

Who dares wins. Africa offers abundant prospects for venture capitalists

By [Clive Smith](#)

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Africa is regarded as the next investment frontier as it presents massive opportunities for infrastructure, digital and social impact investment, among others.



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These opportunities are thanks to an ever-increasing number 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.

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 it, [global giants such as Apple, Google, Intel, Microsoft, and Genentech wouldn't be where 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 GDP](#).

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.

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

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