

Economic obstacles are not stopping African entrepreneurs

The entrepreneurial spirit across Africa is unwavering, according to new research commissioned by Regus, the global provider of flexible workplaces. The international study includes East, North and South Africa.

This latest Regus research, canvassing over 26,000 business managers and owners in 90 countries, confirms that nimble and flexible African entrepreneurs regard lack of access to credit (79%) as the biggest deterrent to setting up a business today. Red tape (66%), lack of government support (66%) and market domination by large corporations (51%) followed. 53% of African entrepreneurs also cited the state of the economy as a serious hindrance.

Small and micro businesses are vital for economic growth but face serious challenges. Even though some might have fallen into business ownership through redundancy, a staggering 87% of entrepreneurs across Africa reported that given the chance they would do it all over again.

Driving innovation

SMEs are responsible for driving innovation and competition in many economic sectors and are said to contribute 70% of economic growth globally. SMEs are proving to be a lifeline for Africa by creating job opportunities and skilled workforce that in return is helping boost the productivity of this region. But even under such promising circumstances, there still looms a major concern over factors such as vague business models, unclear government legislation, customer awareness, taxation and high repayment rates which need to be worked upon.

A report by Accelerating Entrepreneurship in Africa compiled by Omdivar Network concludes that venture capital in Africa is still an emergent phenomenon and the majority of survey respondents (67%) agree. Entrepreneurs are forced to pursue bank loans which simply are not tailored for startups. Banks see startup investments as high risk, low reward and like to quote statistics that show 9 out of ten startups fail within the first five years of operation.

Commenting on the findings, Regus VP for Africa, Joanne Bushell says, "Thank goodness for the Unstoppable Entrepreneur! Who knows what state the economy would be in if they decided to play safe and downsize like a lot of their larger and arguably better resourced competitors. The challenges they face are not new, but they are clearly saying that little impact has been felt from state support initiatives, despite the best efforts of the government.

'Have nerves of steel'

Lawrence Lyayuka, CEO and founder for Creative City Homes, a real estate company with a Regus office in Dar es

Salaam, Tanzania said, "I agree, official mechanisms have not done anything much for my business. But if you want to be a successful entrepreneur, you soon find that nothing comes easily. It's a white knuckle ride and you have to have nerves of steel. That's why it's usually the entrepreneurial community that generates growth out of an economic downturn, while the big boys run for cover. I just don't understand why government doesn't recognise this and change its focus to more evenly pay attention to SMEs. We generate around half the nation's wealth, but we get a tiny fraction of state attention! Nevertheless, running my own business was the best decision I ever made and I'd do it over again any day."

SMEs are "engines of growth" accounting for up to 99% of businesses and 40-50% of GDP. Globally, 50% of all jobs are generated by SMEs, yet, in spite of this, they attract just a tiny proportion of the overall investment across the G20.

Bushell adds "Entrepreneurial firms will need to remain nimble to navigate choppy waters and succeed. The lack of institutional support means that business owners will continue to increasingly favour flexible working in order to avoid lengthy leases and free up their working capital so they can concentrate on growing their business."

"Already, more than half of entrepreneurs are using flexible working locations for most of the week, compared with 39% for those that do not own their businesses."

Top challenges for entrepreneurs	Africa	East Africa	North Africa	South Africa
Lack of access to credit	79%	86%	69%	81%
Red tape	66%	70%	45%	82%
Lack of government support	66%	57%	67%	73%
Current economic conditions	53%	44%	57%	58%
Market domination by large corporations	51%	57%	40%	55%

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