Innovative tech might ease growth bottle-necks for entrepreneurship in Africa

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According to the 2018/2019 report from the Global Entrepreneurship Monitor, African countries such as Angola and Madagascar have some of the highest rates of entrepreneurship in the world. These entrepreneurs often operate on an informal, micro-enterprise scale, however, and their contribution to economic activity is minimal. This is a shame because, excluding South Africa, most industrial sectors in Sub-Saharan Africa are not dominated by large firms that tend to keep entrepreneurs at bay in more advanced economies, thus presenting opportunities for significant growth.

Although foreign multinationals have (and are already playing) a key role in GDP growth in these countries, the tendency to repatriate their earnings ultimately diminishes their contribution to local gross national income (GNI). Furthermore, these businesses are often attracted to larger, better organized markets on the continent, where they can readily capture value using products and processes developed in their home countries. This leads to a scenario where residents in larger African cities have access to much of the same products and services one might obtain in the developed world, while outside these regions, residents are left to deal with the consequences of commercial neglect.

Local entrepreneurship therefore offers at least three benefits for African economies:

Most of the income generated is retained and reinvested in local communities.

Being local, entrepreneurs can more readily navigate the complicated cultural, economic, and infrastructure circumstances, thus contributing to economic activity and social good in underserved regions.

At the individual level, entrepreneurship seems to be associated with higher rates of well-being, work satisfaction and overall happiness.

Given these potential upsides, it is unfortunate that entrepreneurship on the continent continues to lag.