

# Mauritius Entrepreneurial, SME, and Startup Ecosystem Overview

Here's an extensive macro-level analysis of the Mauritian entrepreneurial, SME, and startup ecosystem across all sectors, integrating both recent and long-term trends.

This will include:

- Sectoral strengths and weaknesses
- Latest statistics on SME and startup activity
- Trends in business formation and failure
- Institutional support structures
- Any gaps or risks observed

Data has been gathered from both government and credible private sources.

## General Business Landscape in Mauritius

Mauritius is a small island economy that has evolved from a sugar- and textiles-based economy into a diversified services-driven hub. The country consistently ranks as one of the most business-friendly and competitive environments in Africa. For example, Mauritius was ranked **1st in Africa and 13th worldwide** in the World Bank's *Doing Business 2020* index, reflecting efficient regulations (e.g. starting a business takes under 5 days online). It is also Africa's top performer on innovation indices (45th globally in the 2022 Global Innovation Index). Key pillars of the economy include **financial services, tourism, manufacturing, ICT/BPO**, and a growing **blue economy**, all supported by political stability, strong governance, and investment-friendly policies.

Despite its small domestic market of ~1.3 million people, Mauritius leverages regional and global linkages - it serves as a financial gateway to Africa, a trading hub, and a platform for international business. The private sector ranges from large conglomerates (in sugar, property, banking, etc.) to a vast base of micro, small and medium enterprises (MSMEs) that form the backbone of economic activity. The overall business climate is characterized by open trade, relatively robust infrastructure, and a stable macroeconomic environment, albeit with challenges such as high import costs and a need to continually upgrade productivity to remain competitive globally.

## SME and Startup Activity: Key Statistics

**SMEs dominate the business fabric of Mauritius.** There are roughly **125,000-130,000 SMEs active** in the country as of the mid-2020s. These small businesses account for about **99% of all registered firms**. In aggregate, they contribute approximately **35-40% of GDP** (Gross Value Added) and **about half of the national workforce**. For instance, in 2019 SMEs produced 35.7% of GVA and about 50% of total

employment, and the latest estimates put their GDP share near 40% with **over 54% of jobs** when micro-entrepreneurs are included. However, SMEs are responsible for only around **10-12% of total exports**, indicating many are oriented toward the domestic market.

**Startup formation has been on an upswing.** Entrepreneurial activity, as measured by new business registrations, has accelerated in recent years. Following a dip during the 2020 COVID-19 lockdown, **new business registrations rebounded strongly**: in 2022 there were 7,812 new entities registered, jumping to **10,876 in 2023** and further to **13,055 in 2024** - an all-time high. This reflects a renewed dynamism in the post-pandemic recovery, with many entrepreneurs seizing opportunities or necessity-driven ventures. The **new business density** in 2022 was about 9.6 per 1,000 working-age people (per World Bank data), one of the higher rates in Africa, underscoring an active entrepreneurial culture.

**SME profile:** The vast majority of Mauritian SMEs are **micro-enterprises**. According to the last Census of Economic Activities, **81% of SMEs are micro** (often single-owner or <5 employees), **18% are small**, and only **1% qualify as medium enterprises**. Many are sole proprietors or family businesses with low turnover: ~47% have annual revenues under MUR 2 million and employ 5 or fewer people. In other words, a large portion of the SME sector operates at a **subsistence or very small scale**. This structure implies that while SMEs are numerically dominant, their individual productivity and growth tend to be limited - only an estimated **15% of SMEs engage in "high-growth" sectors** like ICT or finance, while the rest are in traditional trades.

**Economic contribution:** Collectively, SMEs are critical for inclusive growth - they generate livelihoods for over **300,000 individuals** and produce about **a third of national output**. The government's 10-Year Master Plan (2018-2028) actually targets increasing the SME share of GDP from ~40% to **52% by 2026**, recognizing that empowering smaller businesses is key to avoiding the middle-income trap. Progress has been made (SME value-add has risen from ~32% in 2015 to 35.7% in 2019), but there is room for further expansion in output and especially in exports by SMEs (the Master Plan aims for SME exports to reach 18% of total exports by 2026, up from ~12%).

**Table: Mauritius SME Sector at a Glance** (latest available figures):

Indicator	Value (approx.)	Source/Year
<b>Number of SMEs (total)</b>	~127,000 SMEs (99% of all firms)	2024 estimate
<b>SME Employment Share</b>	~50% of jobs (54.6% including micro)	2019-2024
<b>SME GDP Contribution</b>	~35 - 40% of GDP (GVA)	2019; 2024
<b>SME Share of Exports</b>	~12% of total domestic exports	2019
<b>Annual New Business Registrations</b>	13,055 new entities in 2024 (up from 7,812 in 2022)	CBRD stats
<b>Micro/Small/Medium Split</b>	81% micro, 18% small, 1% medium	2018 census

(SME defined per **SME Act 2017** as firms with annual turnover < MUR 50M; micro-enterprises < MUR 2M turnover. Statistics Mauritius also classifies micro by employment ≤5).

## **Sectoral Breakdown: Thriving Industries vs Challenges**

The SME and startup ecosystem spans all major sectors of the economy, but the **concentration of SMEs varies by industry**, and different sectors present different opportunities and hurdles:

- **Wholesale & Retail Trade:** This is the single largest category of SMEs - about **27% of all SMEs are in wholesale/retail trade or motor vehicle repair**. These include small shops, traders, import/export wholesalers, and market retailers. **Strengths:** Low entry barriers and constant demand in the local market have allowed many trading micro-businesses to thrive. **Challenges:** This sector is highly competitive and saturated; margins are thin, and many traders face competition from large supermarkets or imports. Innovation is limited, though post-COVID there's been a shift to e-commerce by some retailers.
- **Agriculture & Agro-Processing:** Surprisingly, another **27% of SMEs operate in agriculture, forestry or fishing** - largely small sugarcane planters, food crop growers, fishermen, and agri-processors. **Strengths:** There is renewed interest in agro-processing and food self-sufficiency; small enterprises produce niche products like specialty sugars, rum, condiments, and tea for local and export markets. Some agritech startups are emerging (e.g. hydroponics, vertical farming). **Challenges:** Agricultural SMEs often remain very small-scale. They struggle with land constraints, high input costs, and vulnerability to weather. Value-add processing is still limited. The government provides schemes for mechanization, seedlings, etc., to boost productivity, but adoption of technology is slow. Agro-processing startups face difficulties in scaling up to export competitively, and compliance with international standards can be onerous for micro-firms.
- **Transportation & Storage:** Around **12% of SMEs** are in transport/logistics (e.g. small trucking firms, taxi operators, couriers). Many entrepreneurs operate in the booming delivery and logistics segment, especially as online shopping grows. **Strengths:** Given Mauritius's role as a trade hub, logistics services are in demand. Tech-driven startups in last-mile delivery and ride-sharing have also appeared. **Challenges:** This sector is fairly saturated at the micro level (e.g. many individual van and taxi owners). Fuel costs and vehicle financing are burdens for small operators. Moreover, competition from larger, well-capitalized logistics companies can limit smaller players to niche routes or personalized services.
- **Manufacturing & Textile:** Only about **9% of SMEs are in manufacturing**, reflecting that manufacturing tends to be dominated by larger export-oriented firms (especially in textiles/garments and seafood processing). Still, there are numerous small manufacturers in areas like food processing, handicrafts, furniture, printing, and light engineering. **Strengths:** Some manufacturing SMEs have found success in high-value niches - e.g. artisanal products, custom apparel, jewelry, and craft goods

with the "Made in Moris" label (a national branding initiative). The government's industrial modernization schemes and technology upgrade loans (via DBM) are available to help SMEs re-tool.

**Challenges: Competitiveness is a major issue.** The manufacturing sector's contribution to GDP has actually declined over the past decade (from ~19% in 2005 to 14.7% in 2022), and small manufacturers feel the pinch of cheap imports and high production costs. Many SME manufacturers rely on imported raw materials and struggle to achieve economies of scale. Technology adoption is lagging - only ~20% of Mauritian manufacturing firms use advanced processes - which particularly affects SMEs with limited capital. As a result, productivity in SME manufacturing is relatively low, and few have moved up the value chain to produce innovative or export-competitive products.

- **Tourism & Hospitality:** The tourism sector (hotels, travel, food services) is a pillar of the economy, but **startups/SMEs here face a mixed landscape**. Large resort hotels and tour operators dominate the industry, yet **numerous small enterprises operate guesthouses, B&Bs, restaurants, tour guiding, artisanal souvenir shops, and travel tech services**. **Strengths:** Mauritius's global popularity as a destination creates spillover opportunities for entrepreneurs - e.g. independent tour guides, adventure tourism startups, cultural tourism experiences, and online booking platforms. Some SMEs have carved out niches in eco-tourism and authentic local experiences that big players overlook. **Challenges:** Tourism SMEs were **hit hardest by COVID-19**, with travel restrictions from 2020-2021 causing many to shutter or seek financial aid. Even in normal times, small operators struggle with seasonality and marketing reach. They often lack the digital skills to market globally, though initiatives are in place to list them on international platforms. Access to finance is tough for hospitality startups (due to perceived risk), and those aiming to scale (such as boutique hotel chains or tourism tech apps) find it difficult to compete against well-established firms and to comply with regulatory standards (licenses, safety, etc.). As travel rebounded in 2022-2023, many surviving SMEs are recovering, but diversifying their customer base (toward regional African tourists, for example) and building resilience (through digital booking systems, etc.) are ongoing challenges.
- **Financial Services & Fintech:** Mauritius has a sizable financial services sector (banking, insurance, global business companies), traditionally led by big banks and funds. **Fintech and financial technology startups are an emerging bright spot** within this sector. The country aims to be a regional fintech hub, and a **Mauritius Africa Fintech Hub** initiative was launched to encourage this ecosystem. **Strengths:** The presence of a sophisticated banking sector and investor community provides a foundation - we have seen startups in payments, mobile wallets, crowdfunding (e.g. the peer-to-peer lending platform *Fundkiss*), and blockchain services. The government and regulators have also introduced a **Regulatory Sandbox License** via the Economic Development Board (EDB) to let fintech innovators test new solutions in areas like digital banking, crypto assets, and regtech. Several fintech startups have emerged, some partnering with banks or telecom operators to reach users. **Challenges:** While interest is high, fintech startups still face **regulatory hurdles and scaling issues**. Obtaining a full financial license can be time-consuming, and navigating compliance for

innovative products is complex. Moreover, the domestic market for fintech is limited (given high banking penetration but small population), so startups must expand regionally to grow - which brings cross-border regulatory and competition challenges. Access to venture capital is also limited (though a few funds and angel investors are now targeting fintech). Overall, fintech is a promising sector in Mauritius's startup scene, but it remains in nascent stages relative to global fintech hubs.

- **ICT and Digital Startups:** Beyond fintech, **ICT is a growing arena for startups.** Mauritius has a robust ICT/BPO sector (around 5-6% of GDP) including call centers and software development companies, and the government has invested in tech parks (e.g. Ebene Cybercity). **Strengths:** There is a pool of IT talent and good telecom infrastructure. Startups have emerged in software services, web development, SaaS, and tech consulting for African markets. The pandemic accelerated digital adoption - more SMEs are now offering online services or using tech platforms. Mauritius's high internet penetration (~93% of adults have internet access) and high smartphone use provide a ready user base for digital products. **Challenges:** The local market size again limits how far a purely domestic tech startup can grow; many aim to serve overseas clients or specialize in exportable services. Brain drain of skilled developers is a concern - talented youth sometimes emigrate or work remotely for foreign companies. Additionally, although basic ICT uptake is high, **truly innovative, R&D-heavy tech startups are few.** Investment in research and development is very low (under 0.5% of GDP), and collaboration between industry and research institutions is weak. This means fewer globally scalable product innovations originate from Mauritius so far. The ecosystem is working to address this via hackathons, university incubators, and the national innovation programs (e.g. *Proof of Concept* grants), but results will take time.
- **Creative Industries:** Mauritius' creative sector - encompassing arts, design, media, film, music, fashion, etc. - is relatively small but has received attention in recent years. The government introduced incentives like the **Film Rebate Scheme** (cash back for international films shot in Mauritius) which has boosted the local film production scene. **Strengths:** A number of **creative startups and SMEs** are making their mark: local fashion designers, digital advertising agencies, animation and game development studios (some in partnership with French and Indian firms), and a budding film industry supporting Bollywood and Hollywood projects. There is strong government recognition that the "creative economy" can create jobs for youth. Co-working spaces and art incubators (like the *La Plage Factory* incubator, which focuses on creative and tech startups) have been set up with support from innovation schemes. **Challenges:** Creative entrepreneurs often face **market access issues** - the local market for, say, high-end design or digital content is limited, and exporting creative services requires international networks. Funding is also scarce; banks view creative businesses as risky due to intangible assets. Skills development is needed too (e.g. in 3D animation, sound engineering), which is being addressed through tertiary programs and international partnerships. While success stories exist (e.g. Mauritian artists on global streaming platforms, locally-

designed brands gaining recognition), the sector remains niche. Many creatives run their businesses as **side hustles** due to the difficulty of full commercial sustainability.

- **Other Sectors:** SMEs are present in virtually every industry. A notable share (about 17% per Stats Mauritius) fall into "**Other" services**" - this includes education (private tutoring, pre-schools), health and wellness (clinics, gyms), construction-related trades (plumbers, builders - noting ~8% of SMEs are in construction), and personal services. Each sub-sector has its specific context, but broadly, service SMEs benefit from close customer relationships and local market knowledge, while facing common hurdles of **scale and skills**. For example, small construction contractors benefit from the ongoing infrastructure projects but struggle with financing equipment; education startups leverage bilingual skills but compete with free public education; etc.

In summary, **SMEs thrive in sectors that have low entry barriers and steady local demand (trade, basic services)** or where niche opportunities exist (fintech, design). They face the toughest challenges in sectors requiring high capital, advanced technology, or export competitiveness (manufacturing, high-tech innovation) and in those dominated by big incumbents (tourism, finance). The government has identified priority sectors for SME development - including **manufacturing modernization, agro-industry, creative industries, renewable energy, healthcare and education services** - and offers targeted support to encourage startups and small players in these areas.

## Historical Trends and Evolution (Last 5-10 Years)

Over the past decade, Mauritius's SME and startup landscape has **undergone significant evolution**. Key developments include:

- **Policy Focus and Master Plan:** Around 2015-2017, the government sharpened its focus on entrepreneurship as a growth engine. A **10-Year Master Plan for the SME sector (2018-2028)** was launched, aiming to "re-engineer" the ecosystem. This was a game-changer: it set ambitious targets (increasing SME GDP share to 52%, creating a new class of high-growth startups) and identified reforms. It led to institutional changes such as the establishment of **SME Mauritius Ltd** in 2017-2018 (replacing the former Small Enterprises promotion agency) to act as a dedicated SME support unit. The Master Plan also advocated differentiated, innovative support instead of a "one size fits all" approach, recognizing that many SMEs were stagnating and needed to modernize or innovate.
- **Entrepreneurial Culture:** Culturally, there has been a gradual shift with entrepreneurship gaining prestige among the younger generation. Programs in schools and universities now promote innovation and business creation. The number of **startup competitions, hackathons, and pitch events** increased in the late 2010s, often backed by corporates or chambers of commerce. Success stories of local startups (even if modest) have started to emerge, providing role models. That said, fear of failure remains an issue (nearly half of Mauritians in surveys say fear of failure might hold them

back from starting a business, a figure that has slightly increased post-pandemic) - indicating that the entrepreneurial mindset is improving but still evolving.

- **Digital and Tech Advancement:** The past 5-10 years saw Mauritius improving its ICT infrastructure and digital government services, which in turn lowered barriers for new businesses. The introduction of the **e-licensing system** and online business registration (CBRD's online portal) simplified procedures - by 2023/24 the average time to incorporate a company was under **2 hours** (with many done in minutes). This efficiency has likely contributed to the surge in new registrations. Additionally, the proliferation of smartphones and affordable internet has allowed SMEs to adopt social media marketing, e-commerce (via platforms like Mauritius Telecom's my.t marketplace), and other digital tools, making it easier for micro-enterprises to reach customers. COVID-19 further catalyzed digital adoption among small businesses (e.g. restaurants pivoting to online orders, retailers doing Facebook Live sales).
- **COVID-19 Impact and Recovery:** The 2020-2021 period was extremely challenging. **Mauritius's GDP contracted 14.6% in 2020** due to the collapse of tourism and lockdowns, and many SMEs saw revenues plunge or operations halted. The government rolled out massive support: a **Wage Assistance Scheme** and **Self-Employed Assistance Scheme** provided income support to tens of thousands of employees and sole traders, preventing a wave of bankruptcies. Schemes by banks (backed by the central bank) deferred loan repayments for SMEs and offered low-interest emergency loans. Despite this, some estimates say a significant number of micro-businesses, especially in tourism, closed during the pandemic. However, the rebound since late 2021 has been strong. In 2021 and 2022, the economy grew by 3.4% and 8.7% respectively (after the deep 2020 drop), and tourism and trade recovered briskly. This **V-shaped recovery** is reflected in SME activity too - many dormant businesses restarted, and new opportunities arose in healthcare products, logistics, and digital services, leading to the boom in 2022-2024 new business registrations noted earlier.
- **Financial Landscape Changes:** Over the last decade, financing options for SMEs have slowly diversified. Historically, bank credit to SMEs was limited, but banks like MCB and SBM set up dedicated SME banking units and increased lending (often encouraged by government guarantee schemes). The **SME Equity Fund** (a public-private venture capital fund) was revamped to take minority stakes in promising SMEs. Crucially, in 2019, Mauritius saw the launch of its first regulated **crowdlending platform (peer-to-peer lending)**, Fundkiss, offering an alternative source of funding. By mid-2020s, multiple crowd-finance and angel investor networks are present (though still small in scale). The Bank of Mauritius also implemented **Credit Guarantee Schemes** to encourage more collateral-free loans to small businesses. Interest rates in the late 2010s were low, aiding SME borrowing, though recent inflation has tightened credit conditions somewhat.
- **Incubators and Accelerators:** In the mid-2010s there were almost no formal startup incubators; this changed with the launch of **Turbine** in 2015 (by the ENL conglomerate) as one of the first incubator/accelerator programs. Since then, the government's **National SME Incubator Scheme**

(**NSIS**), started with the 2016/17 Budget, has accredited and co-funded multiple incubators. By 2022, **7 incubators** were accredited under NSIS, including both private-sector led hubs and academic incubators. These incubators (Turbine, La Plage Factory, Polytechnics Mauritius incubator, others) collectively incubated **236 startup projects between 2017 and 2021**, of which 21 startups were deemed "successful" by 2022 and ~50 projects were ongoing in incubation at that time. Through 2023, Turbine alone supported 144 startups at ideation stage, with 49 ventures advancing to incubation/acceleration and ~33 still operating (some having raised follow-on capital). This marks a **significant change from a decade ago**, when such support infrastructure was absent. The pipeline of startups is growing, though the survival rate highlights that many ventures still struggle to make it past proof-of-concept stage.

- **Ecosystem Collaborations:** The past years also saw stronger networks forming. **Business Mauritius** (the national employers' federation) created an SME Committee to voice small business concerns, and in 2022-2024 it partnered with UNDP to conduct *Business Pulse* surveys and launch a **Business Link Platform** linking SMEs to procurement opportunities at large companies. The major industry association, the Mauritius Chamber of Commerce and Industry (MCCI), became active in SME support through training programs and the annual **SME Innovation Award**. We have also seen Mauritius hosting regional events like **Africa Fintech Festival 2019** and **Startup Weekend** competitions, integrating the local ecosystem with African and global entrepreneurship trends.

Overall, the trajectory in the last 5-10 years is one of **modernization and increased support**: formalization of micro-enterprises has improved, entrepreneurship is more mainstream, and there are more avenues for an innovative idea to get nurtured than a decade ago. However, many of the longstanding structural challenges (limited export capacity of SMEs, skill gaps, etc.) remain and are the focus of current policy efforts.

## Institutional and Policy Landscape

Mauritius benefits from a well-organized institutional framework to support SMEs and startups, involving both public agencies and private sector initiatives. Key players and support mechanisms include:

- **Ministry of Industrial Development, SMEs and Cooperatives:** The lead ministry formulating SME policy and oversight. It was instrumental in the SME Master Plan and coordinates cross-cutting initiatives. The **SME Registration Unit** under the Ministry allows SMEs to register officially (to access support and permits).
- **SME Mauritius Ltd:** A parastatal company under the Ministry, serving as a one-stop shop for SME development. **SME Mauritius** provides capacity building (training programs, mentorship), advisory services, and administers several support schemes. For example, it runs schemes for **Internal Capability Development** (grants for business improvement, quality certification), **Technology & Innovation** vouchers, **Marketing support** (subsidies for websites, packaging, participation in local

expos), and an **Inclusiveness & Integration** program to encourage entrepreneurship among women, youth, and in disadvantaged communities. SMEs are encouraged to register with SME Mauritius to benefit from these programs and networking events.

- **Development Bank of Mauritius (DBM):** A key financier for SMEs since the 1960s. **DBM Ltd** offers numerous tailored loan schemes for small businesses, often at preferential rates. These include micro-credit loans (up to MUR 500k at 3% interest for micro-enterprises), **SME modernization loans** for equipment purchase, agriculture loans (e.g. for irrigation, farm mechanization, livestock), and loans for specific groups (women entrepreneurs, start-ups in particular sectors). DBM also launched a **SME factoring** service to help SMEs with cash flow by factoring their invoices. During COVID-19, DBM implemented special relief funds and moratoria for distressed SMEs. With 34% of overall public SME support funding channeled through it, DBM is a cornerstone institution, though its processes have been undergoing digitization and improvement to better reach micro-entrepreneurs.
- **Economic Development Board (EDB):** The EDB (formed from a merger of investment and enterprise agencies in 2018) plays an facilitating role for startups and investors. It manages the **Regulatory Sandbox License (RSL)** program that allows innovative startups in fintech, biotech, etc., to operate under relaxed regulations temporarily. EDB also implements the **SME Internationalization Refund Scheme** - SMEs can get refunded up to a certain amount for expenses to participate in international trade fairs and marketing abroad. Another EDB initiative is the **Startup Visa/Occupation Permit** for foreign entrepreneurs: it lowers barriers for international startup founders to set up in Mauritius by providing residency if certain investment or income criteria are met, thereby aiming to inject foreign expertise into the ecosystem. EDB is further involved in sector-specific programs (for example, supporting *innovation drives in renewable energy or life sciences*, which include SME components). Overall, while EDB's primary mandate is larger investment promotion, it recognizes the importance of startups in new sectors and often collaborates on innovation initiatives (e.g. co-hosting tech events, awarding innovation grants in partnership with MRIC).
- **Mauritius Research and Innovation Council (MRIC):** Established in 2019 (succeeding the former Mauritius Research Council), MRIC spearheads **innovation funding**. It operates competitive grant schemes like the **Proof of Concept (PoC)** fund (financing for prototype development up to MUR 1 million), **Collaborative R&D** grants, and **Innovation Booster** grants for startups. Importantly, MRIC manages the **National SME Incubator Scheme (NSIS)**, a public-private partnership program funding accredited incubators and their startups. Under NSIS, MRIC provides financial support to incubator operators (to cover coaching, workspace, etc.) and seed funding to startups in those incubators (though amounts have been modest - e.g. seed grants of ~\$5,000, which MRIC itself has noted is low). As of 2023, MRIC had accredited 7 incubators and incubated over 230 startups via NSIS. MRIC also advises on national innovation policy and runs initiatives to spur a culture of innovation (e.g. challenges on societal problems like diabetes, hackathons, etc.). A challenge MRIC

faces is limited budget - total government funding for direct innovation programs is relatively small (only 9% of a broader private sector support budget goes to innovation-specific programs).

- **Financial Support Schemes and Funds:** Besides DBM loans, other financial mechanisms include the **SME Equity Fund Ltd**, which takes equity/quasi-equity in growth-oriented SMEs (often co-investing alongside private investors). There is also the **Investment Support Program (ISP) Ltd**, a government-owned company that provides restructuring finance or last-resort loans to viable enterprises in distress. To encourage bank lending, the government and Bank of Mauritius have used **Line of Credit** facilities and **Credit Guarantee Schemes** - for instance, a special SME guarantee scheme covers a percentage of default risk for banks lending to SMEs, thereby incentivizing credit flow. During COVID, a **Special Relief Fund** was set up by the central bank for SMEs, and the BOM also introduced concessional **USD swap lines** and other support for export-oriented SMEs. Additionally, **tax incentives** are given to SMEs: e.g. startups below a certain profit level get a tax holiday for their first 8 years in some cases, and informal micro-businesses transitioning to formal status get a two-year tax exemption to encourage formalization (as per recent budget measures).
- **Incubators, Accelerators, and Co-Working Spaces:** The **Turbine Incubator** (Moka) is a leading example, providing a 12-month incubation program, mentorship, and seed funding opportunities. Other incubators or innovation hubs include **La Plage Factory** (focused on creative tech and backed by private investors), **Beehive** (an early incubator), and several university-led centers (the University of Mauritius has an Entrepreneurship Centre, Polytechnics Mauritius launched an incubator with NSIS support, and the African Leadership University in Mauritius recently started a pre-incubator program). **Accelerator programs** are also emerging - for instance, **Finlab** (a fintech accelerator hackathon series) and short-term accelerators run by corporates or international organizations (the *Empretec* program by UNCTAD was active in Mauritius for entrepreneurship training). Co-working spaces such as **The Ground, Coworking Port Louis**, and **Green Space** host many freelancers and startup teams, facilitating community building. While still maturing, this support ecosystem has grown markedly, providing entrepreneurs mentorship, networking, and sometimes funding linkages that were scarce a decade ago.
- **Business Mauritius and Private Sector Bodies:** **Business Mauritius**, as a federation of employers, has an **SME desk** and organizes capacity-building (often in partnership with UNDP, as noted with the *Business Link* procurement platform and periodic *Business Confidence* surveys including SME perspectives). The **MCCI** (Chamber of Commerce) runs a *SME Marketplace* portal and offers training on export procedures for SMEs. Sectoral associations (like the *Association of Women Entrepreneurs, SME Chambers*, etc.) also provide mentorship and advocate for specific needs (for example, the AMFCE - Association of Mauritian Women Entrepreneurs - mentors women-led SMEs, with support from MCB Group). Large corporates through CSR initiatives have started supporting entrepreneurship - for instance, some banks sponsor fintech hackathons; a telecom operator might support an annual

startup challenge. This private sector engagement complements government programs and helps create a more vibrant ecosystem.

- **Key Government Programs (summary):** To enumerate a few notable programs: the "**SME One-Stop Shop**" service (facilitating all permits/licenses for new SMEs under one roof), **Enterprise Modernisation Scheme (EMS)** loans for SMEs to upgrade technology, **SME Productivity Improvement Programmes** (consultancy cost sharing), **Youth Entrepreneurship Scheme (YES)** which was introduced to assist young people in starting a business with a monthly stipend and training, and **Mentorship Programs** run by retired professionals for new SME owners. The **National Entrepreneurship Campaigns** have also been run to spur interest in self-employment, and entrepreneurship is increasingly embedded in education curriculum from secondary school level.

In essence, Mauritius has a *dense network of support* for SMEs/startups - perhaps even too dense at times (with over 100 support programs identified, leading to some overlaps). The policy emphasis is on addressing SMEs' pain points (finance, market access, skills) and nurturing a pipeline of innovative startups through funding and incubation. As the IFC observed, this landscape is fragmented but indicates strong commitment (public spending on SME support is on the order of 9% of GDP when all programs are tallied). Current policy discussions often revolve around **streamlining these support measures** for better effectiveness and ensuring that they actually reach the smallest operators who need them most.

## Regional and Global Benchmarks

Mauritius often benchmarks itself against both advanced economies and its African peers when evaluating its entrepreneurial ecosystem:

- **Africa's Leader in Business Climate:** Mauritius is frequently ranked **#1 in Africa** for ease of doing business and competitiveness. As mentioned, the last World Bank *Doing Business 2020* report placed Mauritius 13th globally (1st in Africa). This put Mauritius far ahead of the next African economy, showcasing its business-friendly regulations (simple tax system, speedy company incorporation, strong property rights, etc.). Similarly, in the **Mo Ibrahim Index of African Governance**, Mauritius tops the rankings, reflecting strong rule of law and economic opportunity which indirectly support enterprise development.
- **Innovation & Entrepreneurship Indices:** On the **Global Innovation Index (GII)**, Mauritius was **45th globally in 2022** and remains 1st in Sub-Saharan Africa. This is a notable achievement, though the GII also highlights Mauritius's imbalance between innovation "inputs" (where it ranks much higher) and innovation "outputs" (where it lags) - meaning the framework is good, but the tangible innovative products/commercial outcomes need improvement. The **Global Entrepreneurship Monitor (GEM)** has intermittently included Mauritius; past GEM reports indicated that Mauritius had relatively high opportunity-driven entrepreneurship rates for an African country and a high level of entrepreneurial intention among the population. However, GEM also noted constraints like fear of

failure and difficulties in growth past startup stage. In terms of **Startup Ecosystem rankings** (e.g. StartupBlink), Mauritius usually ranks in the top few in Africa (often after South Africa, Nigeria, Egypt, Kenya) but globally it is in the nascent category given its size.

- **SME Contribution Benchmarks:** Globally, in high-income countries SMEs often contribute well over 50% of GDP and 60-70% of employment. Mauritius, at ~40% of GDP and ~50% of employment, is a bit behind those benchmarks - more in line with an upper-middle income economy. Compared to similar small island states, Mauritius's SME sector is more formalized and contributes a larger share to exports. Regionally, in many African countries SMEs (including informal) can account for up to 80% of employment, but their integration into the formal economy and value-add is lower. So Mauritius is ahead of most of Africa in formal SME development, but still catching up to OECD levels in terms of productivity and output share.
- **Access to Finance:** According to World Bank Enterprise Surveys, around **30% of Mauritian small firms report credit constraints**, compared to 22% for medium firms. This is better than the average in Sub-Saharan Africa, where often over 40% of SMEs cite finance as a major obstacle, but it's higher than in developed countries. Mauritius has very high bank account penetration (over 90% of adults) and relatively sophisticated financial markets for its income level, so basic access to banking isn't an issue - rather it's access to **growth capital** that is the gap (venture funding, equity, etc.). The government often compares itself with places like Singapore or Hong Kong for finance; while those are much larger hubs, the aspiration is to approach their levels of startup financing options and innovation.
- **Human Capital and Skills:** Mauritius boasts a near-universal literacy rate and a well-educated youth population (tertiary enrollment is around 40%). In global talent indexes it ranks moderately well, and it has one of Africa's highest ICT literacy rates. This gives it an edge in service-oriented entrepreneurship (finance, ICT, etc.). However, when benchmarked globally, R&D personnel and high-tech skills are limited - the country relies on external expertise for many advanced projects. The government has thus been benchmarking policies from countries like **Israel (for innovation incentives)** and **Malaysia's SME development programs**, adapting some ideas locally (for instance, creating *innovation incubators* and funding mechanisms akin to Singapore's).

In summary, Mauritius's ecosystem is **leader in its region** and punches above its weight on many international metrics of business environment. Yet, global benchmarks reveal the areas it must strengthen to join the ranks of high-innovation economies - notably in scaling startups into international markets, increasing R&D and technology outputs, and enhancing the sophistication of its SME base. The awareness of these gaps is driving ongoing reforms and learning from best practices abroad.

## **Gaps, Challenges, and Systemic Weaknesses**

Despite the progress, several **persistent gaps and risks** could hinder SME and startup growth in Mauritius if not addressed:

- **Access to Finance Constraints:** Difficulty obtaining finance remains the most cited obstacle for Mauritian SMEs. Traditional banks require collateral (usually property), which many small entrepreneurs lack. While loan schemes exist, they often do not cater to startups with no track record. The venture capital and angel investor ecosystem is still embryonic - meaning innovative startups struggle to raise equity funding beyond seed stage. According to surveys, about **40% of businesses identify lack of financing as a major constraint**, especially younger and smaller firms. Although new solutions like crowdfunding and fintech lending are emerging, they are not yet at scale to fill the gap. **Working capital** is a particular issue for SMEs: late payment by clients (including government) can strain cash flows, and factoring solutions are not widely used yet.
- **Skills and Talent Gaps:** A recurring issue is the **mismatch of skills** for a more innovative economy. SMEs report that employees often have limited technical or managerial skills, hampering productivity and diversification. There is a shortage of expertise in fields like digital marketing, advanced IT, industrial design, etc. Many SMEs are family-run and may lack professional management practices. At the ecosystem level, there is also a *shortage of experienced mentors and coaches* who have scaled businesses - partly because the market is young. The risk is that promising startups cannot find the specialized talent (locally) to grow, and may either stagnate or relocate abroad. The government is trying to plug this gap through training programs and by easing recruitment of foreign skilled workers (e.g. young entrepreneurs can hire foreign experts under special permits), but talent remains a bottleneck especially for high-tech ventures.
- **Limited Innovation and R&D:** As noted, Mauritius invests relatively little in formal R&D, and **most SMEs are not innovation-active**. A large share (estimated 80%) of SMEs fall under "subsistence entrepreneurship" focused on tried-and-tested activities, with low propensity to innovate. This limits productivity growth. Only a minority of firms engage in developing new products or technologies. Without greater innovation, SMEs risk being outcompeted by foreign imports or missing out on new market opportunities. Contributing factors include low linkages between universities and industry (so research doesn't translate into commercial ventures), and risk aversion among lenders towards financing unproven innovation. **Intellectual property** generation by local startups is also minimal (few patents or trademarks internationally). The government's recent emphasis on an innovation culture is directly aimed at this gap, but results will likely take time to materialize.
- **Fragmented Support Ecosystem:** Paradoxically, while there are many support schemes, their fragmentation can reduce overall effectiveness. With over 100+ programs spread across multiple agencies, SMEs can be confused about where to go and may miss out on the right assistance. Overlaps mean some resources are wasted. For example, both SME Mauritius and the EDB might have separate programs for export promotion; multiple institutions offer micro-loans with slightly

different terms. This patchwork could lead to **inefficiencies and "siloed" delivery**. There are efforts to streamline (e.g. the one-stop shop concept, better inter-agency coordination), but bureaucracy and duplication still pose a risk that support doesn't translate into desired outcomes on the ground. Additionally, monitoring and evaluation of these programs is not robust - so it's not always clear which initiatives truly help SMEs grow, and which should be scrapped or consolidated.

- **Small Domestic Market:** By nature of the country's size, **market scale is a limiting factor**. For many startups, the local customer base is too small to achieve meaningful scale, but expanding abroad (to Africa, Europe, etc.) is challenging due to differences in regulations, difficulty building networks, and higher costs. As a result, some entrepreneurs do not scale up or internationalize, preferring to remain in comfort zones serving Mauritius only. This limits growth potential and can lead to saturation (many firms competing for the same local pie). The government encourages SMEs to export or invest in regional operations (e.g. through Africa-focused support schemes), but venturing into foreign markets carries risks that many small businesses are hesitant to take without more support or partners.
- **High Costs and Productivity Concerns:** Mauritius is no longer a low-cost location - labor costs, utilities, and rentals are relatively high compared to other African or Asian countries. SMEs feel this acutely as they have thinner buffers. Sectors like manufacturing and agriculture suffer from **productivity challenges** - unit labor costs are high, and technology uptake is slow, making it hard to compete with imports or export competitively. Furthermore, compliance costs (standards, certifications, environmental regulations) though necessary, can disproportionately burden small firms unless assistance is provided. Without significant productivity gains (through technology, training, process improvements), many SMEs risk stagnation. This is a systemic weakness that the Master Plan highlighted, pushing for SMEs to move up the value chain and adopt innovation or else remain stuck in low-value activities.
- **Access to Markets and Networks:** SMEs often lack access to larger supply chains or government procurement. Big corporates may prefer established suppliers, and breaking in as a small company can be tough. The recent **Business Link Platform** by Business Mauritius/UNDP is one attempt to bridge this gap by connecting SMEs to corporate procurement opportunities. Still, **market access** - local and international - remains a hurdle. Similarly, SMEs sometimes lack market intelligence (data on opportunities, consumer preferences abroad). Without connections or information, they may not venture into new markets or new product lines.
- **External Shocks and Resilience:** The COVID-19 pandemic starkly revealed the **vulnerability of SMEs to external shocks**. Many had insufficient cash reserves or contingency plans. In Mauritius, shocks can come from global crises (pandemics, financial crises), but also from natural disasters - cyclones, for instance, could devastate small coastal tourism businesses or farmers. Climate change poses risks (e.g. more intense storms, flash floods) that could disproportionately affect small enterprises with limited ability to recover. While Mauritius has good disaster recovery systems

nationally, at the SME level, things like insurance uptake are low. There is a need for building more resilience - whether through business continuity planning, digitalization (to keep operating during disruptions), or insurance schemes for SMEs.

- **Regulatory and Bureaucratic Hurdles:** Though the overall doing business environment is strong, some **red tape issues remain**. For instance, getting certain permits (like health clearances for food businesses, or regulatory approval for fintech products) can be slow and complex. Startups in newly emerging sectors sometimes face **regulatory uncertainty** - e.g. a biotech startup might not have clear guidelines on testing a new medical product, or ride-sharing apps grappled with outdated transport regulations. The government is gradually updating frameworks (the sandbox mechanism is one solution), but lag in regulatory adaptability can hinder innovation. Additionally, labor laws, while generally fair, make it somewhat costly to hire or fire employees - a challenge for startups that need flexibility. Tax compliance, licensing fees, and other administrative tasks can also disproportionately burden the smallest businesses until they scale enough to handle them smoothly.

In conclusion, Mauritius's entrepreneurial ecosystem has strong fundamentals and support, but addressing these gaps is crucial for the next stage of development. The government and private sector are aware of these issues: current strategies (digitalization initiatives, upskilling programs, consolidation of support schemes, etc.) are geared toward mitigating these weaknesses. Ensuring that **SMEs and startups can transition from survival to growth-oriented enterprises** - through better access to finance, skills, innovation, and markets - will determine how successfully Mauritius can harness its SME sector as a true engine of sustainable economic growth in the coming years.

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