

Africa's youth bulge poses threat to sub-Saharan Africa region

According to the latest GEM (Global Entrepreneurship Monitor) report, titled: '*Africa's Young Entrepreneurs: Unlocking The Potential For A Brighter Future*', South Africa is the worst performing country in sub-Saharan Africa when it comes to youth entrepreneurship...

Just 13% of young people under the age of 34 are involved in starting or running their own business. This despite the fact that South Africa has the highest unemployment rate in the region.

Worrying, the majority of youth businesses in South Africa are also low-growth, meaning that they are unlikely to employ many people - 33% of South Africa's youth businesses employ no one other than the owner and 56% employ between one and five people. Only 2% of youth businesses in South Africa employ more than 20 people.

The new report on youth entrepreneurship in sub-Saharan Africa paints an alarming picture of a growing population of ambitious and entrepreneurial young people who have nowhere to go and warns that Africa's youth bulge poses an enormous threat to the region, unless more targeted support is provided to youth entrepreneurs, specifically in the age group 18-34.



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GEM is a global research consortium that has been investigating entrepreneurship for 16 years. In this latest study, data gathered in nine countries in sub-Saharan Africa (SSA) - Angola, Botswana, Ghana, Malawi, Namibia, Nigeria, South Africa, Uganda, and Zambia - over three years, is used to understand the nature of youth entrepreneurship, as well as the policies that are needed to support young entrepreneurs in the region.

Report author and associate professor at UCT, Jacqueline Kew says, "Young Africans are three times more likely than adults to be unemployed and, in a region where 62% of the population is under the age of 25, serious interventions are needed to ensure that the youth have access to sustainable jobs that lead to more jobs for others."

Youth in SSA most entrepreneurial in the world

GEM research has highlighted that youth in SSA are more entrepreneurial than youth in other world regions. Fifty-two per cent of youth in SSA express an intention to start a business and 28% are running their own businesses, compared with youth in the European Culture Countries (ECC) region - the lowest performing region. Just 19% of youth in that region express entrepreneurial intentions and only 8% are actually engaged in entrepreneurial activity (measured as a percentage of the adult population).

Uganda, Zambia and Nigeria lead the pack with more than half of their young people either starting or running their own business. A positive finding was that most of these businesses are making enough money to support the owner, and young entrepreneurs are optimistic about growth. The bad news is that very few of these businesses are able to generate additional jobs.

"Most of these businesses only create employment for the owner," says GEM Executive Director Mike Herrington. "However, entrepreneurs need to impact more than just themselves for their business to be sustainable and to be a true and viable part of the economy."

Angola is a notable exception. While that country has one of the lowest numbers of youth entrepreneurs in the region (26%) it also has the highest percentage (78%) of youth businesses creating between one and five jobs for others. This is compared to 68% in Nigeria, 56% in South Africa, 53% in Zambia, 51% in Namibia, 45% in Botswana, 34% in Uganda, 32% in Ghana, and 12% in Malawi.

Key challenges for youth entrepreneurs in SSA

The GEM research has highlighted several factors that are currently preventing entrepreneurs from making a meaningful contribution to job creation in the region. Key pitfalls include an over-concentration of youth activity in just a handful of sectors and a lack of innovation or newness in what they are offering.

The research shows that 64% of the youth in SSA are involved in the retail, hotel and restaurant trade and that almost all (97%) of youth businesses in the retail sector are low-growth businesses. In addition, two-thirds of the youth businesses in the region indicated that what they offer is not new to some or all of their customers, while 57% indicated that many other businesses offered the same product or service.

"Selling undifferentiated products and services in over-traded markets makes it extremely difficult for young entrepreneurs to generate a profit and will rarely lead to viable business creation over the longer term. In addition, the use of technology by youth for business is also low," Kew said.

For example, just 16% of youth in SSA Africa make use of the internet to sell their products and services and these are mostly in South Africa.

"The internet as a trading space is woefully underutilised. An efficient IT infrastructure reduces the cost of business and increases market reach, improves access to information and allows for innovation - however many youth businesses are inhibited by high costs or lack of skills," Kew said.

What needs to change to boost youth entrepreneurship in SSA?

Improving ICT and technology in the region has been identified as a key focus area to boost entrepreneurship. The GEM report says lack of coverage, cost of internet and cell phone access/services are infrastructural issues, which need to be addressed. In addition, the report identifies three other areas that can be targeted to unleash the potential of Africa's young entrepreneurs: education and training, business

support and advice, and business capital and financial support.

GEM research has consistently found a strong correlation between level of education and the likelihood of starting and running a successful business. Yet youth in SSA have the lowest level of education in the world. One quarter of youth in SSA has less than a primary school education while 55% have not completed their secondary education.

"Among other interventions required, schools need to promote entrepreneurship as a career path alongside interventions that deal with skills gaps, for example, promoting apprenticeships and technical and vocational education," said Kew.

To improve financial access, the report recommends a range of interventions including easing access to credit through the banking system, providing incentives to financial institutions to lend to youth-owned businesses and providing young people with more training in how to manage money.

"Without focused improvement in the type of education offered, suitably tailored business support, youth-oriented finance options and better access to ICT and other technology, a large enough network of high-growth, export-led entrepreneurs, which the region desperately needs, will not be developed. With the right support Africa's youth bulge could be converted into its greatest asset. Without support, it is a ticking time bomb that threatens to destabilise the entire region," said Herrington.

To view the full report, go to www.gemconsortium.org.

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