, assuming such founders even do receive preference; rather, this finding leaves me with a clearer variable to investigate. Seeing as similar founders receive varying reactions dependent on their international credentials, I must determine whether investors are responding to genuine capability or familiarity.

The ecosystem-maturation result strengthens this very idea. In the early period, every configuration associated with grand funding amounts contained few African teams; later, African-led startups accessed more paths to high funding, and founder origins became increasingly less significant under strong market and ecosystem conditions (Kabengele and Hahn 8). If the same founder becomes more financeable as investors gather experience and local VC capacity grows, then some earlier "risk" must certainly have been the cause of what investors actually knew (and not founders' backgrounds). Consequently, my future interviews will seek to ask whether repeated exposure to markets change the diligence burden, evidence threshold, or valuation adjustment investors apply.

From a methodological perspective, I see the mixed-methods design being persuasive as the interviews identify mechanisms and the 33-startup fsQCA test those conditions in a broader sample. With that said, the study isn't directly one that focuses on valuation. Its quantitative outcome is rather cumulative funding; not to mention, its sample is limited to African fintech companies and the authors even acknowledge QCA can suffer from omitted variables (Kabengele and Hahn 11). Their Pan-African perspective also combines several different national markets in one frame, meaning the article provides a strong mechanism to investigate rather than proof for my hypothesis.

Broadly, this article shifts my research toward a truly testable distinction. Institutional uncertainty can turn familiarity useful because investors truly need information, but homophily simultaneously causes familiarity to substitute for such information. My following research will focus on the role of credible local evidence in this process, keeping my work focused on separating legitimate risk from familiarity-driven judgement.

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