

THE AFRICA MSME PULSE SURVEY

A research report on the business environment, employment, marketing strategies, technology use, and financing for small businesses in Africa

Contents

- Introduction 3
- Survey Methodology & Sample 4
- Business Environment..... 5
 - Coping with the Impacts of the Rising Cost of Living** 5
 - Outlook** 6
- Employment and Staffing..... 6
 - Employee access and retention** 7
 - Working from home** 8
- Marketing..... 8
 - Internet usage** 8
 - Marketing Channels** 9
 - Digital Media Spend** 9
 - Own Team vs Freelancers vs Agencies** 10
- Technology..... 11
 - Reliance on Technology** 11
 - Mobile App Usage** 11
 - Tech Spend** 12
 - Software as a Service (SaaS) Usage** 13
 - Barriers to SaaS adoption** 13
- Business Financing 14
 - Sources of Business Funds** 14
 - Access to Credit** 14
- Need for Information 15
- Key Takeaways 16
- Conclusion..... 17
- Contact Information..... 18
 - About Africa 118**..... 18
 - About GeoPoll** 18
 - About The African Talent Company**..... 18

Introduction

Small businesses play a crucial role in global and local economic development. They create jobs, stimulate innovation, and provide essential goods and services to communities. The World Bank estimates that [small businesses represent 90% of all businesses](#), and according to MasterCard, [Sub-Saharan Africa alone has 44 million](#) micro, small and medium enterprises (MSMEs).

Despite their importance, small businesses, especially those in Africa, are poorly understood due to lack of, or fragmentation of data. You can't manage what you don't know and therefore, with this lack of insights, MSMEs face scores of challenges, other businesses miss opportunities to provide solutions that the small businesses need, and governments fail to properly harness the impact small businesses can have on the economy.

To help bridge this gap, GeoPoll, Africa 118 and the African Talent Company have partnered to conduct annual surveys on MSMEs in Africa. The Africa MSME Pulse takes on a pulse on the current state of small businesses in Africa, the challenges they face, their outlook, trends in various themes and the solutions they need most. Conducted via Computer-Assisted Telephone Interviewing (CATI), this report provides a comprehensive understanding of the key issues and trends affecting small businesses in Africa today and an overview of the opportunities, recommendations for future support and growth, and the potential impact on the wider economy.

The Africa MSME Pulse expanded in 2023 to Ethiopia in addition to Kenya, Nigeria and South Africa, and covered topics such as:

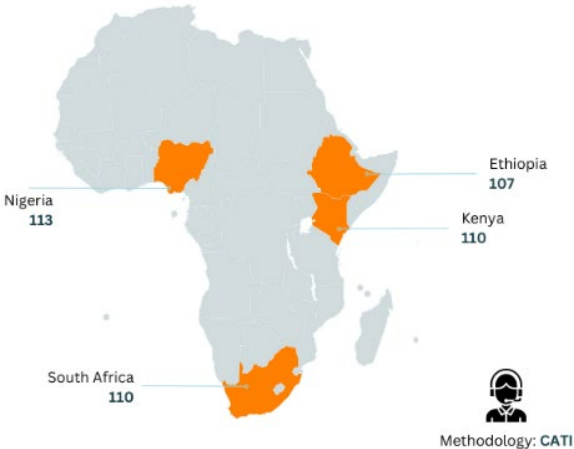
- Employment and staffing – changes to employment, plans to hire, availability of talent and the state of Work-From-Home.
- Marketing channels, trends in digital marketing spends and expertise.
- Use of and reliance on technology, trends in tech spend, mobile app usage for business and state of SAAS solutions.
- Business finance sources and access to credit
- Information needs for small businesses.

Results from the survey are also available in a [detailed, interactive dashboard](#) which enables you to dive deeper and filter the results according to your needs.

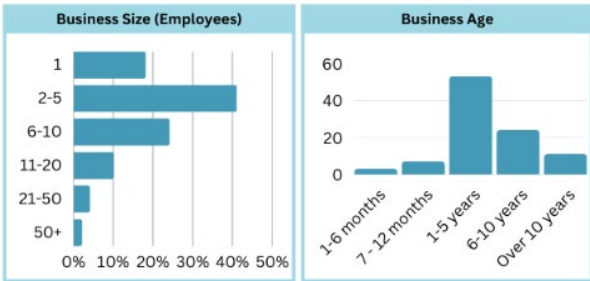
To get more information about this research, get in touch with GeoPoll via info@geopoll.com, Africa 118 via info@africa118.com and press@tatcafrica.com

Survey Methodology & Sample

This study was conducted using Africa 118's small business database and GeoPoll's Computer Assisted Telephone Interviewing (CATI) survey technology. CATI is a remote research mode in which surveys are administered through live voice calls conducted by trained interviewers. For this study, interviewers in a remote Africa 118 call center administered a questionnaire designed collaboratively by GeoPoll and Africa 118.



Data collection occurred between mid-December 2022 and mid-January 2023, and included phone interviews with 440 MSMEs randomly selected from Ethiopia (107), Kenya (110), Nigeria (113), and South Africa (110). The interviews were conducted in English and Amharic.



As the sample was randomly drawn from Africa 118's database of small businesses, the distribution of the MSME demographics - age, size and industries - was random and as highlighted in the charts and table on this page.

Industries					
Agribusiness	5.0%	Food distribution	3.9%	Professional Services	5.2%
Beauty	3.4%	Food production	4.1%	Property	1.4%
Communications	3.0%	Health & Pharma	1.4%	Retailing	6.4%
Construction	7.3%	Manufacturing	17.7%	Technology	12.1%
Energy	1.4%	Media & Marketing	8.4%	Tourism	1.1%
Financial Services	1.1%	Non-profit	1.1%	Transport	2.3%
Other	13.6%				

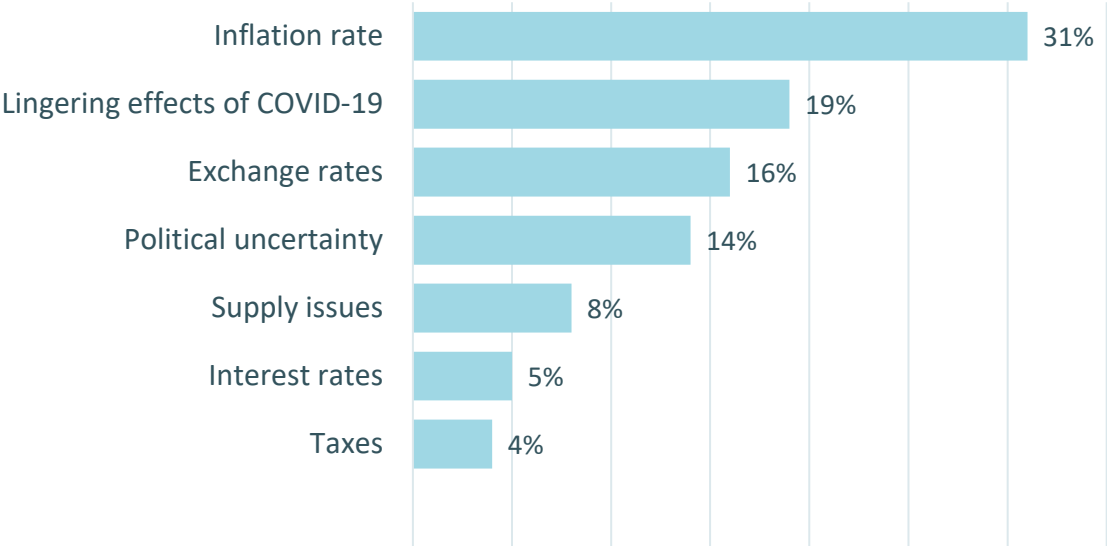
Of the businesses interviewed, a majority (62%) serve both consumers (B2C) and businesses (B2B). Twenty-two percent serve consumers only and 13% are B2B-only.

Business Environment

Most businesses in our study (55%) say the business environment in their country has improved compared to 12 months ago when COVID-19 was still ravaging economies. Only Nigerian businesses mostly believe the current environment is worse (52%).

With countries around the world facing a historical [cost-of-living crisis](#), it follows that the largest segment of respondents in our study (31%) cite inflation and high prices as the factors most impacting their business. The next biggest impacts include lingering effects of the pandemic (19%), rising exchange rates (16%) and political uncertainty (14%). That holds true for all countries except Ethiopia, where the war in northern Ethiopia has more business citing political uncertainty than any other factor.

What has impacted your business the most?



Coping with the Impacts of the Rising Cost of Living

To cope with the impacts of inflation, 36% of businesses owners had to chip in their personal savings to support their business, while 32% reduced business activity. Almost 1 in 4 (23%) tried to make ends meet by reducing employees or cutting wages.

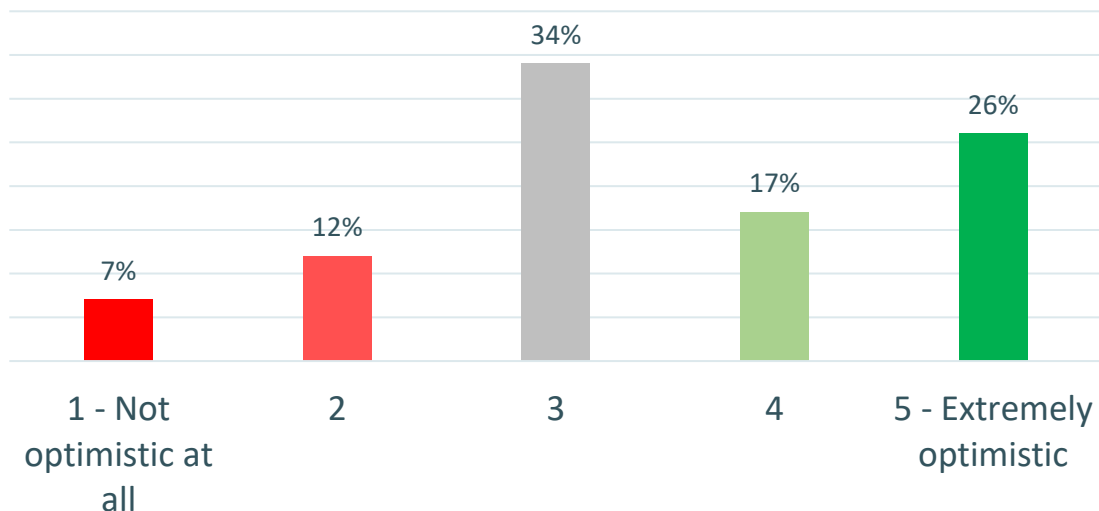
How are you dealing with the impact of inflation on your business?



Outlook

Looking ahead, outlook is guarded, with more than a third of businesses (34%) saying they are neither optimistic nor pessimistic about conditions improving in the next three months. Despite battling some of the highest inflation rates in the world, businesses in South Africa (43%) and Nigeria (31%) stand out for being primarily “extremely optimistic” about the situation improving. On the other end of the spectrum, only 9% in Ethiopia said they were extremely optimistic.

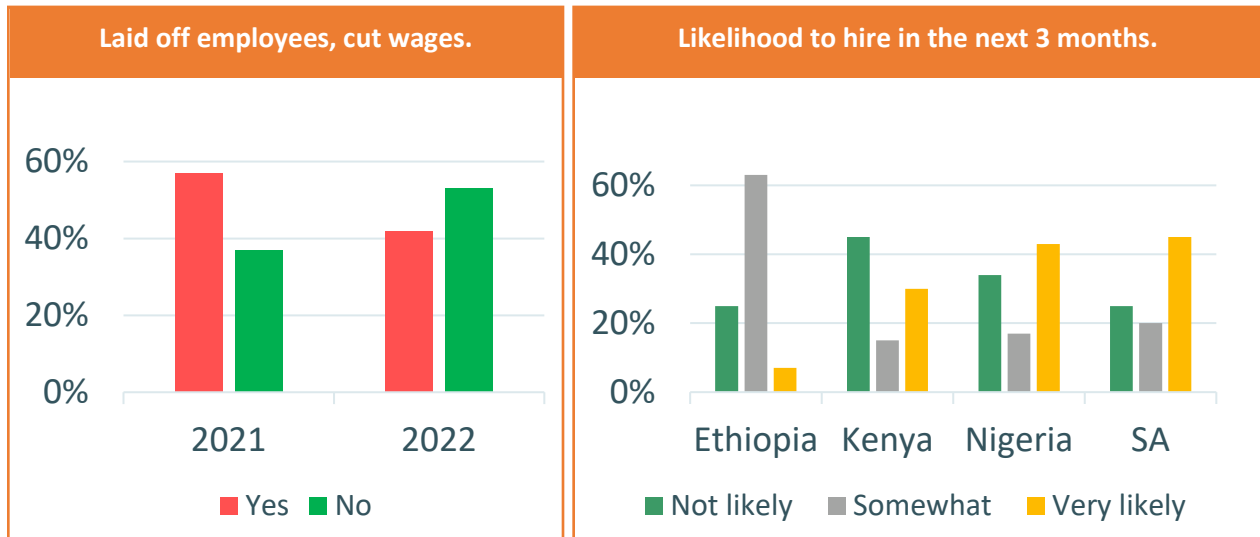
How optimistic are you that the business environment will improve in the next 3 months



Employment and Staffing

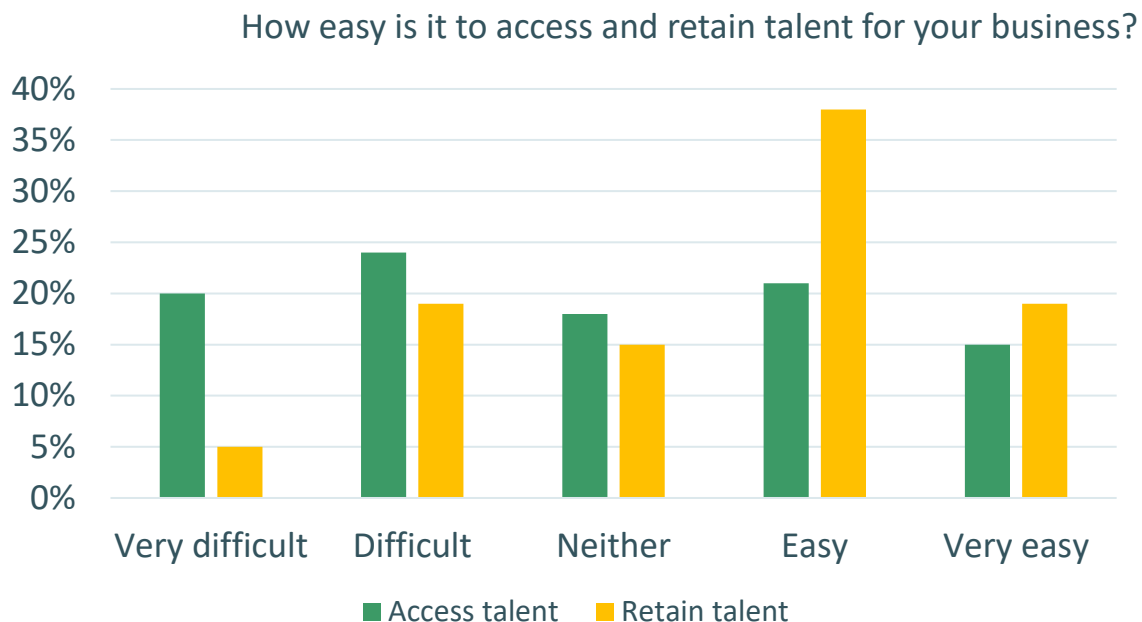
Signs of economic recovery can be found in the fact that the largest segment of business (53%) say they have not had to lay off any employees recently. That is up from only 37% [in](#)

[last year's survey](#). Last year, most said they had laid off employees (57%). The likelihood of businesses hiring staff in the next 3 months varies dramatically by country. The percentage of businesses saying they are “very likely” to hire staff ranges from 45% in South Africa and 43% in Nigeria all the way down to just 7% in Ethiopia. In Kenya, the largest segment (45%) claim it is “not likely.”



Employee access and retention

Overall, 1 in 4 businesses (24%) say it is difficult to find qualified staff. Ethiopian businesses consider it the most challenging, with more than half (52%) finding it “very difficult.” The largest segments in Nigeria (28%), Kenya (24%) and South Africa (24%) find it “easy.”



Businesses have an easier time retaining employees than finding them. Most claim it is “easy” (38%) or “very easy” (19%) to retain staff. South Africa is the only country where an equal percentage of businesses find it “difficult” to retain staff as find it “easy” (both 32%).

Working from home

Working from home is not as prevalent as during the height of the pandemic, with 53% of businesses saying none of their employees work remotely. Another 27% say their employees split their time between home and office (hybrid).

Marketing

Internet usage

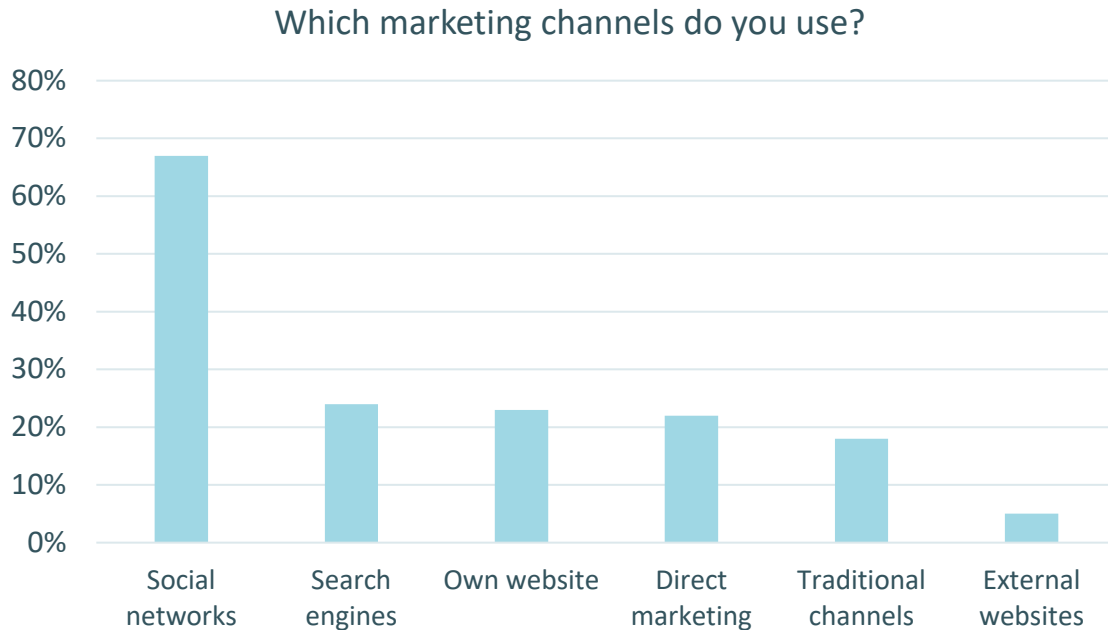
What do African MSMEs primarily do online? How do they use the internet and online channels for their businesses? Over half say they advertise online (53%). Forty-five percent sell products or services online and 24% use online channels to stock up.



Online advertising is dominant across all industries apart from agribusiness, food production and manufacturing where most businesses use online channels to sell. Understandably, nonprofits overwhelmingly use the internet to manage their internal processes (80%). To see this breakdown and filter other results by industry, business size, country and business age, please access [the interactive dashboard](#).

Marketing Channels

Social media remains the standout marketing channel for MSMEs with 67% saying they promote their business via social media channels.



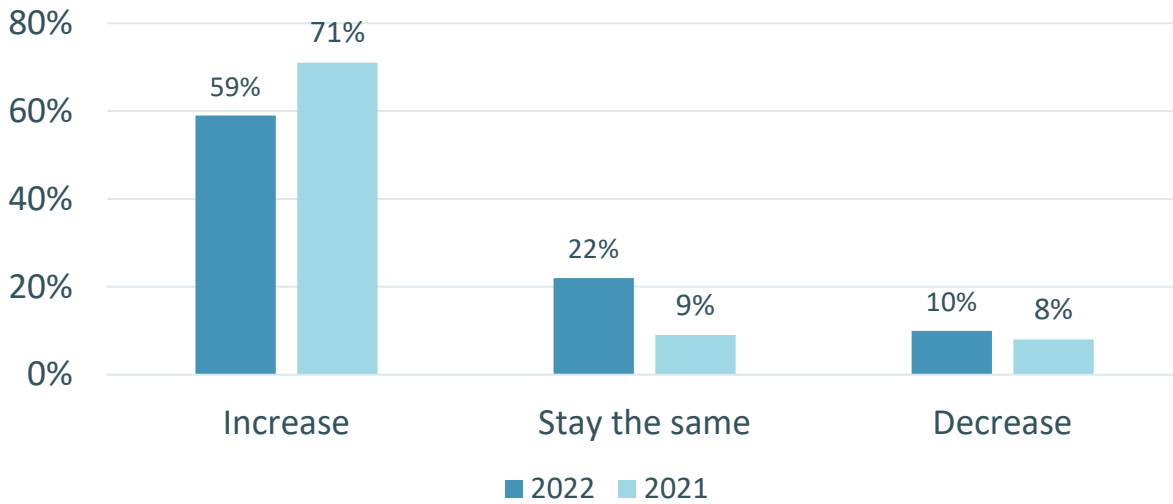
While social networks were overwhelmingly the most popular in other countries, the largest segment of Ethiopian businesses (47%) say they use traditional channels, such as billboards and media advertisements.

Digital Media Spend

Several global estimates indicate that [digital advertising spends are expected to increase](#) in 2023 compared to 2022, albeit with a slower growth rate. We observed a similar prediction in our study, digital media spending is expected to grow over the next year, with 59% of businesses saying they will spend more on digital marketing platforms. This is less than the 71% in last year's study.

Again, Ethiopia is the outlier, with a majority saying digital spend will remain the same (47%) or decrease (28%). A possible reason could be challenges accessing foreign currency required to run campaigns on the leading digital in Ethiopia.

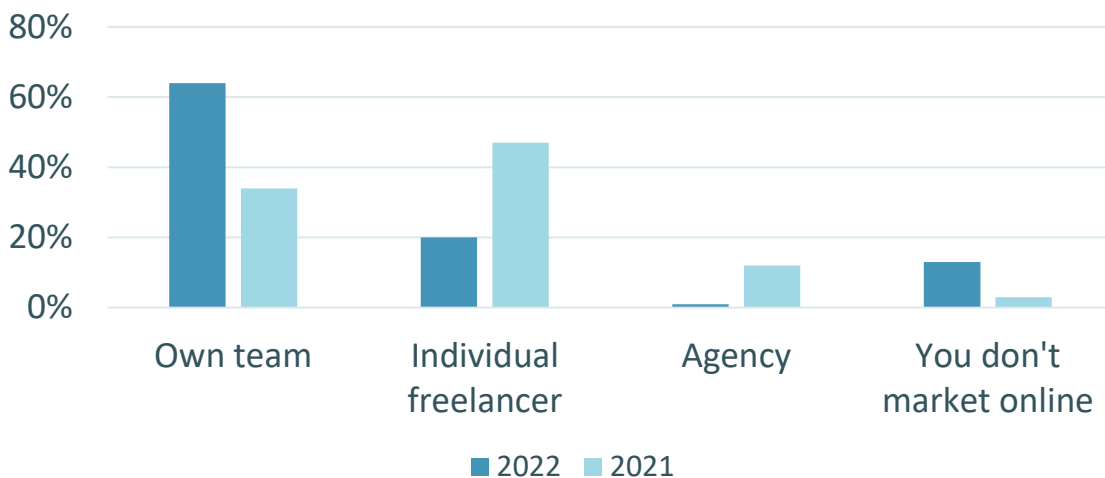
How do you expect your digital marketing spend to change in the next 12 months?



Own Team vs Freelancers vs Agencies

Half of respondents market online using their own team. Another 22% use individual freelancers and 2% use agencies. This varies significantly from last year’s study, where the largest segment said they were using freelancers (47%), compared to 34% that were marketing internally and 12% that were using agencies. Even casting out Ethiopia numbers, own team actually increases to 64%, individual freelancers reduces to 20% and agencies are marginally used by MSMEs at 1%:

Who primarily markets you online?



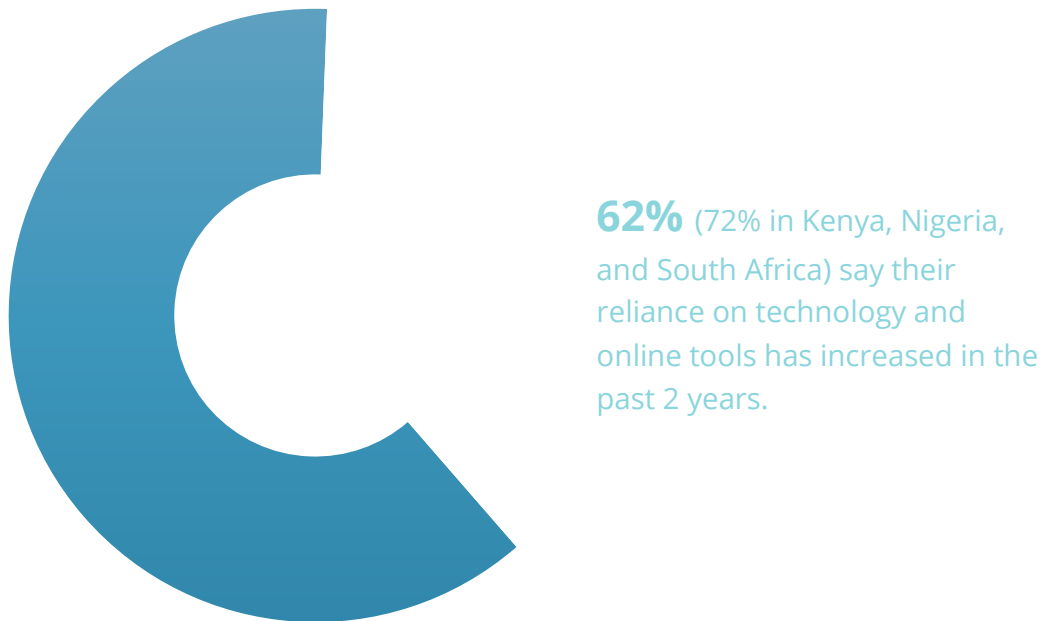
Marketing internally is especially common in Kenya (59%), Nigeria (67%) and South Africa (68%). In Ethiopia, most say they do not market online at all (63%).

The shift towards marketing internally may be attributed to the increases in staffing in the past year we noted earlier in the report.

Technology

Reliance on Technology

MSMEs in Africa continue to expand their use of technology, with 62% saying their reliance on technology and online tools has increased in the past few years. The percentage is 75% for Kenya, Nigeria, and South Africa, which is a slight uptick from last year's study where 72% reported an increase (Ethiopia was not included in last year's study). Only 21% of businesses in Ethiopia say their reliance on technology has increased in the past few years.

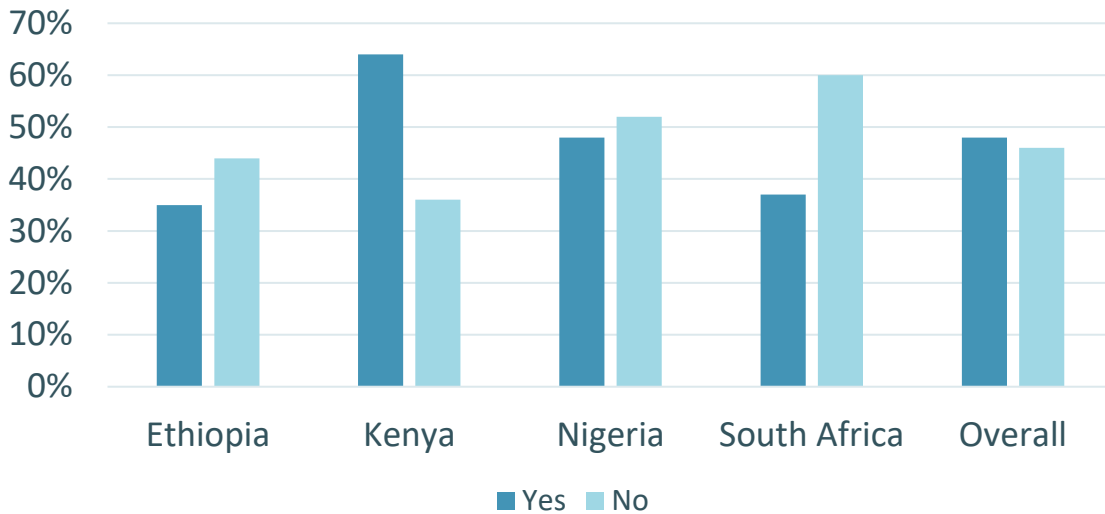


Mobile App Usage

Kenya is the only country where most businesses report using mobile apps for at least some business functions (64%). The percentage drops all the way to 37% in South Africa and 35% in Ethiopia.

Among those using mobile apps for business, they primarily use them for marketing/advertising, finance eCommerce, and operations. Digging deeper into the most popular use of mobile apps for business by country, eCommerce is the most popular in Ethiopia, finance in Kenya and South Africa, and marketing/advertising in Nigeria.

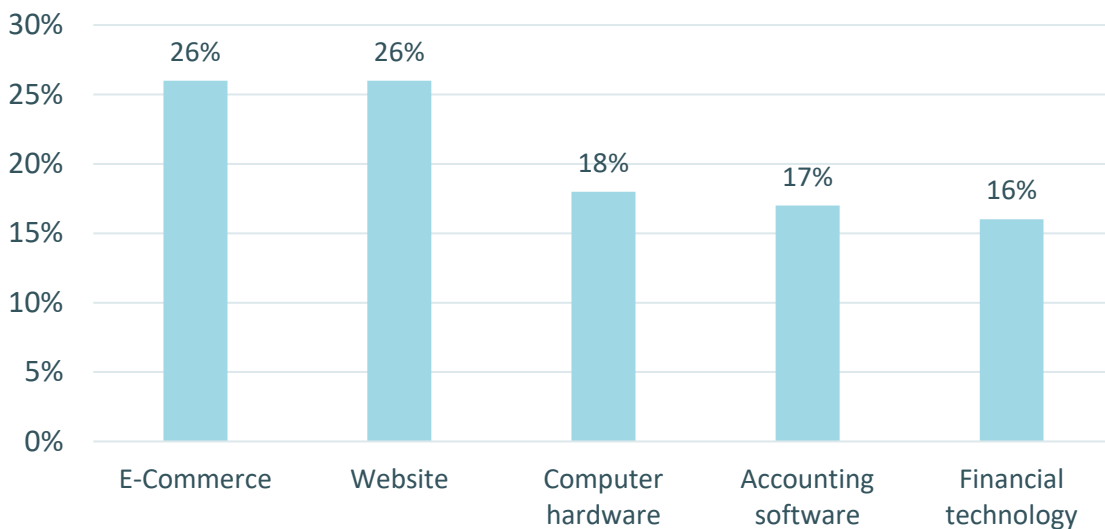
Do you use any mobile apps in the course of running your business?



Tech Spend

Many MSMEs have identified the opportunity in taking their business online. More than 1 in 4 say they plan to invest in e-commerce and/or their website in the next few months, while another 18% plan to invest in hardware. In South Africa, 29% intend to invest in accounting software. A good number (24%) are unsure of what, and if they will be investing in tech for their business soon.

Which of the following technologies will you be investing in over the next 90 days?

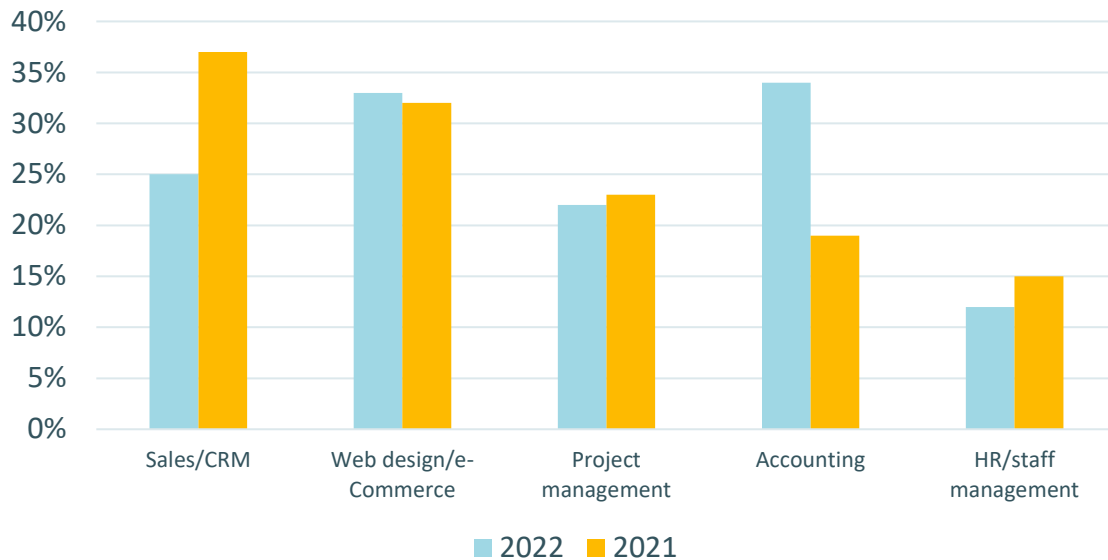


Software as a Service (SaaS) Usage

Overall, the largest segment of small businesses (45%) is using SaaS products in some way or form. Usage is highest in Nigeria (59%) and South Africa (54%) and accounting and website design are the most used SaaS products.



What functions use SaaS Products within your business?



Year on year, interest in accounting SaaS products has grown tremendously (19% - 34%) while sales products have dropped (37% - 25%).

Barriers to SaaS adoption

The biggest barriers to SaaS adoption remain the high cost of license fees, limited local support, and limited setup knowledge. There generally seems to be a need for education on SaaS, as almost 1 in 3 business say they do not know why they are not using them. Combined with those who cited lack of support and lack of set up knowledge, this is the majority group (65%).

What is the highest barrier to using or buying SaaS Products?

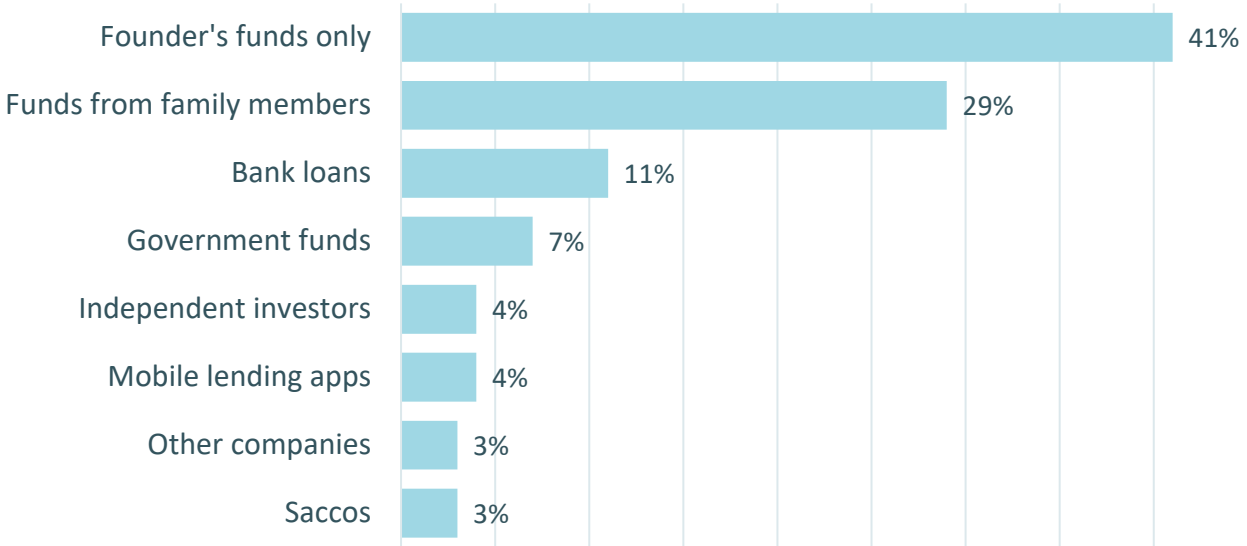


Business Financing

Sources of Business Funds

The largest segment of businesses are financed solely through the founders' own funds (41%), with some additional funds from family and friends (29%). Eleven percent of businesses say they have received bank loans and 7% have received government funds. Digging into individual countries, Ethiopia seems more communal, with the majority (62%) saying they were funded by their family and friends. Bank loans do not look like a popular source of business funds generally. Kenya has the highest percentage (27%) that say they have received a bank loan at some point in running their business.

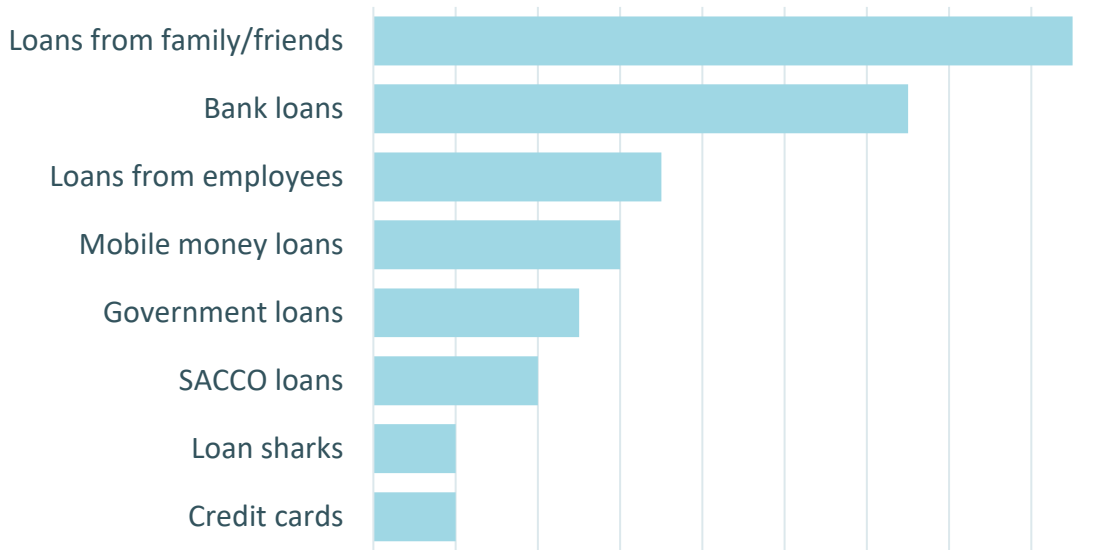
What type of financing has your business ever received?



Access to Credit

Access to formal credit for small businesses remains a challenge, with only Kenya having a sizeable number of businesses that have accessed bank loans (26%) and organized savings cooperations – SACCOs (24%). For the most part, businesses rely on friends and family for informal loans. Twenty-three percent overall say they have been denied a loan in the past. That figure rises to 34% in Nigeria. Of course, many that say they have not been denied a loan, may not have asked for a loan in the first place.

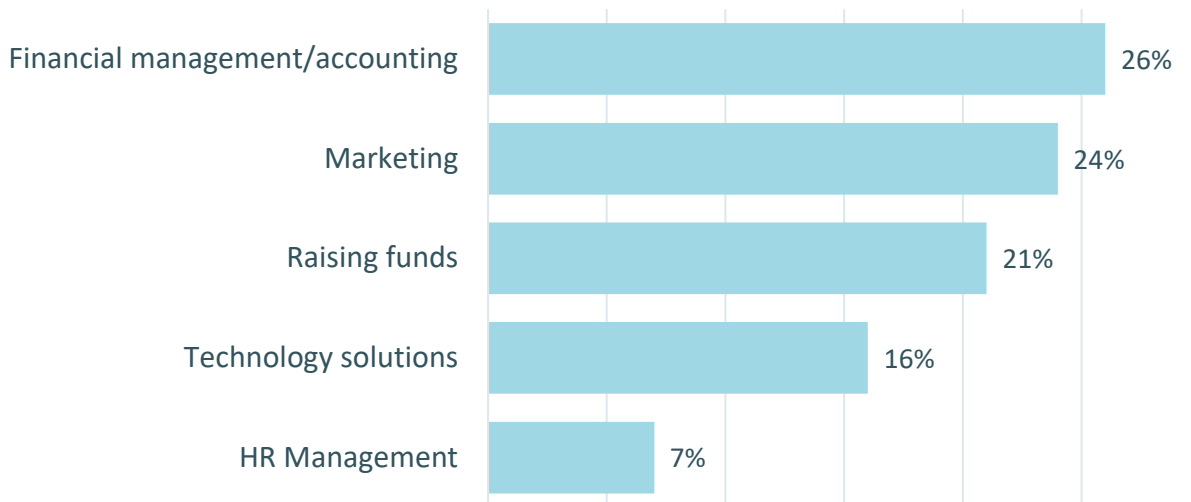
What type of credit has your business ever received?



Need for Information

Information is one of the most [critical assets](#) that small businesses need to grow. When asked about the type of information they would be most interested in to better run their business, the largest segment overall said financial management (26%), followed by marketing/digital marketing (24%), and how to raise funds (21%). The size and order of those segments vary by country, however.

What topic would you be most interested in improving your knowledge to better grow your business?



Key Takeaways

- The effects of COVID-19 are slowly wearing off, with most businesses in our study (55%) saying the business environment in their country has improved compared to 12 months ago.
- However, a new challenge has emerged as a side effect of the pandemic, conflict and climate change effects – a record breaking global cost of living crisis. Thirty-one percent of the SMEs cite inflation as the factor with the biggest impact on their businesses.
- Signs of economic recovery can be found in the fact that the largest segment of business (53%) say they have not had to lay off any employees recently, compared to the reverse in 2021/22 where most businesses (57%) had said they had had to lay off employees.
- Overall, a quarter of the businesses (24%) say it is difficult to find qualified staff, while a larger segment says it is a lot easier to retain employees.
- Work From Home (WFH) is not as prevalent as during the height of the pandemic, with 53% of businesses saying none of their employees work remotely and another 27% on hybrid status.
- Most of the small businesses use the internet to advertise online. Forty-five percent sell products or services online and 24% use online channels to stock up.
- Social media remains the standout marketing channel for MSMEs with 67% saying they promote their business via social media channels. Digital media spending is expected to grow over the next year, with 59% of businesses saying they will spend more on digital marketing platforms.
- With more hiring, MSMEs are relying more on internal employees for marketing. Half of respondents market online using their own team. Another 22% use individual freelancers and 2% use agencies. This is an escape from last year's report where largest segment said they were using freelancers (47%), compared to 34% that were marketing internally and 12% that were using agencies.
- MSMEs in Africa continue to expand their use of technology, with 62% saying their reliance on technology and online tools has increased in the past two years.
- There is a decent usage in mobile phone apps for business functions, primarily for marketing/advertising, finance eCommerce, and operations.
- Many MSMEs have identified the opportunity in taking their business online. More than 1 in 4 say they plan to invest in e-commerce and/or their website in the next few months, while another 18% plan to invest in hardware.
- Overall, the largest segment of small businesses (45%) is using SaaS products in some way or form, particularly in accounting and website services. The biggest

barriers to SaaS adoption remain the high cost of license fees, limited local support, and limited setup knowledge.

- The use of formal business funding remains low and access to formal credit for small businesses remains a challenge. The largest segment of businesses are financed solely through the founders' own funds (41%), with some additional funds from family and friends (29%).
- As to the information the small business need to grow their businesses, most cited financial management (26%), followed by marketing/digital marketing (24%), and how to raise funds (21%).

Conclusion

The MSME landscape in Africa is sometimes difficult to gauge due to the fragmented nature of operations. This joint survey by GeoPoll and Africa 118 attempts to overcome that challenge and is the start of an ongoing engagement in which we will be directly speaking to small and medium sized businesses in Africa to understand their situations and gather their opinions across a myriad of topics.

Using Africa 118's small business database and GeoPoll's Computer Assisted Telephone Interviewing (CATI) survey technology, this project reached 440 MSMEs across Ethiopia, Kenya, Nigeria, and South Africa.

The goal is to provide actionable data and a deeper understanding of the MSME scene in Africa for brands, international development organizations, governments, and other stakeholders, and this is the first of a series of similar studies delving into the Africa MSME space.

Contact Information

For more details about this report, methodology elaborations, raw data requests, media calls, and related information please contact GeoPoll on www.geopoll.com or Africa 118 on www.africa118.com.

About Africa 118

Africa 118 is a pan African data and digital services provider for small businesses. Africa 118 was founded in 2010 to bridge a critical information gap that affected the performance of Micro, Small Medium Enterprises in Africa. Through their extensive MSME databases, Africa 118 provides a channel to access millions of businesses across Africa, while helping the businesses affordably attain online presence through a variety of digital marketing services.

info@africa118.com

About GeoPoll

GeoPoll is the pioneer in conducting remote research through mobile-based methodologies in Africa, Asia, and Latin America. Born in 2012 out of the first-ever mass survey sent via text message, GeoPoll's offerings have expanded to provide humanitarian organizations, governments, and leading brands with high-quality data through multiple mobile modes. GeoPoll's technology platform seamlessly facilitates research through live voice calls, text messages (SMS), web links, focus groups, and in-person methods, and our experienced team of researchers guides clients throughout the data collection process.

info@GeoPoll.com

About The African Talent Company

The African Talent Company is a group of pan-African businesses working together to solve the talent gap in Africa with unique, home-grown solutions. The African Talent Company operates fully-fledged career development and recruitment solution companies in Ghana & Nigeria, under the Jobberman brand, and in Kenya & Uganda, under the BrighterMonday brand, and is a trade grouping of ROAM's JOBS brands. ROAM is a Joint Venture between Switzerland's largest international media company, Ringier, and SEEK, a global leader in career marketplaces which is listed on the Australian stock exchange.

press@tatcafrica.com

The Africa MSME Survey Report 2023

All rights reserved