Solutions

The Role of Innovation in Driving SME-led Development in Africa

SPOTLIGHT REPORT

Innovation and Development in Africa

Innovation is the process of developing new products, services, or processes, or improving existing ones. It is a necessity for economic growth and development, as it helps to create jobs, boost productivity, and improve competitiveness.

Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) are essential to Africa's economy because they foster inclusive growth, innovation, and job creation.

SMEs represent approximately 90% of all businesses in Africa. They create an estimated 80% of jobs and contribute 50% of the continent's GDP.

Outlook for **SMEs and Innovation in Africa**

Small and medium-sized businesses (SMEs) act as a crucial link between traditional sectors and the digital economy, harnessing technology to develop scalable solutions and adapt to changing market dynamics.

Despite Africa's tech start-up scene experiencing a fall in funding, July 2024 happens to have a remarkable fundraising performance as African startups raised close to $400 million marking the most successful fundraising month in over a year and exceeding the total raised in Q2 2024.

Technology and Digital Adoption

Technology and digital adoption among MSMEs is rising. Online tools for internal management and reporting more than doubled from **10.42%** in **2023** to **28.31%** in **2024**, reflecting their growing importance.

Business Environment

In **2023**, **55.33%** of MSMEs felt the business environment had improved. By **2024**, only **23.64%** remained optimistic, while **65.71%** felt it had worsened.

Start-up Funding

Startup funding in Africa has declined in 2024 compared to previous years of 2021-2023, largely due to the global economic downturn impacting investment in the Fintech sector.

Increase in Economic Growth

For every 1% increase in innovation, there is a 0.3% increase in GDP growth in Africa

Case Study
Flutterwave

Flutterwave is a Nigerian payments technology company that provides payment processing solutions to businesses across Africa. Flutterwave recently got its license from the Bank of Rwanda allowing it to operate in the Rwandan market.

$10 B

Payments

Flutterwave has processed over $10 billion in payments since its launch in 2016.

100 M

Transactions

It has processed over 100 million transactions

$509 M

Funding

Flutterwave has also been able to raise over $509.5 million in investments

50

Partnerships

It has partnered with 50 African banks with over 1200 developers that build on the platform

Case Study
M-PESA

M-Pesa has expanded financial inclusion, benefiting people with low-income who may not have access to alternative banking options. With M-Pesa, they can quickly transfer money, pay bills, and purchase online. Improving the economic prospects of Kenyans.

66.2 M

Customers

There were 66.2 million M-Pesa customers in Africa by the end of its financial year in March 2024 with Kenyans using M-Pesa to do business worth $47 billion in the three months.

63%

SME Population

Kenya accounts for just above 30 million of these customers, which makes up about 63% of Kenyan population

2%

Economic Growth

Since 2007, M-Pesa has contributed 2 percent to Kenya's GDP.

185K

Labour Force

M-Pesa creates 185,000 employees in Kenya

Future Outlook **for SMEs and Innovation in Africa**

Africa's economic development, job creation, and social progress are intricately linked to prioritising innovation, assisting tech startups in finding investors and business partners, and getting regular international media coverage.

However, we must overcome certain challenges facing Innovation and SMEs in Africa.

01. Lack of Access to Finance and investment

SMEs in Africa often struggle to access the capital they need to grow and innovate. This is due to a number of factors, including limited access to credit, high interest rates, and complex collateral requirements.

02. Lack of Infrastructure and Support Services

The shortage of skilled workers in many African countries is due to a few factors, including limited access to education and training, and the brain drain of skilled workers to developed countries.

03. Limited Access to Skills and Training

The shortage of skilled workers in many African countries is due to a few factors, including limited access to education and training, and the brain drain of skilled workers to developed countries.

04. Regulatory and Bureaucratic Challenges

Governments in Africa need to do more to reduce regulatory and bureaucratic burdens on SMEs. This includes simplifying licensing and registration procedures, and cracking down on corruption.

Solutions

CONTACT US

WWW.SPURT.SOLUTIONS

PROJECTS @SPURT.GROUP

@SPURTSOLUTIONS

© 2024