

Venture capitalism key to growth in Africa

By [Clive Smith](#)

11 Jan 2019

Investors in developed economies often refer to Africa as the next frontier. The continent presents massive opportunities for infrastructure, digital and social impact investment, among others.



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For established firms looking to explore venture capitalism, Africa represents a myriad of opportunities thanks to an ever-increasing amount of small and medium enterprises (SMMEs) on the continent. And it is fair to say that a measured approach to venture capitalism could help Africa to realise its next phase of development.

An effective method

When compared to other investment alternatives, venture capitalism has proven to be the most effective method of strengthening and growing businesses, as its small investments often yield major returns. Without venture capital, global giants such as Apple, Google, Intel, Microsoft, and Genentech² wouldn't be the heavyweights they are today.

Venture capital is largely built on the foundation of people and solutions and these two elements make up an appealing blend for investors when analysing where to inject funding. Increasingly, SMMEs are seen as the answer.

In South Africa, SMMEs make up 91% of formalised businesses, provide employment to approximately 60% of the labour force and contribute roughly 34% of the GDP¹. They are crucial to the success of South Africa's economy and are not only powerful catalysts for job creation, but also in growing and strengthening the country.

They represent an attractive investment opportunity for bigger firms as they often consistently increase productivity because of their hunger to find innovative solutions that will grow their businesses and penetrate new markets. Conversely, by investing in SMMEs that offer new technologies, create job opportunities and uplift communities, venture capital can help to speed up economic growth.

While it can be risky for investors to inject robust funding into small businesses, the potential for higher returns remains an appealing prospect.

Enabling job creation

With approximately six million people currently unemployed in South Africa, job creation remains one of the greatest focus areas for the country – and injecting this funding into SMMEs through venture capital has proven to be an effective way of enabling job creation. It is for this reason that venture capital has steadily grown in the country over the years.

Tsebo Solutions Group has experienced exponential growth through private equity venture capital over the past 20 years as a result of stable cash flows and positive future earnings projections that remain consistent throughout the various business cycles.

Our commitment to investors is defined by our purpose to develop, serve and uplift society. Ensuring your investors are aligned to the core values of your business is of critical importance and will yield positive future returns, as well as increase your growth potential.

With the support of our investors we have created approximately 5,000 additional job opportunities across 28 countries in Africa since 2016.

Recently our commitment was rewarded when we took top honours in the best large company category at the 2018 inaugural Southern African Venture Capital and Private Equity Association (SAVCA) Industry Awards. The awards serve as a platform to recognise companies who have thrived from private equity and venture capital in South Africa and who have promoted positive impact for businesses and the economy.

More broadly on the African continent, venture capital also has a proven history of not only elevating the status of country's business capital but also improving the overall conditions of its citizens' thanks to job creation and the subsequent uplifting of communities.

Venture capital continues to drive economic growth and development on the continent, yielding positive results in growing and expanding the economy by harnessing innovative solutions through new, disruptive ideas.

ABOUT THE AUTHOR

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