

Investing in entrepreneurs is key to the future of South Africa

 By [Philani Sangweni](#)

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South Africa's always talked a big game when it comes to entrepreneurship. In fact, encouraging entrepreneurship, especially among young people, is one of the pillars of the National Development Plan.



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But can we really be said to support entrepreneurship if 70 to 80% of small South African businesses fail within the first five years? And that statistic is from pre-Covid-19, so we know we can expect a much less appealing scenario now as we head towards the end of 2020.

We need to stop talking about entrepreneurship and actually start putting our money where our mouth is as a country. Doing so won't only fuel much needed economic and jobs growth; it will also net potentially massive returns for the investors who back entrepreneurs.

An economic and jobs bloodbath

The need to invest in entrepreneurship has never been greater. Thanks to the lockdowns associated with the efforts to stall

the spread of Covid-19, South Africa is facing what may be the greatest economic hardship in its history - with the GDP falling by just over 16.4% between the first and second quarters of 2020. As a result, unemployment has hit staggering new levels, rising up beyond 40% by the expanded definition, which includes people who've given up looking for work.

Government has made a lot of noise about addressing these issues through infrastructure and Public Works programmes. But the thing is, even when they're clean and unimpacted by corruption, these initiatives take time to get off the ground.

And we need solutions now. A good place to start would be for the powers-that-be, including large pension funds and other government Development Finance Institutions (DFIs), to pump funding into early-stage entrepreneurship.

The role of investors

But government support alone won't cut it. Private investors need to get involved too. This is especially important if we want to ensure that the face of South African entrepreneurship is more diverse than it traditionally has been. And if we want as many entrepreneurs creating as many jobs as possible, that's essential.

The truth is, many black and female entrepreneurs don't have access to the same funding networks as most white male entrepreneurs. But they're just as capable of creating transformative businesses that scale and provide long-term, sustainable jobs.

The more well-funded businesses we have (provided those businesses operate according to a legitimate model), the more economic and job opportunities they will create. Of course, even the most altruistic investor won't however put money into entrepreneurship just because it could have economic and job benefits for the country. They need to see returns on their investments too.

Fortunately, the environment has never been better for that. Traditional investments such as property took a massive knock during lockdown and the returns on equities have been dismal for the past five years (a situation that's not unique to South Africa). As a result, investors have had to look elsewhere for high returns.

Admittedly, investing in startups is riskier, but potentially comes with much greater returns, especially as local companies become acquisition targets for international players. You can, for instance, bet that the early investors in the likes of GetSmarter, Luno, and Striata made significant returns following their acquisitions.

Back the right horse (and jockey), and you make much bigger returns for much less money than you would with a traditional investment vehicle.

Using the assets we have

South Africa doesn't just have entrepreneurs capable of competing at a global level. We also have world-class technical, marketing and operational talent. And if we are to make the most of these assets, we need to invest in them.

If both government and the private sector do so, we can successfully grow the country's economy and create jobs. Most importantly, however, we can start doing it right now.

ABOUT PHILANI SANGWENI

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