

Economic growth in Africa provides opportunity for SMEs

The World Economic Forum, recently held in Cape Town, highlighted the substantial economic growth that is expected to occur on the African continent over the next five years. It is predicted that Africa will have six or seven of the fastest-growing economies in the world, as well as the largest overall growth of any continent within the next five years.

According to Mark Paper of Business Partners International, speaking in light of Africa Day, celebrated annually on 25 May, this economic growth presents a significant opportunity for small and medium enterprises (SMEs,) which are looking to expand in the region. "Africa has been touted as the next growth region, and should therefore present value to SMEs which have done their research correctly and will be able to service this growing market.

He says that however, although large businesses and corporates have the ability and resources to expand into Africa, this move may be more challenging for SMEs. "There are still some obstacles for SMEs to overcome should they wish to expand successfully into the region.

"The infrastructure in many parts of Africa is far less conducive for creating an entrepreneurial environment and entrepreneurs often struggle with electricity and transport challenges, which all hinder growth.

"In addition, entrepreneurs in some parts of Africa have considerably less access to funding as the banks are much stricter in comparison to South Africa. African entrepreneurs also face significant challenges when it comes to human resources, as they do not have an abundance of skilled workers in the region."

However, Paper says that despite the many challenges that African entrepreneurs face, they often manage to overcome these and succeed in various industries, which contributes positively to the economy of their respective countries.

"African governments are increasing their investment into infrastructural development projects on the continent, which will assist entrepreneurs overcome some of their challenges. R3.2 trillion has been earmarked to be spent on 40 major infrastructure projects over the next three years in South Africa, and Kenya is reportedly building the multi-billion dollar Lamu Port-South Sudan-Ethiopia Transport project, which will connect the country's Lamu port with South Sudan and Ethiopia via road, railway and oil pipeline network."

Paper says that it is also a risk for SMEs to expand too quickly, or in an uncontrolled manner, as when this happens cash flow and customer satisfaction are usually the first casualties. "The trick is to carefully manage the expansion process, so that business owners reap the medium and long-term benefits."

Paper predicts that SMEs will play a crucial role in the economic growth that is expected on the African continent. "Latest research by Menon Business Economics shows that gradually, SMEs will play an integral role in industrial development and restructuring, satisfying rising local demand for services, which will allow for increased specialisation and supporting larger firms with inputs and services."

He says that African entrepreneurs definitely operate in a more challenging environment and thus need to be more creative and resilient in order to make their businesses succeed. "However, if they are able to operate and succeed despite their numerous challenges, they will have the potential to thrive," concludes Paper.