

**Investment Readiness Patterns of Small Businesses in Africa: A case of the Tony Elumelu Foundation Beneficiaries Mapping and Business structure assessment and Categorisation.**



Prepared by



For



**THE TONY ELUMELU  
FOUNDATION**

## **The Tony Elumelu Foundation**

The Tony Elumelu Foundation is the leading philanthropy empowering a new generation of African entrepreneurs, driving poverty eradication, catalysing job creation across all 54 African countries and ensuring inclusive economic empowerment. Since the launch of the TEF Entrepreneurship Programme in 2015, the Foundation has trained over 1.5 million young Africans on its digital hub, TEFConnect, and disbursed nearly US\$ 100 million in direct funding to over 20,000 African women and men, who have collectively created over 1,500,000 direct and indirect jobs.

The Foundation's mission is rooted in Africapitalism, which positions the private sector and, most importantly, entrepreneurs as the catalyst for the social and economic development of the African continent. The Foundation's ability to fund, train, mentor, and network young African entrepreneurs has created a unique platform for catalysing growth across the African continent.

The robust ability of the Foundation to reach entrepreneurs across geographies and sectors has enabled it to conduct innovative partnerships with the European Union (EU), United Nations Development Programme (UNDP), the International Committee of the Red Cross (ICRC), the US Government via the United States African Development Foundation (USADF), the Organization of African, Caribbean and Pacific States (OACPS), the French Development Agency (AFD), the German Development Finance Institution (DEG), the German Agency for International Cooperation (GIZ), the African Development Bank (AfDB), and Google, with bespoke programmes including targeting female empowerment and growth in fragile states.

The TEF Entrepreneurship Programme launched in 2015 has played a crucial role in institutionalising opportunities and accelerating the growth of entrepreneurship. This success is attributed to the unwavering commitment of TEF's partners, who strive to make substantial and sustainable impact across the African continent.



## About Qualiquant

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## Acronyms

TEF - Tony Elumelu Foundation

MSME - Micro and Small Medium Enterprises

SME - Small and Medium Enterprises

ICT - Information and Communication Technology

LTV - Customer Lifetime Value

CAC - Customer Acquisition Cost

GIS - Geographic Information System

EAC- East African Countries

EU - European Union

GDP - Gross Domestic Product

IFC - International Finance Corporation

B2B - Business to Business

B2C - Business to Consumer

ILO - International Labour Organization

UN - United Nations



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## Executive Summary

Since the launch of the programme in the year 2015 - 2022, **17,919 beneficiaries**, representing all 54 countries in Africa have been part of the programme. In a bid to understand its beneficiary needs better, TEF commissioned a mapping exercise with Qualiquant Services Limited, a research firm in Nigeria. A mixed method approach was adopted for the mapping exercise. The study's goal was to assess the entire population of beneficiaries with 3,549 businesses responding and representing 17% of the beneficiaries. The study sought to collect data on their structure, hierarchy, relationships, and processes, business performance indicators and beneficiary demographic indicators. To better understand TEF beneficiaries and their needs, this report presents the analytics' insights, experiences of TEF beneficiaries.

The objective of the study was to map out the trend and patterns of the investment ready businesses across the beneficiary database. To achieve this a mixed (hybrid) approach was employed, utilizing both quantitative and qualitative methodologies. The survey questionnaire was developed by Qualiquant with thorough review by the TEF team. Additionally, a database of beneficiaries of the Tony Elumelu Foundation Entrepreneurship Programme (TEF EP) from 2015 to 2022 was obtained and segmented by regions to facilitate easy identification. Qualitative data included the use of in-depth interviews and case study mapping to draw out perceptions, narrative and

Additionally, the study used a quantitative tool to evaluate the mapped beneficiaries' investment readiness, producing an investment readiness score that was utilised for classification. An investment readiness score is a quantitative assessment of a business or project's preparedness to attract investment. It is a way for entrepreneurs, investors, or institutions to evaluate various aspects of a venture to determine its attractiveness for investment. An investment readiness score helps the entrepreneur assess the extent to which they can meet the needs and expectations of their potential investors. For this study, we calculated the investment score based on **Chil Artificial Intelligence**<sup>1</sup> evaluation (See Annex 1 for the detailed score evaluation) and categorised the businesses as below.

Thresholds/Investments Readiness		
<b>IRL <math>\geq</math> 85%</b>	<b>60% <math>\leq</math> IRL <math>&lt;</math> 85%</b>	<b>IRL <math>&lt;</math> 60%</b>
Highly Investment Ready	Moderately Investment Ready	Almost Investment Ready

### Highly Investment Ready:

This indicates that the business or project is fully prepared to attract and secure investment. It has a clear business model, strong financial performance, a detailed growth plan, and solid management in place. The risks are minimal, and the venture is well-positioned to provide a high return on investment. For a business to

<sup>1</sup> [KetiAi](#)

achieve a high level of investment readiness, longevity plays a critical role, as it reflects stability and resilience. Research shows that 80% of businesses fail within their first five years, and of the 20% that survive, only 25% reach the 10-year milestone.<sup>2</sup> These statistics underscore the importance of sustained operations and proven track records in building investor confidence. Businesses that demonstrate longevity are better positioned to showcase financial stability, market adaptability, and operational maturity—key factors that significantly enhance their appeal to potential investors.

### **Moderately Investment Ready:**

A moderately investment-ready venture is well-positioned for growth, with a strong foundation and clear business model that highlights its potential. While certain areas, such as financial projections, operational efficiency, or risk management strategies, may benefit from further refinement, these represent exciting opportunities for strategic enhancements. With targeted improvements, the venture can significantly amplify its investment appeal, attracting investor interest and building confidence. By addressing these areas proactively, the business sets itself up for sustainable growth, scalability, and long-term success.

### **Almost Investment Ready:**

This indicates that the venture is approaching investment readiness but still has notable gaps to address. While it may showcase a promising concept or product, critical elements such as refining its business plan, achieving market validation, or solidifying its financial structure remain in progress. With targeted improvements, the business could become more attractive to investors in the near future.

### **Results from Mapping TEF Beneficiaries**

From the mapping exercise, In terms of demographics, **More male beneficiaries were surveyed (63.9%) compared to women (36.1%). The average age for the beneficiaries was between 28 - 37 years with 58.95% of the surveyed business owners falling in this age bracket, indicating the youth focus of the TEF Entrepreneurship Programme. In terms of regional representation, the majority - 66.81%- were from the Western Africa Region.** There were no notable gaps in terms of gender dynamics when it comes to education and age of the beneficiaries, however it was noted that the **female percentages were slightly higher in the younger age bracket of 18-27 years.**

The Tony Elumelu Foundation is intentional on gender mainstreaming across all of its initiatives to provide financial and technical support to female entrepreneurs. As an example, TEF established a partnership with the European Union (EU) in 2021 and funded up to 2,500 female entrepreneurs with financial and technical support worth €20 million for women-owned businesses. From the insights, the majority of the participants were men hence we can acknowledge that the skewness in favour of male-owned businesses may stem from individual willingness to take part in the research and not from lack of funding female-business. It is necessary to investigate further whether this disparity results from the methods utilised to enlist study participants and the effectiveness of women in responding to and engaging in the study. In terms of business demographics, TEF grantees' businesses were likely to have been in operations for at least 2 years before being enrolled in the programme.

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<sup>2</sup> [How to be Investment Ready](#)

**A greater proportion of TEF businesses are micro-enterprises (55.5%), start-ups (40.9%), and SMEs (3.6%), which are formally registered, operates across 17 sectors and 151 subsectors including ICT and agriculture/agribusiness sectors, and typically employ less than 20 full-time staff members.** The report discusses in detail how these dynamics differed across the various regions in Africa. Over the years, there has been a clarion call to reduce the bottlenecks for small businesses to register and get into the formal ecosystem.

**In terms of revenue profitability and access to markets, the majority (62.2%) of TEF beneficiaries' businesses are profitable, have a healthy lifetime value to customer acquisition cost (LTV: CAC ratio) and generate an average annual revenue of about \$39,612.** A good benchmark for LTV to CAC ratio is 3:1 or better. If the business ratio is less than 3:1, it suggests that the cost of acquiring customers is higher than the value they bring over their lifetime indicating an unsustainable acquisition strategy, as the business is spending more on acquiring customers than it can generate in revenue. On the other hand, if it's higher than 3:1 it means that the value a customer brings over their lifetime is much greater than the cost to acquire them. Generally, 4:1 or higher indicates a great business model.<sup>3</sup> The data revealed that 20.94% of TEF beneficiaries fall in the 5:1 (LTV: CAC ratio) bracket while 38.35% fall into the 3:1 and 4:1 category. Given that the cost of acquiring new customers is significantly less than the value that they provide over the course of their lifetime, **it is however inferred that the majority of TEF recipients (59.28%) have a solid business model.**

Most businesses (45.25%) had a strategy in place for acquiring new customers while 31.53% are currently in the process of developing one. This may have contributed to the stated boost in the number of customers that the surveyed businesses were servicing. In terms of route to market and supply chain, **TEF beneficiaries (83.53%) are more likely to be using social media and digital platforms as the main marketing channel and have access to players in the supply chain across all the sectors they operate in.** Following the disruption caused by COVID-19, digital platforms emerged as the most convenient channels of sales, marketing and distribution. Compared to traditional marketing options, social media platforms are relatively cheaper, convenient and have a wider following, especially among the younger generation. The main challenges faced by TEF beneficiaries were reflective of the challenges commonly faced by MSMEs. **The main challenges reported included financing challenges with businesses reporting challenges in either raising start-up capital or financing recurrent business operations. Other challenges mentioned included skills and capacity constraints, Market and infrastructural constraints and finally, regulatory barriers.**

### **Results from the Investment Readiness Analysis of TEF Beneficiaries**

Data revealed that of the surveyed beneficiaries, the majority (66.38%) of the TEF beneficiaries had a "moderately investment readiness" score of between 60% to 85%. This is an indication that with the right tailored support at least 7 out of 10 beneficiaries would be able to attract investors to either scale or further raise capital requirements for their business. **Given that the majority (85%) of the beneficiaries in the TEF database have businesses that were less than 5 years old (founded between 2015 and 2022), when it has been determined by existing research that 80% of businesses fail in their first five years; this is a particularly significant accomplishment for the TEF entrepreneurship programme. During this same time frame, the Covid-19 outbreak caused the biggest worldwide economic crisis in over a century and sent shockwaves through the global economy, impacting both small and large businesses. Nonetheless, the majority of the TEF beneficiaries received the "moderately investment readiness" score, demonstrating their resilience and the programme's**

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<sup>3</sup> [Understanding the LTV-CAC Ratio and Its Calculation](#)

## **legitimacy and capacity to help small businesses scale the obstacles and overcome the difficulties of entrepreneurship.**

Results show that 30.37% of the enterprises earned an “almost investment readiness” score, notably, most of the TEF supported ventures are newly established, with limited operational history. **Data reveals that a significant proportion of businesses in this category were founded in 2021 or later, indicating they are still in the early stages of development and are just beginning to establish their market presence and operational footing.** Result also shows that 3.24% received a “highly investment readiness” score.

Therefore, these findings demonstrate that, with assistance from initiatives such as the TEF entrepreneurship programme, entrepreneurship in Africa has a promising future.

Further in the research, we sought to understand what the main differentiating factors between the three categories were and what interventions can be designed to better support those with a mid and low score to move higher in the scoring category. This section of the report discusses those differences across several indicators. We identified various trends and patterns of investment ready businesses across six thematic areas. We summarise those findings in the bullet points, showcasing the difference in characteristics between businesses that had a high score and those that had a moderate score in a bid to identify potential areas of support that are needed to move almost all the businesses to a high score.

- *Businesses with a high readiness score are likely to have a formal governance structure with a board overseeing the operations.*
- *Highly Investment ready businesses leaders are highly committed, with complete teams and invest their resources in the business.*
- *Businesses with a high readiness score have a higher labor demand compared to businesses with mid and low scores. According to the research, highly investment ready businesses had more employees compared to the other two categories. 38.26% of businesses that were investment ready had more than 20 employees compared to 8.74% in the moderately investment ready business. Despite the higher labor demand, these highly investment ready business seemed to have less unmet labor demand compared to the other categories*
- *Highly Investment ready businesses are likely to have validated their product. From the analysis, 100% of TEF beneficiaries whose businesses scored high, had validated their product compared to 69.31% and 33.77% of businesses with moderate scores and those with almost investment readiness scores.*
- *Highly Investment ready businesses are more likely to be in the growth and maturity stage of the product life cycle and have access to all the right suppliers. 91.30% of the highly investment ready businesses were in the growth and maturity stage compared to 62.05% and 36.55% in the moderately ready and almost categories.*
- *Businesses that scored high, seemed to leverage on technology platforms for their operations. From the analysis, 93.91% of high investment ready businesses had tech platforms compared to 42.28 in the almost ready category and 5.48% in the almost ready category. Furthermore, there seemed to be a little apathy regarding technology among the almost ready category as 67.53% indicated they did not have a platform, and neither were they in the process of implementing it.*
- *High Investment ready businesses are likely to already have a customer acquisition strategy in place or working on one. From the analysis, 92.17% of the high investment ready businesses had an acquisition strategy in place compared to 53.40% and 22.45% in the moderately ready and almost ready categories.*
- *Highly investment ready businesses are more likely to have LTV:CAC ratio of more than 5. 1 an indication of a sustainable customer acquisition model.*

- Highly Investment ready businesses are more likely to have KPIs, understand them and are actively tracking them. From the analysis, 92.17% of the high investment ready businesses reported that they understand their business KPIs compared to 44.10% in the moderately ready category and 14.94% in the almost ready category. Further to that, MSMEs in the almost ready and moderately ready category, reported needing help applying the KPIs to their business.
- *From the analysis, highly investment ready businesses seemed to have formal structures and used technology in managing their finances compared to the other categories that managed their finances in a more informal manner.*
- *From the analysis, highly investment ready businesses and moderately investment ready businesses utilized both cash and digital payment options while the almost investment ready businesses heavily relied on cash transactions. 76.52% in the highly investment ready category and 56.24% in the moderately ready category reported using cash, credit and cheques and cardless payments such as mobile money and digital wallet.*
- *In all categories, the greatest need for support/challenge faced is in accessing capital. In the highly investment ready category 68.70% of businesses mentioned access to capital as one of the greatest areas needing support. Within the moderately ready and almost ready category, 67.44% and 63.45% of businesses reported access to capital as the area where they need the most support.*

In conclusion, the TEF programme has made a significant impact in the beneficiaries' businesses. The TEF Programme has provided its beneficiaries with appreciable experience regardless of the investment category. The beneficiaries thought the modules were comprehensive and covered a wide range of relevant subjects overall. **The main selling points mentioned by the beneficiary were the impact of the funding to the businesses, mindset shift and confidence post the programme, and the network of alumni created being instrumental in maintaining accountability and connection among the beneficiaries.** The only pain point mentioned in the customer journey was in the application stage, citing the several attempts they made before being accepted in the programme. The businesses were also assessed and received an investment readiness score, which showed that, based on the business's age and investor-attracting accomplishments, TEF-supported businesses are resilient and, for the most part, reasonably investable. Overall, the beneficiaries expressed a strong desire to make a difference in their communities through social impact.

### **Recommendations**

The purpose of this study is to provide readers with a comprehensive understanding of the characteristics and requirements of the TEF beneficiaries, as well as how the TEF may enhance their experience and impact their businesses to support economic growth and empowerment across Africa. The report made the following recommendations on how the TEF entrepreneurship programme can further contribute to improving the investment readiness score of the TEF supported businesses with moderate and low scores. In summary, the recommendations are listed below.

- Within the beneficiary journey map, TEF should include an assessment and communication framework to provide feedback to beneficiaries not successful in the programme.
- There is an opportunity to leverage the success stories of the beneficiaries as role models to transfer skills to other young people in communities enabling them to contribute to household income.
- Financing challenges are still prevalent even beyond the programme. Collaboration within the ecosystem, in the form of public and private partnerships, is required to secure additional funding for these MSMEs beyond the seed capital provided. Depending how far along the business is in its development, a top-up fund could be established.

- Promotion and adoption of formal business management strategies among beneficiaries could be a game changer. The majority of the businesses are still using simple bookkeeping methods and do not have technology to support accounting, inventory and other business functions. Hence the management practices training curriculum of the TEF programme could be further enhanced to capture this aspect.
- Post programme mentorship could be effective in ensuring an effective off boarding process for the participants.



Photo credit: The Tony Elumelu Foundation

## Section 1: Introduction & Background

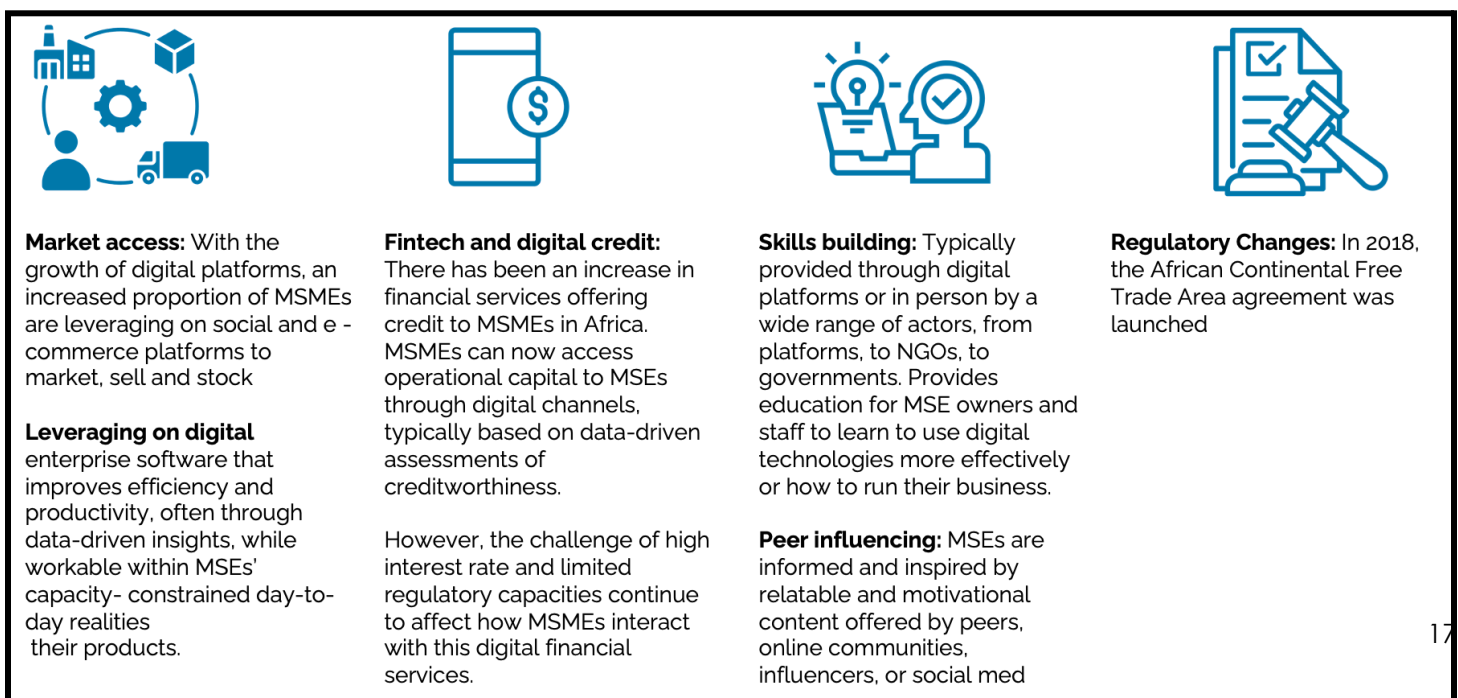
The TEF Entrepreneurship Programme has unveiled an extensive plan aimed at nurturing entrepreneurship in Africa, with a special emphasis on supporting both newly established businesses and pre-existing Micro, Small, and Medium Enterprises (MSMEs). This multifaceted initiative has been carefully crafted to propel the expansion and broadening of businesses throughout the African continent. The TEF Entrepreneurship Programme, a core component of TEF's activities, directly addresses significant challenges faced by African startups through a well-structured four-step

process:

- **Online Toolkit:** The programme offers entrepreneurs access to a comprehensive Start-up Toolkit, a practical online training resource. This toolkit equips entrepreneurs with essential skills such as financial planning, market analysis, product marketing, and business management. The training spans 8 weeks and includes assignments with dedicated mentors. Additionally, weekly webinars are conducted to provide a deeper understanding of the covered principles, with interpretation available in multiple languages for non-English speaking entrepreneurs.
- **Mentoring:** TEF matches entrepreneurs with mentors from around the world, creating a supportive network for coaching and guidance. The mentorship leverages various online tools and is carefully curated to align with the entrepreneur's specific goals.
- **Business Plan Development:** The programme assists entrepreneurs in developing business plans using a simplified template. A competitive review process is then employed to provide feedback and refine the document to ensure feasibility.
- **Seed Capital Investment:** Following certification of the business plan, the TEF Entrepreneurship Programme offers a non-refundable seed capital investment of up to USD 5,000 or its equivalent in local currency. This funding is deposited in a corporate bank account under the entrepreneur's business name, contingent on compliance with due diligence criteria.

MSMEs play a significant role in creating employment, generating household income and contributing to poverty reduction. The MSME landscape continues to evolve with more development partners playing an active role in supporting MSMEs. Technological advancements have also been prevalent in Africa in how MSMEs operate. In recent years, perhaps as a result of COVID -19 measures, technological advancements particularly in information and communication technologies (ICTs), have revolutionized the MSME landscape in Africa. The widespread adoption of mobile phones and internet connectivity has enabled MSMEs to overcome traditional barriers to market access, finance, and communication. Secondly, the global call for financial systems and markets to be inclusive has led to the development of various financial inclusion frameworks and trade dynamics that have made MSMEs trade with one another across the region. Figure 1 below shows examples of recent developments within the MSMEs landscape.

Figure 1: Recent Development in the MSME Landscape i Africa



The needs of small and medium sized enterprises are dynamic and keep evolving. As the business evolves, so does the sector and its needs. Small-and-medium sized enterprises (SMEs) are crucial towards contributing to Africa's inclusive socio-economic development and growth. To understand the current dynamic and enable it to serve its cohorts better, the TEF embarked on a mapping exercise of its current beneficiary database in partnership with a consulting firm, Qualiquant Services Limited.

## RESEARCH OBJECTIVES

The main objective of the mapping exercise was to achieve the following objectives

- (a) Create an **extensive database containing detailed information about all individuals who have benefited from the programme since its inception**. This database will include demographic data, geographic locations, the sectors in which their businesses operate, and other relevant information.
- (b) **Identify and map clusters of programme beneficiaries** to facilitate targeted interventions and support aimed at providing more focused assistance. This mapping was further analysed from the geographical, gender and sectoral perspectives

Further to the mapping exercise, the TEF sought to understand the investment readiness of the beneficiaries and how best the insights can inform programme design to develop tailor made strategies that will improve the investment readiness status of the beneficiaries and further contribute their thoughts and learnings to the overall African entrepreneurship ecosystem. To achieve this, the investment readiness exercise touched on three main objectives:

- (a) To **examine the investment readiness of entrepreneurs** in the programme
- (b) To **establish what are the key characteristics and competencies** that distinguish investment-ready entrepreneurs from those who are not yet investment-ready in the programme?
- (c) To identify opportunities for additional tailored support needed by entrepreneurs at the different levels of investment readiness

To help us achieve these objectives, we sought to answer the following research questions through the analysis.

- (a) **Demographics:** How do investment readiness trends vary across different industries, sectors, or geographic regions?
- (b) What **internal factors** (e.g., team composition, business planning) most significantly impact investment readiness?
- (c) To what extent do entrepreneurs in the programme possess a **clear and compelling value proposition, scalable business model, and robust financial projections**?
- (d) What is the **relationship between investment readiness and growth stages** (e.g., startup, scaling, maturity)?
- (e) What are the **primary barriers or gaps that hinder entrepreneurs** in the programme from achieving investment readiness, and how can these be addressed through targeted support and resources?



Photo: Lungile Mahugane from South Africa, CEO of Jeslu Puro Water Pty Ltd

## **Section 2: Methodology and Data Collection Techniques**

To gather data for the study, a mixed (hybrid) approach was employed, utilizing both quantitative and qualitative methodologies. The survey questionnaire was developed by Qualiquant with thorough review by the TEF technical team. Additionally, a database of beneficiaries of the Tony Elumelu Foundation Entrepreneurship Programme (TEFEP) from 2015 to 2022 was obtained and segmented by regions to facilitate

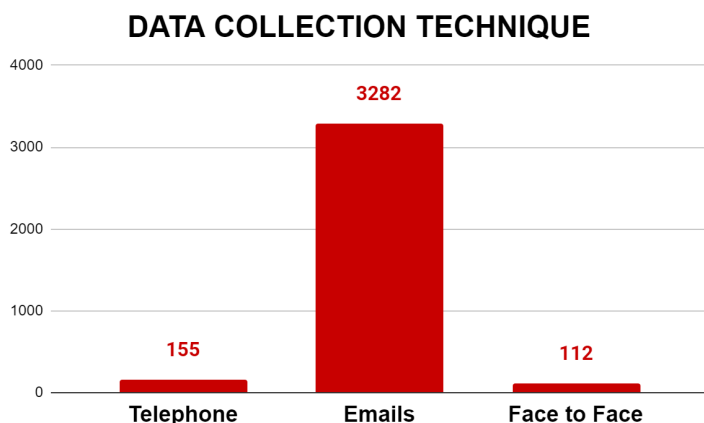
easy identification. The database contained a total of 17,919 beneficiaries, representing all 54 countries in Africa. It encompassed demographic and contact details including names, emails, business names, addresses, phone numbers, countries, business industries, and year of funding for each beneficiary in the database.

## Data Collection

The training session for the study was conducted with the field officers. The training focused on equipping the field officers with a proficient understanding of the survey questionnaire. Each question was meticulously addressed and thoroughly interpreted to ensure a comprehensive grasp by the field officers. The survey tool, originally available in English, was translated into other official languages such as Portuguese and French. Data collection commenced through the scheduling of interviews via phone calls. Enumerators then administered the interviews using face-to-face, telephonic and via online techniques.

To improve the response rate of the survey, the research team conducted a substantial number of interviews using self-administered questionnaires. A total of 3,549 surveys were completed between January to April 2024. Figure 2 below shows the disaggregate representation of the responses generated for the beneficiary mapping and categorization study.

Figure 2; Distribution of responses by data collection technique



## Response rate and non-response rate

The Tony Elumelu Foundation team provided the research team at Qualiquant with a database of 17,919 programme participants that received funding from 2015 to 2022. The database returned 3,549 successful mapping data points. This gives a response rate of 19.8%. The low response rate could be attributed to the unavailability of some of the beneficiaries, as the data dates back to 2015, with some no longer in business and others refusing to participate in the study. Figure 3 below shows the response rate by region.

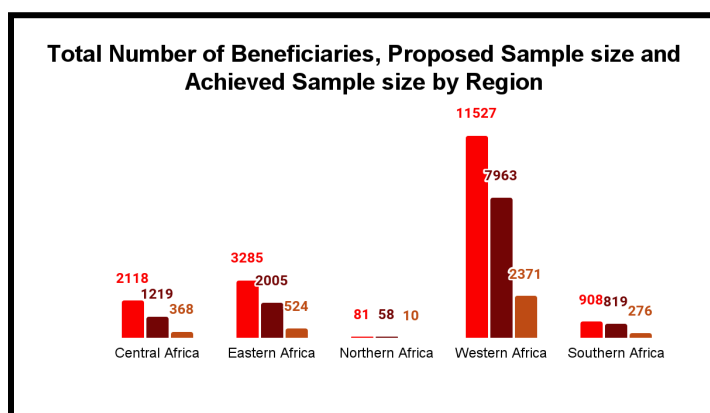


Figure 3: Response Rate by Region

## Data Analytics Methodology and Investment Readiness Analysis Approach

### First level analysis: Exploratory Descriptive Analysis (EDA)

We adopted an exploratory data analysis approach on all variables collected for the quantitative data. We looked at the entrepreneurs' demographics and business demographics across six thematic areas. The variables are described using frequencies and percentages. Additionally, we also looked at the associations between variables via cross tabulations for the categorical variables. This allowed us to gather insights and possible relationships and/or associations across the various variables. We categorized the analysis into the following six categories. The scoring and evaluation approach has been discussed in more detail in the investment readiness section of the report.

- (a) **Research Question 1; How do investment readiness trends vary across different industries, sectors, or geographic regions?** To answer the research question, we provided a breakdown of the entrepreneur's demographics such as age, gender and level of education. This enabled us to profile on average who the TEF beneficiary is, what business they are in and where they are likely to be located.
- (b) **Research Question 2; What internal factors (e.g., team composition, business planning) most significantly impact investment readiness?** We analyzed the following variables to answer these questions
  - o **Relationship between governance structures, leadership commitment and investment readiness scores**
  - o **Relationship between labor demand patterns and investment readiness scores:** We looked at how the number of employees, sufficiency of employees, staff turnover affects the investment readiness of TEF businesses
  - o **Technology and Operations:** This relates to the business adoption of technology platforms in the day-to-day operations. The analysis explores the ownership of tech platforms and its distribution across TEF beneficiaries.
- (c) **Research question 3; What is the relationship between investment readiness and growth stages (e.g., startup, scaling, maturity)?** We analyzed the trends related to growth stages and product testing access to suppliers and market fit of the products
  - o **Product/Service Development Stage:** We analysed the different development stages of the businesses and how it varies across the investment readiness categories.
  - o **Product Validation:** We conducted an analysis to examine the impact of product validation on a business's investment readiness.
  - o **Access to Key players:** We discussed how access to key players in the supply chain vary across different categories of investment readiness
- (d) **Research question 4; To what extent do entrepreneurs in the programme possess a clear and compelling value proposition, scalable business model, and robust financial projections?** We analyzed the following variables discussed below to answer this question
  - o **Availability of Contingency Plans:** We analyzed the effect of the availability of contingency plans on the investment readiness of a business.

- **Customer Acquisition Strategies:** We explored how customer acquisition strategies vary across the investment readiness categories
- **Customer Churn Rates:** We compared the customer churn rate for the business across all the investment readiness categories
- **Understanding of Business KPIs:** We analyzed the relationship between a business's understanding of its key performance indicators (KPIs) and its investment readiness.
- **Financial Management Practices:** We analyzed the financial business management practices among business in each investment readiness category
- **Preferred payment methods:** We compared the distribution of how customers pay across the investment readiness categories
- **Fundraising:** We explored the distribution of funding received by TEF beneficiaries across the investment readiness categories
- **Confidence in Pitching a Deck:** We compared the distribution of business' confidence in pitch deck quality across each investment readiness category

(e) **Research question 5; What are the primary barriers or gaps that hinder entrepreneurs in the programme from achieving investment readiness, and how can these be addressed through targeted support and resources?** We analyzed responses on the main challenges the beneficiaries are facing and completed the insights with data from the qualitative arm of the study. The challenges were further classified by sectors and regions.

To map out the trends across regions and sectors, we cross tabulated some of the variables across the regional representation to identify if there were any interesting insights across the regions. Figure 4 below shows the distribution of the beneficiaries who participated across Africa.

### **Beneficiaries' Geographic Information System (GIS) Sample Distribution Across Africa**

*Figure 4; Beneficiaries Distribution Across Africa*

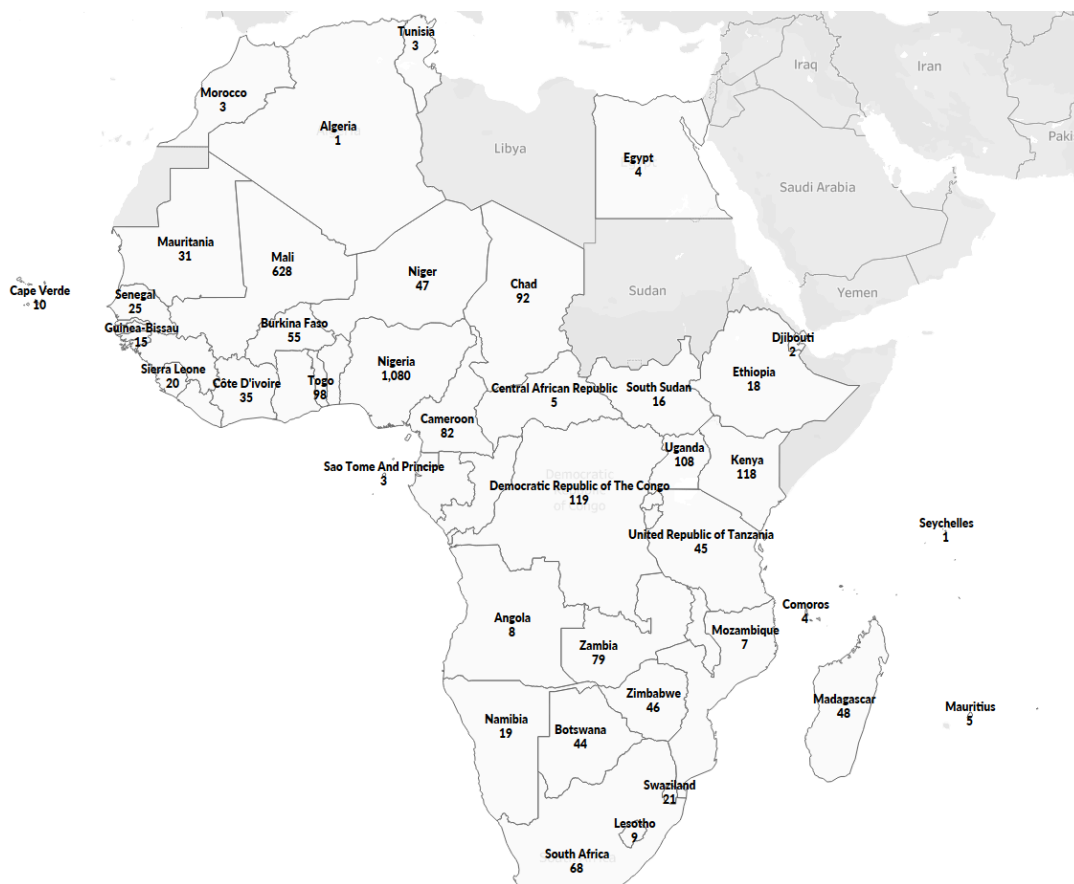




Photo: Bah Nene Ousmane from Guinea, CEO of Malanga Cosmetics

## Section 3: Findings- Mapping the TEF Beneficiaries and Businesses

### 3.1 Demographic findings

#### Age Gender and Education levels of Beneficiaries

Most of the surveyed businesses were **male-owned by entrepreneurs aged between 28 - 37 years**. According to World Trade Organization (WTO)<sup>4</sup> in most economies, the majority of MSME owners are male. This gender disparity could be attributed to a number of factors such as access to resources and educational gaps as shown in figure 5 below. However, we do acknowledge that this could be a result of individual willingness to participate in the study and not necessarily an indication that more male applicants compared to females

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<sup>4</sup> WTO (2024), Examining MSMEs Composition and participation in international trade through meta survey data. Report Accessed from: [EXAMINING MSMEs' COMPOSITION AND PARTICIPATION IN INTERNATIONAL TRADE THROUGH META SURVEY DATA](#)



received funding. There is therefore need to further explore if this gap is a result of the channels used to recruit the beneficiaries in the study, and the efficacy of women to respond and participate.

Demographic variables such as age, gender and literacy levels have been linked to the unique needs of MSME businesses. The study sought to determine how the age and education levels differ among the beneficiaries. Figures 5, 6 and 7 below show the demographic representation of the beneficiaries surveyed. **There were no notable gaps with male and female beneficiaries regarding age and education composition as the trend observed was quite similar.** However, it was observed that in the female category, the percentage of those in the younger category (18-27 years) was slightly higher compared to the males, while the males were more in the 28-37 years bracket. This could imply that more female entrepreneurs are likely to start businesses at a younger age compared to men who might start in the latter years. Over the years, it would be interesting for TEF to observe if the former or latter is true by tracking the gap over a longer period and with a larger sample.

Figure 5; Demographic representation of TEF Beneficiaries

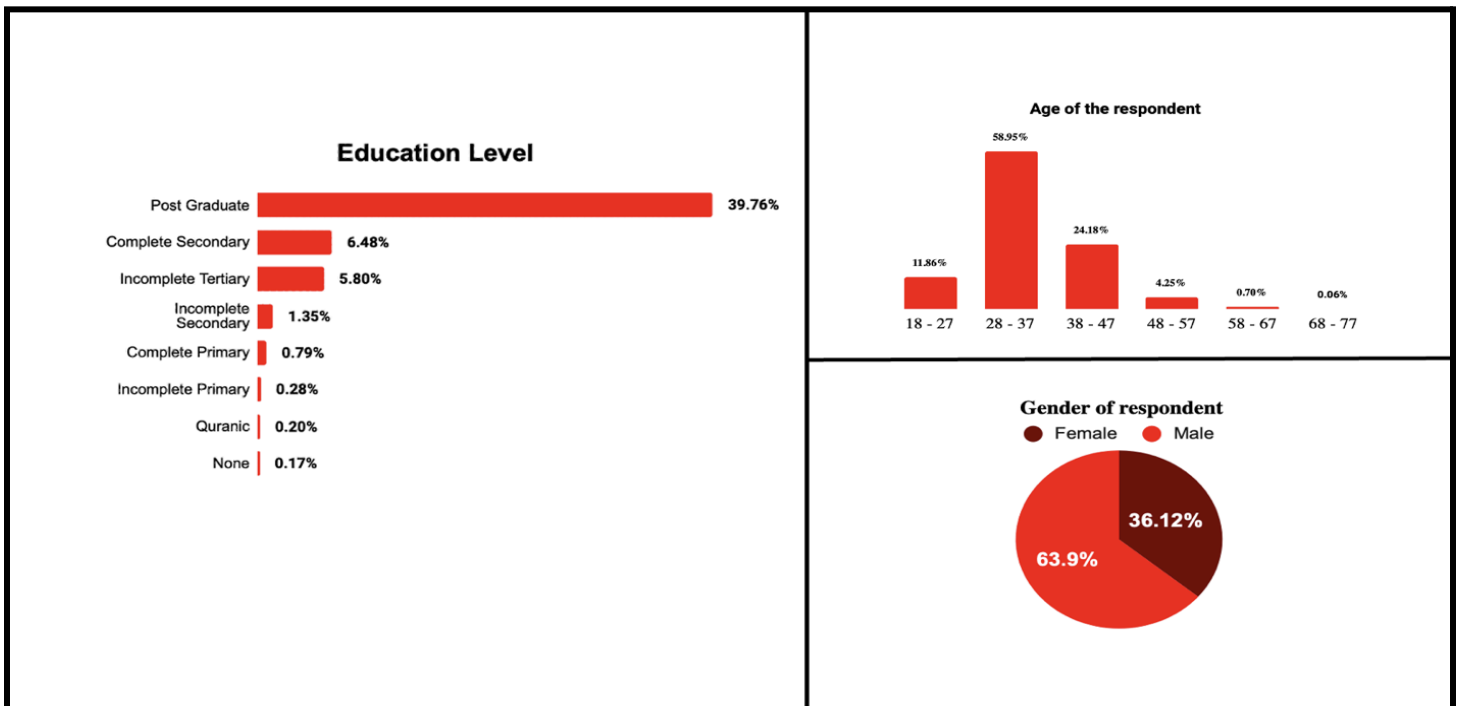


Figure 6; Distribution of the Gender by Age of mapped beneficiaries

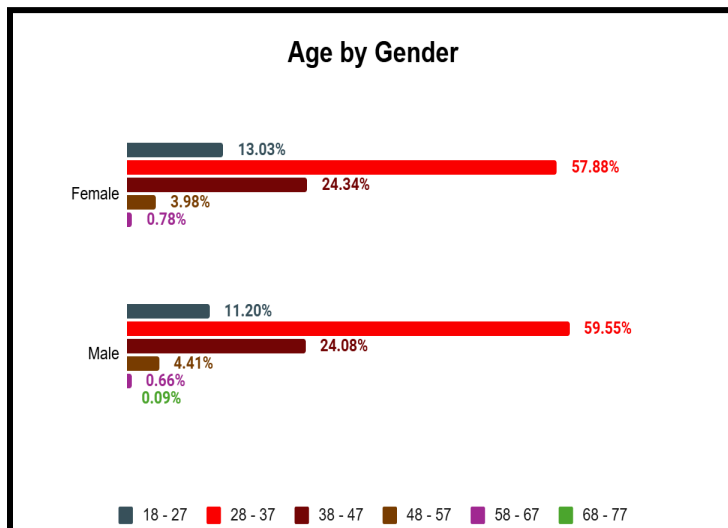
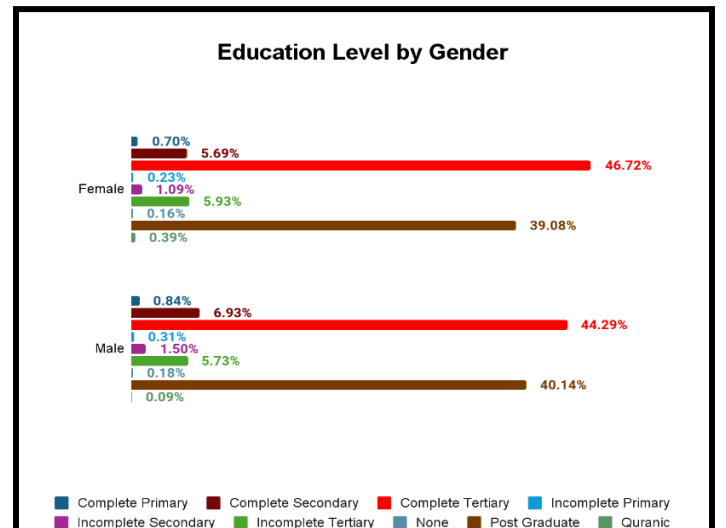


Figure 7; Distribution of the education level by gender of beneficiaries



The Alliance for Financial Inclusion<sup>5</sup> asserts that the financing options designed for MSMEs must take into account the various attributes of MSMEs owners when designing financial products targeting MSME businesses. Some of the demographic factors include geographical segmentation (Rural vs. Urban), Age, Gender (female-owned Vs male-owned) and literacy levels (Financial literacy, level of education, digital savviness among others). If financial products are to be tailor-made to ensure affordability, ease of access and convenience for MSMEs, then it is paramount that the aspects mentioned are considered in the design process. Figure 8 and 9 below show the distribution of beneficiaries by position level. From the surveyed responses, the majority of those who participated in the study were owners or partners at 75%. **There was a 4.02 percentage difference with women owners/partners being reported at 78.92% against male representation at 74.90%.**

Figure 8; Position Level of TEF Beneficiaries

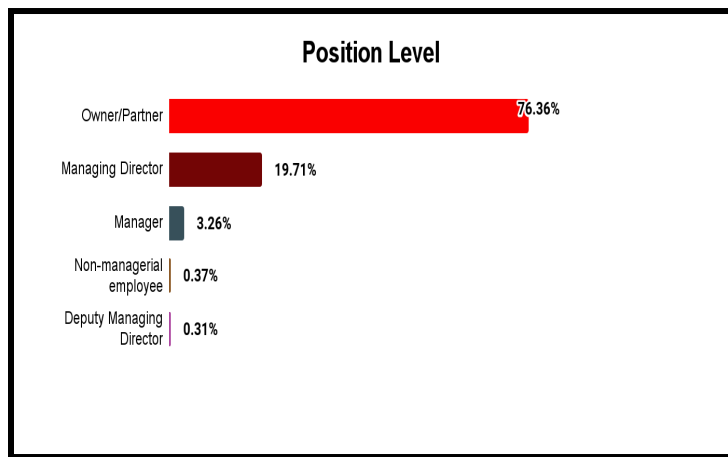
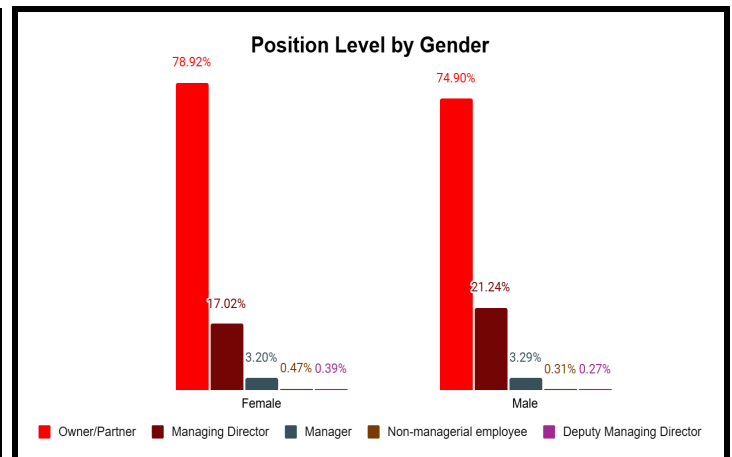


Figure 9; Distribution of Position by Gender of TEF beneficiaries



The Tony Elumelu Foundation is quite female-centric in its mission; to provide financial and technical support to female entrepreneurs. For example, in 2021, together with the EU they launched a partnership to disburse €20 million in financial and technical support for women-owned businesses, targeting up to 2500 female entrepreneurs<sup>6</sup>.

### Launch of Business and Year of Operations

Most of the **beneficiaries (94%) surveyed launched the companies between 2015 and 2021**, as shown in Figure 10 below. The highest number of new beneficiary businesses were set up in 2021. This is significant because TEF expanded its partnerships and supported the highest number of entrepreneurs in a single cohort in 2021 (4949 entrepreneurs). This was a part of the foundation's COVID 19 response aimed at providing more safe nets to stimulate more development and business recovery after the pandemic. COVID-19 had a significant effect on businesses in the year 2020-2022 with most of the businesses facing financial, operation and economic constraints. The 2021, Africa MSME Pulse survey<sup>7</sup> reported that the impact of COVID-19 had resulted in almost 81% of MSMEs deteriorating, with the supply chain being the most affected business operation.

<sup>5</sup> [SME Finance \(SMEF\) - Alliance for Financial Inclusion](#)

<sup>6</sup> [FAQs - The Tony Elumelu Foundation](#)

<sup>7</sup> [Africa MSME PULSE: A GeoPoll and Africa 118 Study of MSMEs in Africa](#)

Figure 10; Year of Establishment of TEF Funded businesses

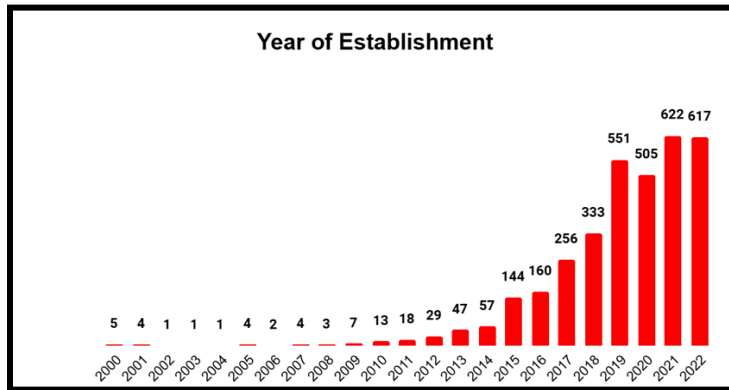
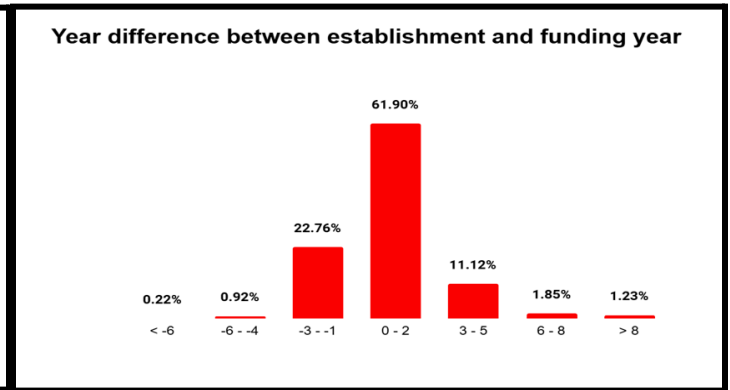


Figure 11; Year difference between establishment and funding year



The study therefore sought to understand how long the businesses had been in operation before enrolling in the TEF programme. On average, as shown in Figure 11, most of the **surveyed beneficiaries' businesses (61.90%) had been operational for at least 2 Years before receiving funding** from the Tony Elumelu Foundation. There are various growth stages that businesses go through each with its own unique characteristics. These stages include ideation, startup, growth, expansion, and maturity<sup>8</sup>. The first stage - ideation- , founders generally identify a market problem and create a viable business model, often testing concepts through prototypes or limited trials. This stage is marked by the development and release of a minimum viable product (MVP), with an intense focus on gaining initial customers and validating the product-market fit<sup>9</sup>.

The subsequent growth stage involves scaling operations, with increased investment in product development, sales, and marketing to grow market share and finally, maturity occurs when a company has stabilized its market presence, reaching sustainable revenues and profitability. **From the study, the majority of the businesses (61.90%) received TEF funding in their survival stage and had been in operations for about 2 years.** The survival stage presents significant hurdles for startups worldwide, but these challenges are more pronounced for African startups due to unique structural and economic conditions. As MSMEs progress and grow, their financial needs increase, primarily driven by the demand for expansion. One of the greatest challenges faced by MSMEs is the financing constraints causing businesses to fail. From the qualitative insights, the lack of finances to set up the business and carry out operations was mentioned as a barrier. The common source of funding cited in the interviews was through personal savings and donations from family and friends.

Informal sources of financing are quite common among MSMEs as they are quite flexible in their terms, highly trusted and do not require any collateral. Financing related barriers affect business in low income populations disproportionately<sup>10</sup>. For instance, access to financing is limited, as many African economies have underdeveloped financial sectors and limited venture capital (VC) ecosystems<sup>11</sup>. Traditional bank loans are often inaccessible due to high-interest rates and the lack of adequate collateral. As a result, many startups

<sup>8</sup> Bachtiar, Nia Kurniati & Amin, Muhammad. (2019). Smes' Growth Stage Model: A Literature Review And Development Model. *Jurnal Analisis Bisnis Ekonomi*. 17. 1-18. 10.31603/bisnisekonomi.v17i1.2605.

<sup>9</sup> Blog post on different growth stages ; <https://www.growthmentor.com/blog/startup-stages/>

<sup>10</sup> Al Saifi, M. (2021). Challenges Facing Micro, Small and Medium-Sized Enterprise (MSMEs) When Accessing Funds from Financial Institutions in the West Bank. Copyright@ Ashwin Anokha Publications & Distributions

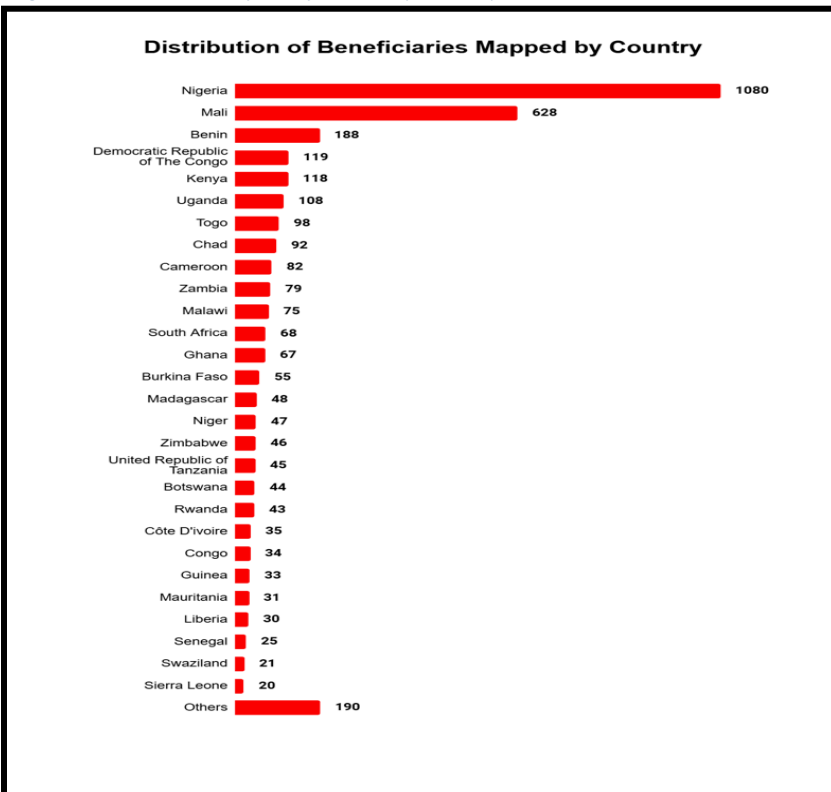
<sup>11</sup> Kshetri, N. (2018). Informal institutions and internet-based equity crowdfunding. *Journal of International Management*, 24(1), 1-13.

struggle to obtain the necessary funding to continue operations, develop products, and hire talent<sup>12</sup>. Furthermore, African startups face infrastructure challenges, such as unreliable electricity, limited high-speed internet access, and inadequate transportation networks, all of which can hamper operational efficiency and growth efforts. Moreover, regulatory and bureaucratic challenges also play a role in making the survival stage difficult for African startups. Regulatory environments in many African countries are often underdeveloped and can be highly bureaucratic, making it difficult for startups to register businesses, obtain licenses, or protect intellectual property<sup>13</sup>.

### Country, Regional and Sectoral Representation

Africa as a continent is quite diverse in terms of economic activities regionally. The study therefore tries to classify and discuss findings from the businesses in the five regions of Africa: Eastern, Southern, Northern, Central and Western Africa. Figure 12 below **shows the results. The majority of the beneficiaries were from Nigeria.** This could be attributed to the programme having its roots in Nigeria and the very large population of youth in Nigeria, and as it expands regionally, it is anticipated that representation of the other regions will also increase gradually as country specific interventions continue. This is significant in the increased number of participants in countries like Mali, Benin, DRC and Kenya where TEF have successfully scaled intervention through partnerships with organisations like the UNDP and UNICEF. **In terms of regional representation, Western Africa had the largest share of surveyed businesses representing 66.81%.** Eastern Central and Southern Africa regions represented 14.76%, 10.37% and 7.78% respectively while Northern Africa had the least number of beneficiaries mapped representing 0.28%, Figure 13 below shows the distribution by region.

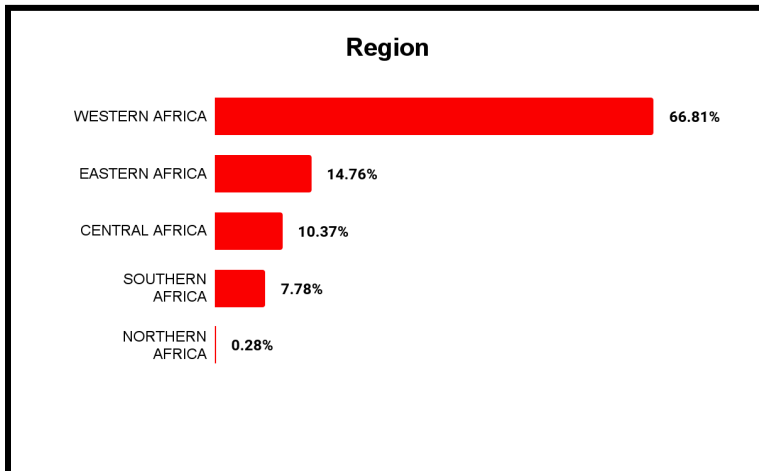
Figure 12; Distribution of Beneficiaries by Country



<sup>12</sup> Al Saifi, M. (2021). Challenges Facing Micro, Small and Medium-Sized Enterprise (MSMEs) When Accessing Funds from Financial Institutions in the West Bank. Copyright@ Ashwin Anokha Publications & Distributions

<sup>13</sup> [https://www.unescap.org/sites/default/files/Final%20PPT\\_Access%20to%20Finance%20Nepal\\_Mr.%20Achyut%20H%20Aryal.pdf](https://www.unescap.org/sites/default/files/Final%20PPT_Access%20to%20Finance%20Nepal_Mr.%20Achyut%20H%20Aryal.pdf)

Figure 13; Distribution of Beneficiaries by Region



In terms of the sectoral representation, we identified a total of about 33 sectors that the businesses were operational in. From the results, **TEF beneficiaries are more likely to be either in agriculture, agribusiness or ICT Sector (Figure 14)**. These were the top three sectors across the region. This result is not surprising because Africa is home to 60% of arable land globally, a significant factor driving the agriculture sector. It is estimated that close to 60% of Africans are smallholder farmers in Africa and an estimate of 23% of the Gross Domestic Product (GDP) comes from Agriculture<sup>14</sup>. It is estimated that on average Agri-SMEs handle 60% of all food produced and traded in Africa providing an avenue for income generation for households. Figure 14 below shows the sectoral representation per region.

As shown in figure 15 below, it was noted there was a 3.69% gender gap in Agribusiness and allied activities where females represented 20.44% and male business accounted for 24.13%. In the second category, there was a 1.71% percent gap while in ICT there was a 0.38% gap. Internet connectivity, especially mobile internet and mobile penetration has been on the rise in Africa. According to the GSMA, penetration rate for mobile use in Sub-Saharan Africa was at 43% while that of mobile internet use was at 25%. Following the COVID pandemic, the digital economy grew significantly with the rise of ecommerce platforms that enabled MSMEs to access customers digitally.

The analysis yields insightful findings on Africa's entrepreneurial landscape. Notably, Agriculture, Agribusiness, and ICT emerge as the dominant sectors, driven by Africa's vast arable land (60% of global total), and growing internet connectivity (GSMA, 2020). However, a significant gender gap persists in Agribusiness, with males representing 24.13% and females representing 20.44% of beneficiaries. In contrast, the ICT sector exhibits minimal gender disparity (0.38%). These findings align with existing literature highlighting Agriculture's critical role in Africa's economy, employing approximately 60% of the population and contributing 23% to GDP (FAO, 2017). Moreover, Agri-SMEs handle 60% of food production and trade, providing vital income generation opportunities for households (ReSAKSS, 2019). The COVID-19 pandemic has accelerated digital transformation, enabling MSMEs to access customers digitally through e-commerce platforms (UNCTAD, 2020). These insights underscore

<sup>14</sup> [Winning in Africa's agricultural market](#)

the need for targeted interventions addressing gender gaps, promoting digital transformation, and supporting entrepreneurial growth in key sectors.

Figure 14; Distribution of top ten sectors per Region

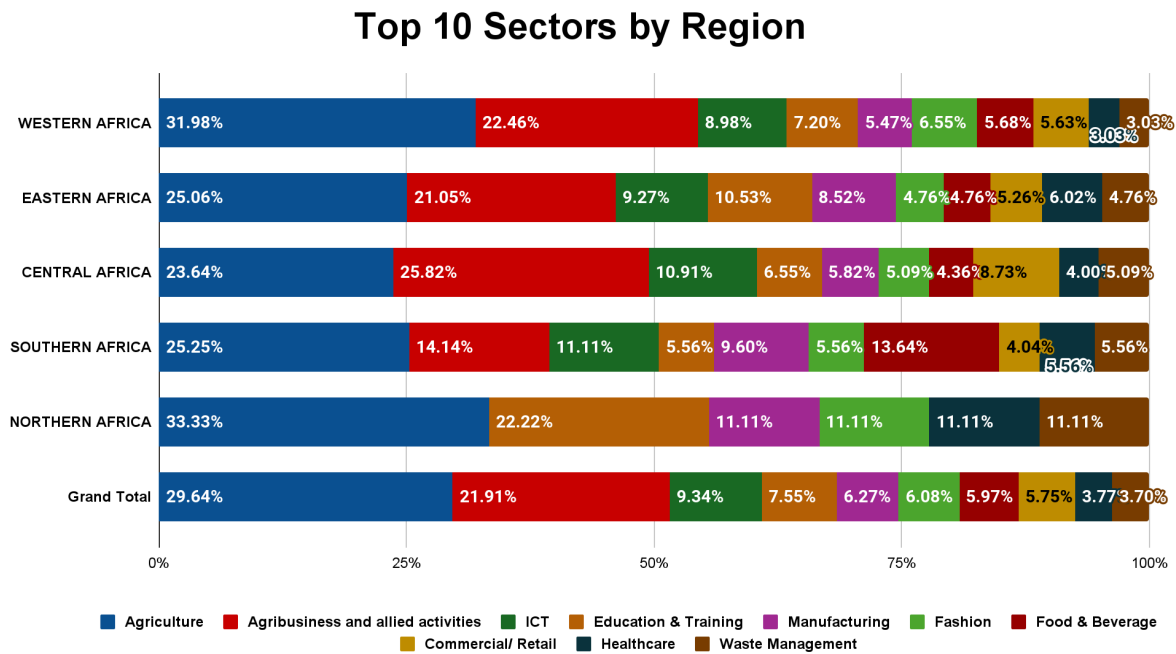
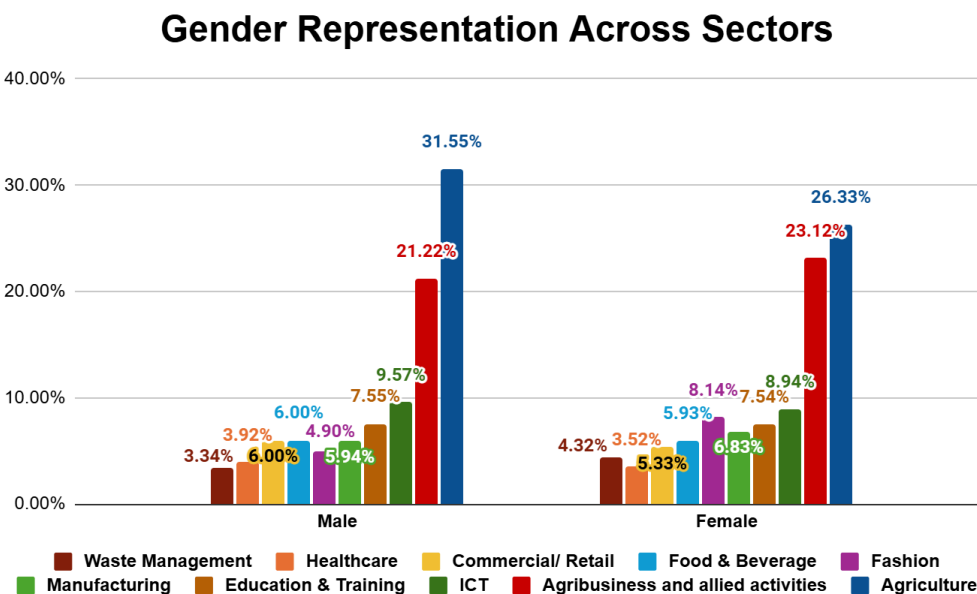


Figure 15; Gender representation per sector



## **The TEF Beneficiaries in Northern Africa**



Photo: Muhamed Dhaouafi from Tunisia, founder Cure Bionics

**Findings indicated that participants from Northern Africa, are more likely to be male operating in either Agriculture, education and training or waste management sector. The region had the widest gender gap in representation.** Gender dynamics in Northern Africa are generally more pronounced compared to other Africa regions. Unfortunately in Northern Africa, women are restricted by rigid social norms and cultural expectations in relation to women's role within the family and in the public domain<sup>15</sup>. For example, the labour gap is 19% for women against 71.3% for men. For those women who do join the labour force, social norms also restrict the types or locations of work they can do, as well as their earnings and their capacity to retain control over them. In terms of sectoral representation, **it was the only regional one that had a waste management sector in its top 3 sectors.**

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<sup>15</sup> [Women in North Africa secure more rights | Africa Renewal](#)

Green businesses - which are businesses that are dedicated to providing environmental friendly and protective solutions - have been on the increase. From the mapping exercise, all the beneficiaries in the region reported that their businesses have been engaged in green businesses with 40% reporting that they Recycle (paper, cardboard, plastic, glass, metal and other products), 40% reported that they use electronic billing methods and 30% reported that they Use renewable sources of energy--e.g solar, At the consumer level, there has also been a demand for products that are friendly which has resulted in more businesses moving towards the greener market<sup>16</sup>. Africa is considered to be a market with great potential for green business opportunities. According to the UN report<sup>17</sup>Green business has the potential to drive a country's GDP, boosting household income through the creation of tens of millions of jobs and encouraging collaboration between the private and public sector. This presents an additional value proposition for the programme and opportunity for more targeted support for the green sector in the region.

The Northern Africa region comprises five countries. Of the five countries, there were beneficiaries responding from Egypt, Morocco, Tunisia and Algeria. These businesses are spread across seven sectors. According to the Africa Development Bank's outlook on Northern Africa<sup>18</sup>, the region's economic growth is primarily driven by the service sector, particularly trade and tourism. While the economic growth differed across the countries, one of the recommendations given from a regional perspective by the bank is the need for structural reforms that support the development of the private sector and small businesses, with the hope of creating improved profitability and subsequently more employment.

Figure 16; Top Sectors in Northern Africa Region

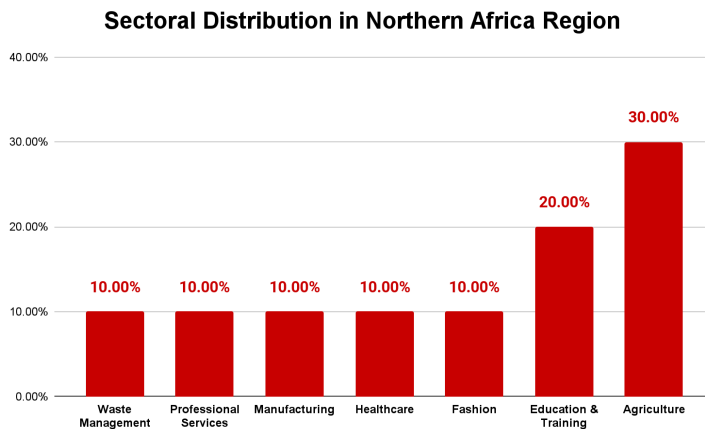
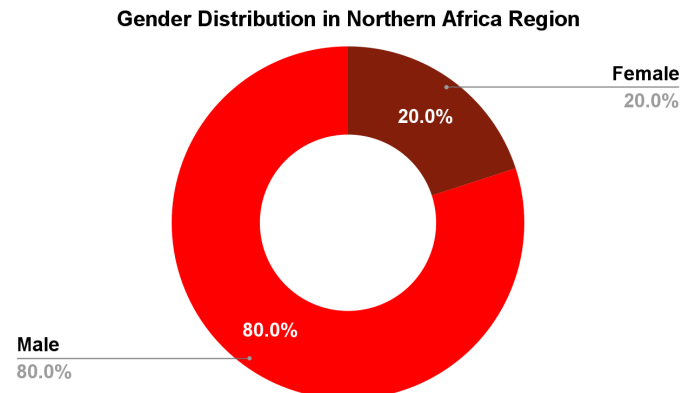


Figure 17; Gender Representation in Northern Africa



<sup>16</sup> Manisha Gupta, Mridul Dharwal, Green entrepreneurship and sustainable development: A conceptual framework, Materials Today: Proceedings, Volume 49, Part 8, 2022, Pages 3603-3606, ISSN 2214-7853, [Green entrepreneurship and sustainable development: A conceptual framework - ScienceDirect](#).

<sup>17</sup> [Africa Environment Outlook for Business | UNEP](#)

<sup>18</sup> Africa Development Bank (AFDB), (2023); North Africa Economic Outlook 2023. Accessed from; [North Africa Economic Outlook 2023: with economic growth set to reach 4.6 percent in 2023. North Africa should make green growth an urgent regional priority, according to the African Development Bank](#)



Photo: Tonny Mulenzi from Rwanda, founder of Mulenzi modern goat farm

Beneficiaries from Eastern Africa accounted for **14.76% of the total programme beneficiaries in Africa**. Eastern Africa is one of the fastest-growing regions economically with the regional economic growth rate projected at 5.8% outweighing all the other regions in the continent<sup>19</sup>. According to the African Development Bank<sup>20</sup>, the service sector is the largest driver of the GDP in this part of the continent estimated to be contributing about 2% to the GDP growth. From the TEF mapping study, **the top three sectors in the region were Agriculture, Agribusiness and Education & training reported at 19.08%, 16.03% and 8.02% respectively with 56.87% being in other sectors such as ICT (7.06%), Manufacturing (6.49%), Healthcare (4.58%), Commercial/Retail (4.01%) and so on. The 5 least represented sectors in the region are; telecommunication, Oil & Gas, Legal services/Law, FMCG and Aviation which were all reported at 0.19%.** The Agriculture sector is the main traditional source of income for the majority of the households in the region<sup>21</sup>. The second highest sector the beneficiaries were engaged in the region was agribusiness (16.03%). In sub - saharan Africa the Agriculture and agribusiness combined is projected to be a US\$ 1 trillion industry by 2030<sup>22</sup>. However small - scale businesses still face a number of challenges despite the potential of the sector in the region. To support these agribusinesses to scale,

<sup>19</sup> Africa development Bank (2024): Accessed from [Africa dominates list of the world's 20 fastest-growing economies in 2024—African Development Bank says in macroeconomic report](https://www.afdb.org/en/documents/africa-dominates-list-of-the-worlds-20-fastest-growing-economies-in-2024-African-Development-Bank-says-in-macroeconomic-report)

<sup>20</sup> East Africa Economic Outlook (2023) Report. Accessed from; <https://www.afdb.org/en/documents/east-africa-economic-outlook-2023>

<sup>21</sup> East Africa Economic Outlook (2023) Report. Accessed from; <https://www.afdb.org/en/documents/east-africa-economic-outlook-2023>

<sup>22</sup> World Bank Publication ; <https://documents1.worldbank.org/curated/ar/189541468007537925/pdf/759720REPLACEMENT0mmarv0pub03011013web.pdf>

favorable financing options and regulatory environments<sup>23</sup> are urgently needed to support the growth of the sector and the businesses.

Presently, it is estimated that within the region 90% of the traders are SMEs, accounting for 60% employment rate and contributing to 29% of the GDP<sup>24</sup>. In terms of MSME representation, the region has made significant progress in strengthening and creating opportunities for MSMEs, across its member states such as the East Africa Community (EAC) common market protocol, EAC MSME Trade fair and the EAC trade platform which is currently under development.

Figure 18; Sectoral Distribution in Eastern Africa

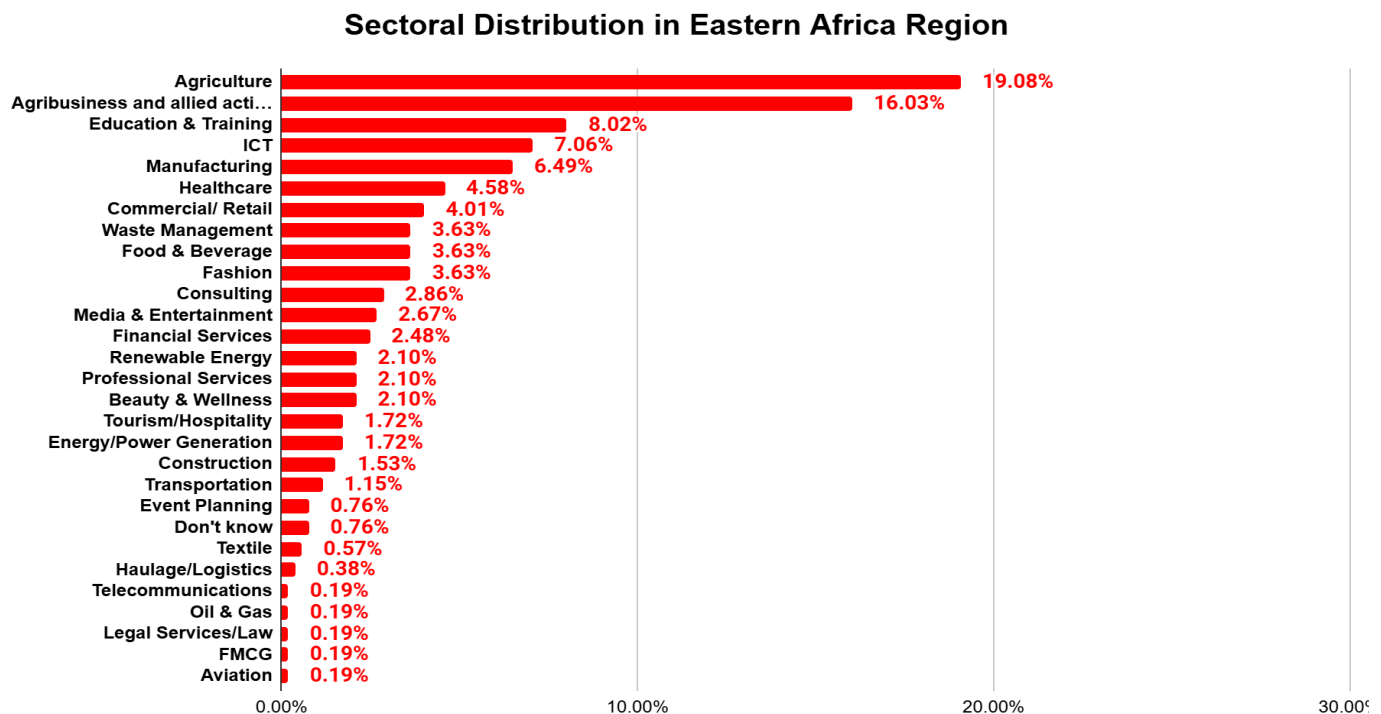
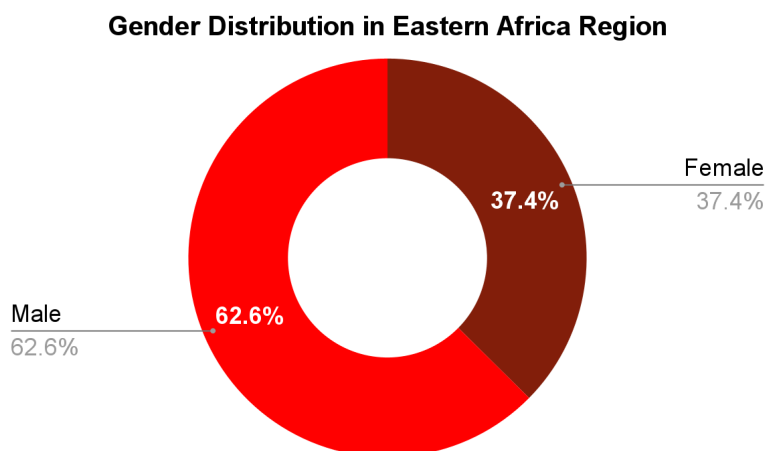


Figure 19; Gender representation in Eastern Africa



<sup>23</sup> [https://agra.org/wp-content/uploads/2024/02/From-Crisis-to-Opportunity\\_The-2023-Africa-Agribusiness-Outlook.pdf](https://agra.org/wp-content/uploads/2024/02/From-Crisis-to-Opportunity_The-2023-Africa-Agribusiness-Outlook.pdf)

<sup>24</sup> [Strengthening Industries in East Africa — Creating Sustainable Perspectives](#)



Photo: Luiz Afonzo from Sao Tome and Principe, founder of Ban Bé Non-Tours

TEF Beneficiaries that were surveyed in Central Africa represented nine countries (Angola, Cameroon, Central African Republic, Chad, Congo, DRC, Equatorial Guinea, Gabon, Sao Tome and Principe). Central Africa is one of the regions rich in mineral resources, including oil, diamonds, gold, uranium, and other metals with the mining sector contributing significantly to the region's GDP and export earnings. However, from the study, **The top three sectors in which the beneficiaries operated in were Agribusiness, Agriculture and ICT reported at 19.29%, 17.66% and 8.15% respectively. The 5 least represented sectors were Textile, Oil & Gas, Haulage & Logistics, Event & Planning and Aviation which were all reported at 0.27%.** According to the Africa Development Bank<sup>25</sup> Central Africa experienced 1% growth in 2023. The agricultural sector was the largest contributor to the GDP contributing 52% while the industry sector contributed 23% and 25% was from the services sector. Distribution by sector and gender is shown in figure 20 and 21 below respectively.

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<sup>25</sup> [Central African Republic Economic Outlook](#)



Figure 20; Sector representation in Central Africa

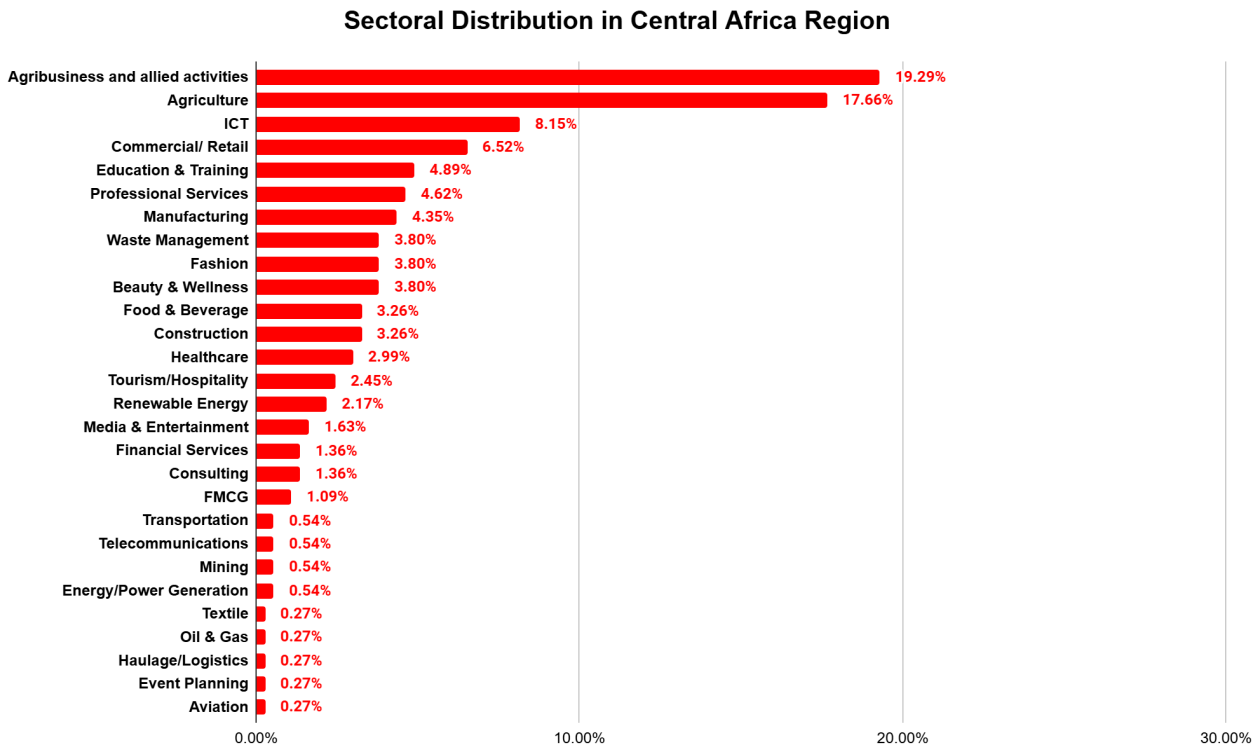
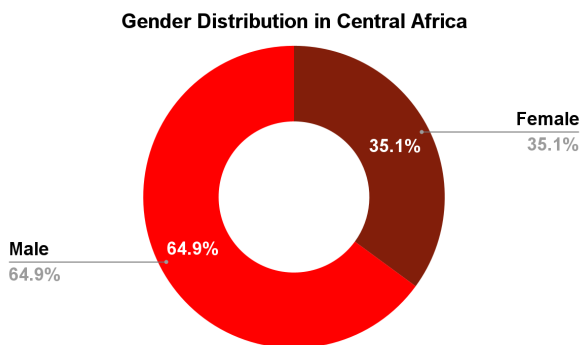


Figure 21; Gender Distribution in Central Africa





### The TEF Beneficiaries in Southern Africa



Photo: Nelly Paulser from Zimbabwe, CEO of Arrozi Brownly

**The Southern Africa region is the only region where the least gender gap (10.2%) was reported across the beneficiaries. The top three sectors in the region; Agriculture, Agribusiness and Food & beverages reported at 18.12%, 10.14% and 9.78% respectively. Most of the beneficiaries represented other sectors (61.96%) such as ICT(7.97%), Manufacturing(6.88%), Waste management(3.99%), Healthcare(3.99%), Fashion(3.99%) and so on showcasing the robustness of the various sectors in the region. The bottom five sectors that was represented in the region are; Oil & Gas, Mining, Legal services/Law, Intellectual Property Services and Construction which were all reported at 0.36%**

Similar to the other regions, Agriculture was among the top sectors however, unique to the southern region is the food and beverages sector. This sector- especially in South Africa, has been on a growth trajectory mainly due to change in dietary preference and way of life. Presently, its projected that the sector could grow to about 24.47 billion USD in the next four years<sup>26</sup>.

The region has been on slow economic growth compared to the other Africa regions<sup>27</sup>. According to the Africa Development Bank's economic outlook, this situation has been exacerbated by South Africa<sup>28</sup>, the

<sup>26</sup>Link to Report on the food and beverage sector in South Africa. [The Food & Beverage industry in South Africa](#)

<sup>27</sup> [Africa's Macroeconomic Performance and Outlook - January 2024 | African Development Bank Group](#)

<sup>28</sup> AFDB (2023) ; Southern Africa Outlook. Accessed from; [Southern Africa | African Development Bank Group](#)

largest economy facing adverse social, infrastructure, and economic challenges<sup>29</sup>. The sectoral representation in the mapping shows that a higher percentage of the beneficiaries are in the other sectors (as shown in figure 22), the world bank asserts<sup>30</sup> that the Eastern and southern regions of Africa are geographically, culturally, and economically diverse which could be contributing to this distribution. One of the ways in which economic diversification has been observed include in having more diversified export baskets compared to Western and Central Africa<sup>31</sup>. A higher economic diversification correlates to higher income in the country as well<sup>32</sup>

Figure 22; Sector Distribution in Southern Africa Region

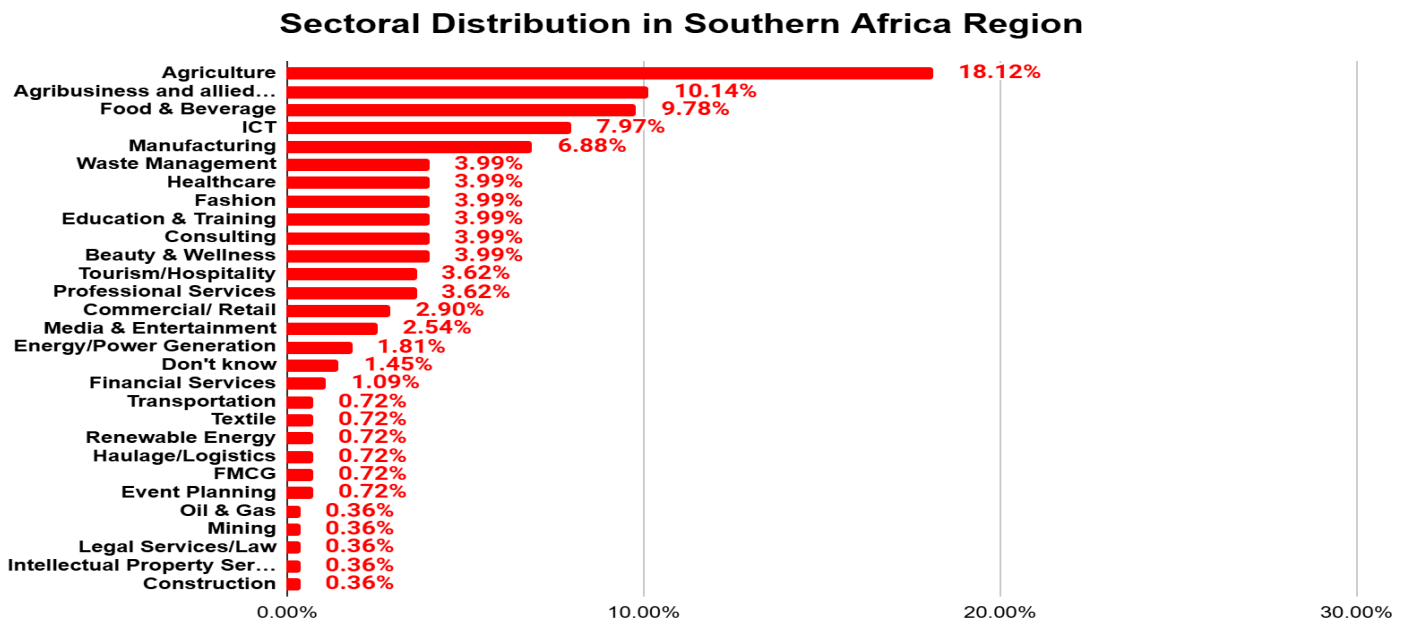
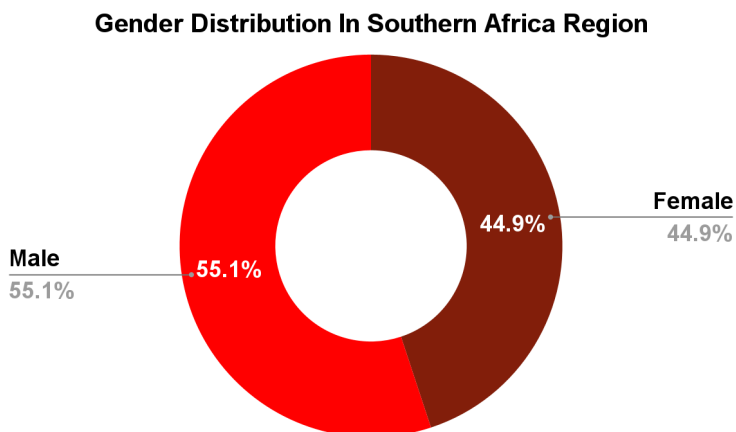


Figure 23; Gender Distribution in Southern Africa Region



<sup>29</sup> AFDB (2023); Outlook on South Africa; Accessed from; [South Africa Economic Outlook | African Development Bank Group](#)

<sup>30</sup> [Eastern & Southern Africa: Development news, research, data | World Bank](#)

<sup>31</sup> Usman, Z., & Landry, D. (2021). Economic diversification in Africa: How and why it matters. Available at SSRN 3842228. Accessed from; [Economic Diversification in Africa: How and Why It Matters - Carnegie Endowment for International Peace](#)

<sup>32</sup> Usman, Z., & Landry, D. (2021). Economic diversification in Africa: How and why it matters. Available at SSRN 3842228. Accessed from; [Economic Diversification in Africa: How and Why It Matters - Carnegie Endowment for International Peace](#)



Photo: Kangoma Turay from Liberia, founder of Agro Lite company

The Western Africa region had the most beneficiaries represented in the survey. According to the Africa development Bank, the western region has been on a positive recovery post covid with a growth of West 4.4% in 2021. However this growth slowed down in 2022 by 0.6% to 3.8<sup>33</sup>. The report further outlines that the service sector drives economic growth. On the other hand from the beneficiary analysis, in terms of sector, the top three sectors were Agriculture reported at 24.93%, Agribusiness reported at 17.50% and ICT reported at 7%. The other sectors such as Education & Training (5.61%), Fashion (5.10%), Food & Beverage (4.43%), Commercial/Retail (4.39%) and Manufacturing (4.26%) and so on cumulatively accounted for 50.57% of the reported businesses. The bottom 5 sectors that were represented the least in the region are; Oil & Gas (0.17%), Aviation (0.13%), Mining (0.08%), Others(0.04%), and Infancy (0.04%) Agriculture is vital to livelihoods in Western Africa. The food economy is the biggest employer in West Africa accounting for 66% of total employment. The sector largely comprises small scale farms representing 70% of food produced in Africa<sup>34</sup>. Despite the potential of the sector, some West African countries in the region still lag behind in terms of basic infrastructure, investments, research and development and agricultural processing<sup>35</sup>.

<sup>33</sup> [https://www.afdb.org/sites/default/files/documents/publications/west\\_africa\\_economic\\_outlook\\_2023\\_final.pdf](https://www.afdb.org/sites/default/files/documents/publications/west_africa_economic_outlook_2023_final.pdf)

<sup>34</sup> <https://mastercardfdn.org/our-work/where-we-work-in-africa/waemu/access-to-financing-crucial-for-the-future-of-agriculture-in-west-africa/>

<sup>35</sup> <https://www.un.org/africarenewal/news/west-africa-has-potential-strengthen-its-agricultural-sector>



Figure 24; Sector distribution in Western Africa

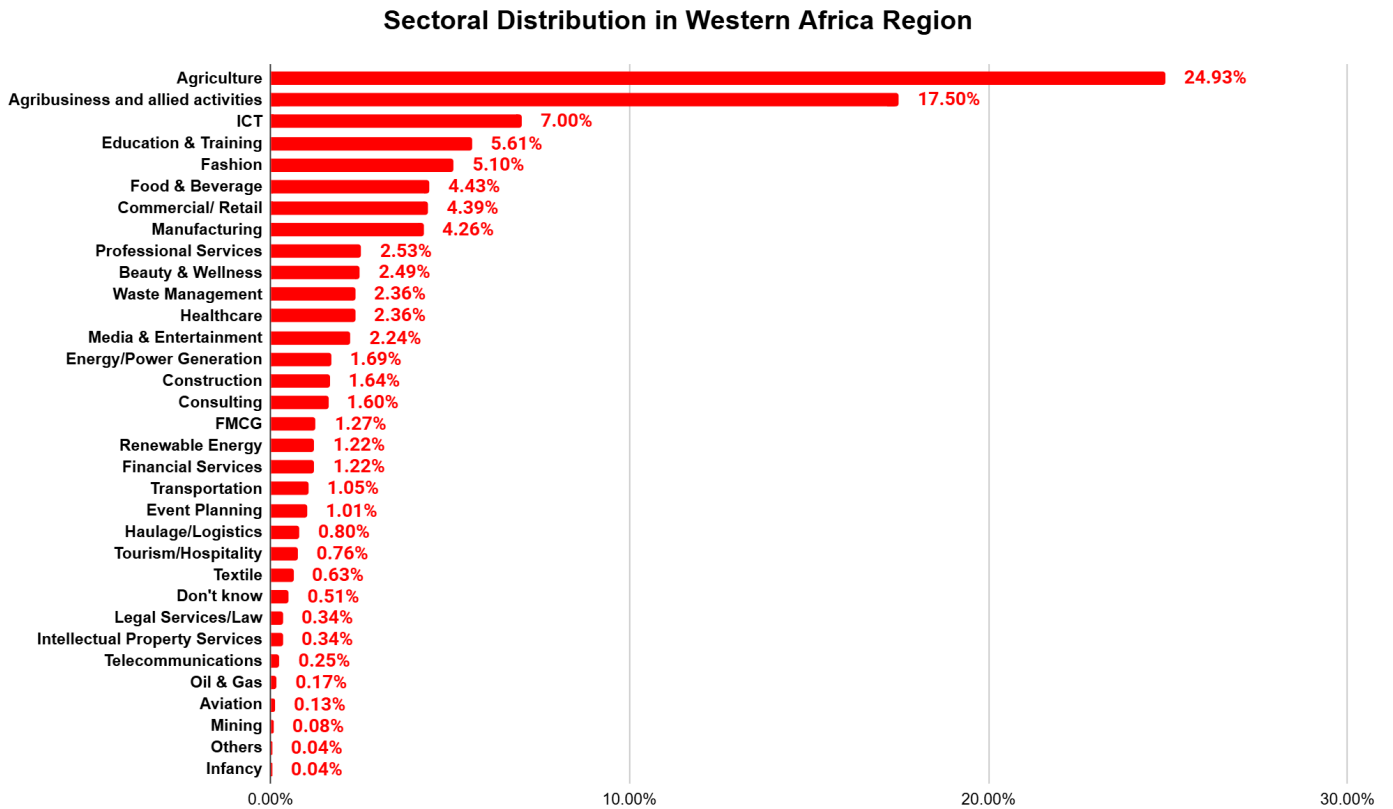
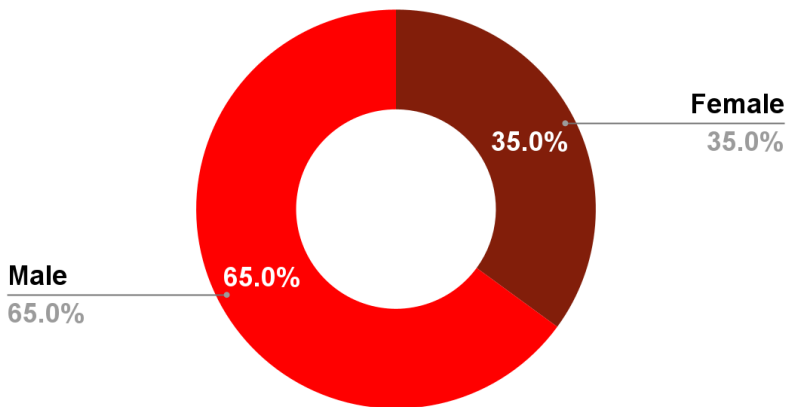


Figure 25; Gender Distribution in Western Africa

### Gender Distribution In Western Africa Region

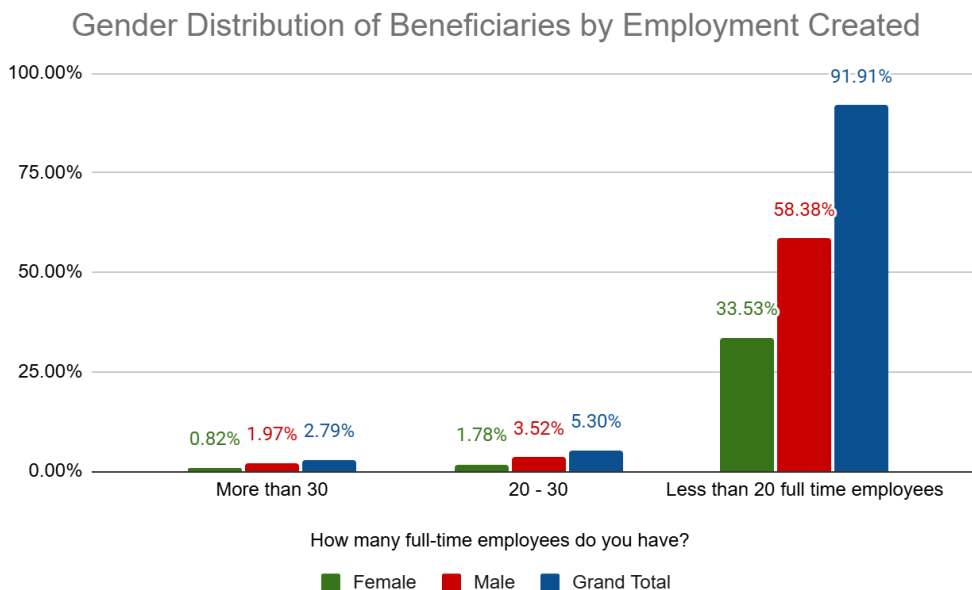


### 3.2. Jobs Creation By TEF Programme Beneficiaries

**We explored the distribution of employment opportunities created by TEF beneficiaries, with a specific focus on how these contributions were allocated to youth and women.** Women and youth continue to be disproportionately affected in relation to employment and funding. According to the ILO Report on Global unemployment trends 2022<sup>36</sup> young people are 3 times more likely to be unemployed compared to adults. In Africa, the rate for youth unemployment is lower than the average for both men and women. Subsequently among adults, the gender gap for employment was 1.28%<sup>37</sup>. We sought to understand the extent to which the beneficiaries have created employment for others and how this compares between men and women. **In terms of staffing, most of the surveyed beneficiaries (91.91%) reported having less than 20 full time employees while more than half (51.20%) employed up to 25% of their staff on part time basis.**

When comparing job creation between men and women, male entrepreneurs have generated more jobs than their female counterparts. This disparity is primarily attributed to the higher proportion of male beneficiaries among the surveyed participants. See the figure below.

Figure 26: Gender Distribution by Employment Created



**For most businesses across the regions, youth accounted for the larger percentage of full-time employees. All regions reported a percentage of above 50% youth representation except the Northern Africa region which reported a lower rate of 40%.** According to IFC<sup>38</sup> Micro enterprises have less than 10 employees, small enterprises have up to 50 employees while medium enterprises could have up to 300 employees. From the analysis we can therefore conclude that the majority of the beneficiaries could be classified as Micro

<sup>36</sup> [Global Employment Trends for Youth 2022: Africa International Labour Organization](https://www.ilo.org/media/download)

<sup>37</sup> [Global Employment Trends for Youth 2022: Africa.](#)

<sup>38</sup> <https://documents1.worldbank.org/curated/en/602291468183841622/pdf/819940BRI0Meas00Box379851B00PUBLIC0.pdf>

enterprises and only 2.79% could be classified as medium enterprises based on permanent employees. Figure 45-48 below show the distribution of full time and part – time employees and the split by gender for each respectively.

Figure 27; Percentage of full time employees across beneficiary businesses

Figure 28; Percentage of part - time employees across all beneficiaries

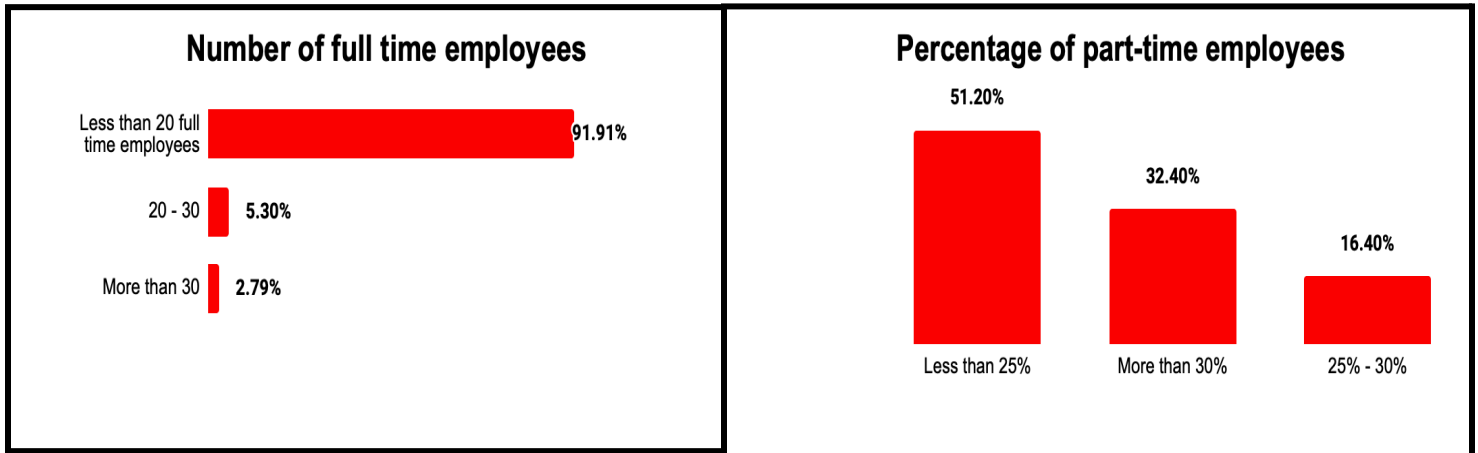
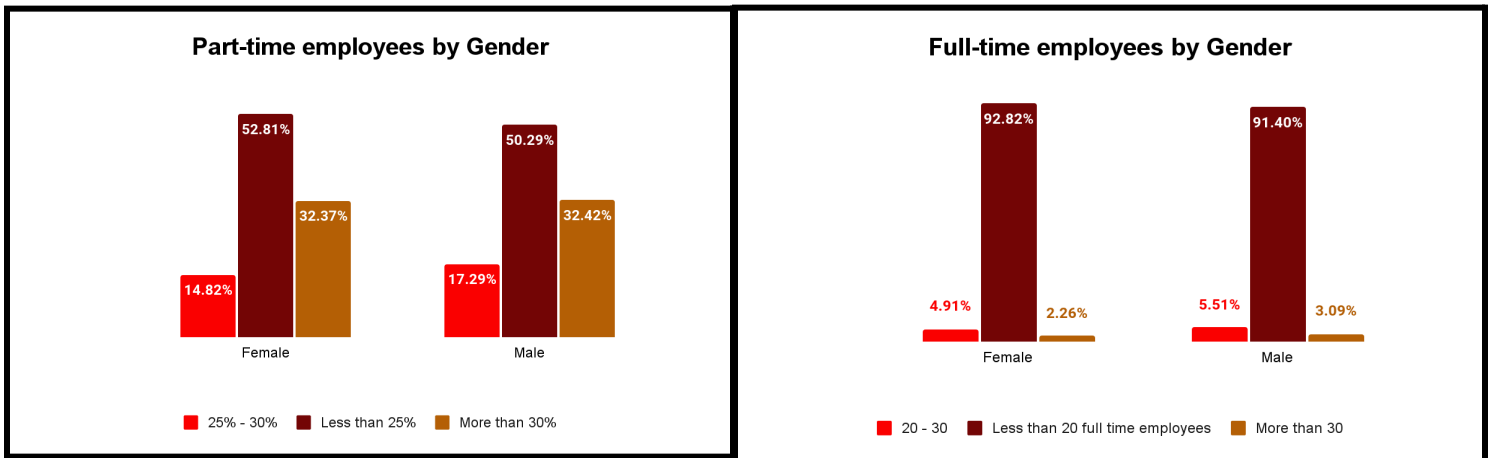


Figure 29; Part time employees by Gender

Figure 30; Full time employees by Gender



In terms of the sectoral and regional outlook, across all sectors, most of the beneficiaries had less than 20 employees with a slightly higher percentage in the education & training sector and manufacturing sector being reported in the between 20-30 full time employee's category. **Regionally, Northern Africa had a different trajectory in the proportion of employees compared to the other region. They had more employees compared to other regions reported in the 25%-30% category. This could be driven by the fact that its top 3 sectors (Agriculture, Education & Training and Healthcare) were different compared to the other regions.**



Figure 31; Full time employees by Sector

Figure 32; Part time employees by sector

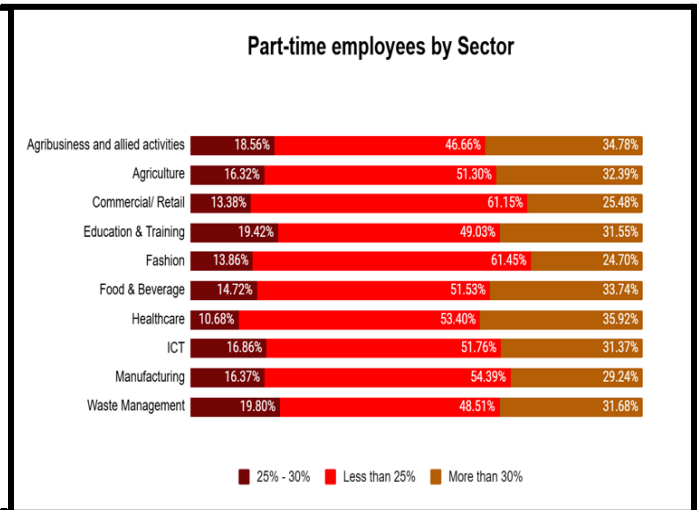
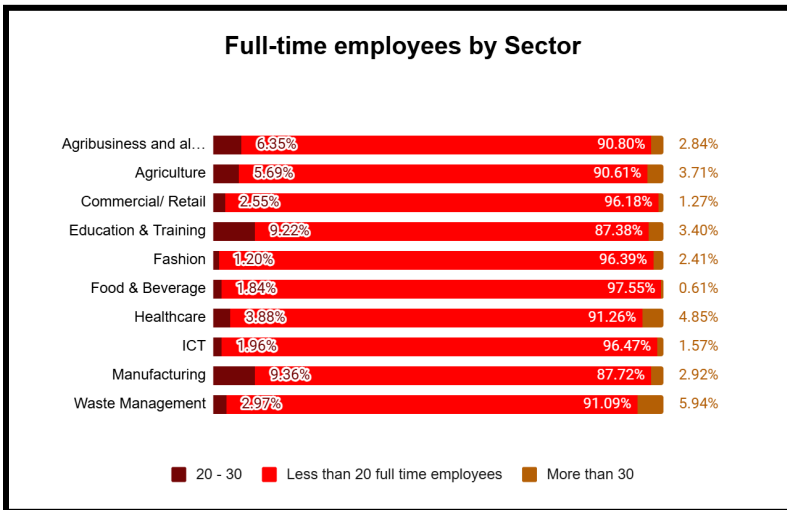
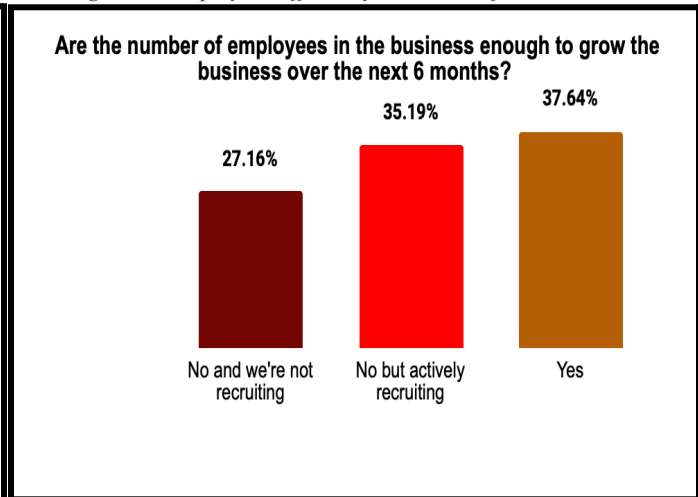
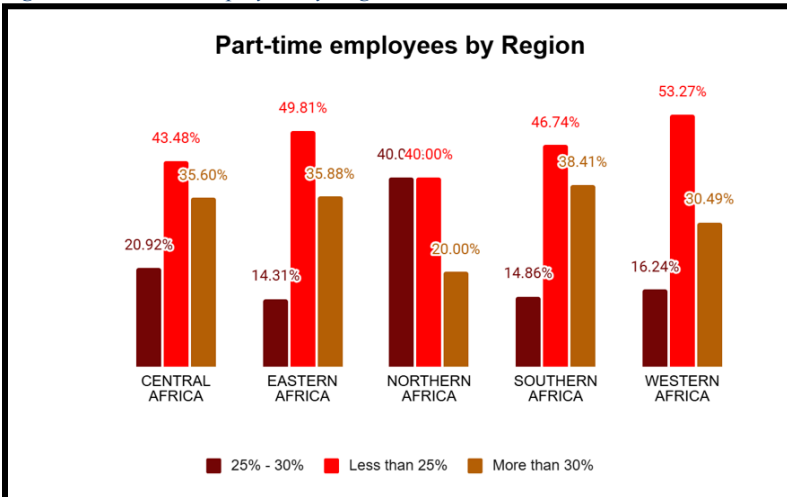


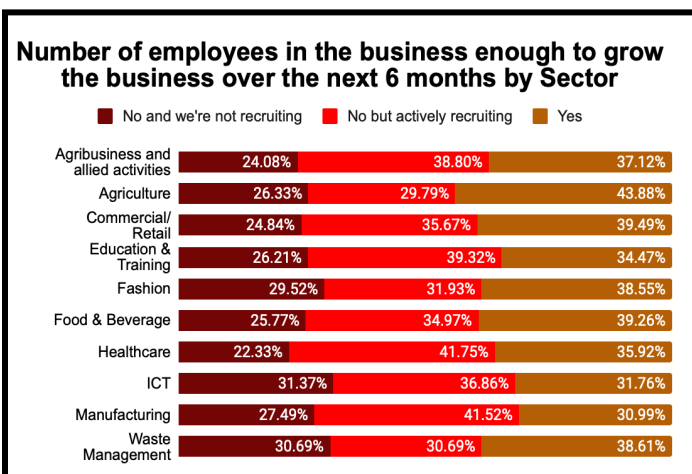
Figure 33; Part time employees by Region

Figure 34; Employee Sufficiency across beneficiaries



In terms of employee sufficiency, only 37.64% mentioned that their current staff is sufficient for growth within six months. This is an indication that given their growth plans, **findings suggest opportunities for additional jobs as shown above in Figure 34**. The job deficit was also evident across the top 10 sectors as shown below in the figure 35 below.

Figure 35; Employee Sufficiency across beneficiaries by sector



### 3.3. Financial Projections and Business Models of the TEF Programme Beneficiaries

#### Revenue outlook among the TEF beneficiaries

Various development agencies have classified revenue outlook for MSMEs business. To determine which category of business the beneficiaries belong to, the IFC definition was adopted. According to their report, Micro-enterprises have an annual sales revenue of less than one hundred thousand dollars (<\$100,000). In contrast, small enterprises have up to three million (\$3,000,000) and medium enterprises record an annual sales revenue of up to fifteen Million (\$15,000,000). **From the analysis, TEF beneficiaries are more likely (49.3%) to be micro-enterprises, with an average annual revenue of about \$39,612.** However, **there were differences geographically with the Northern Africa region having a larger percentage of the business earning up to \$96,000 annually compared to all the other regions where the majority of the businesses reported earning \$39,612 annually.** Figure 36 and 37 show the monthly revenue by region and across all surveyed businesses.

Figure 36; Total Monthly Revenue

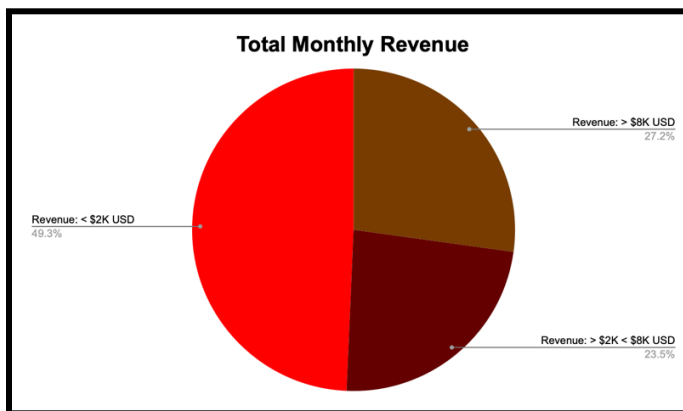


Figure 37; Average monthly Revenue by Region

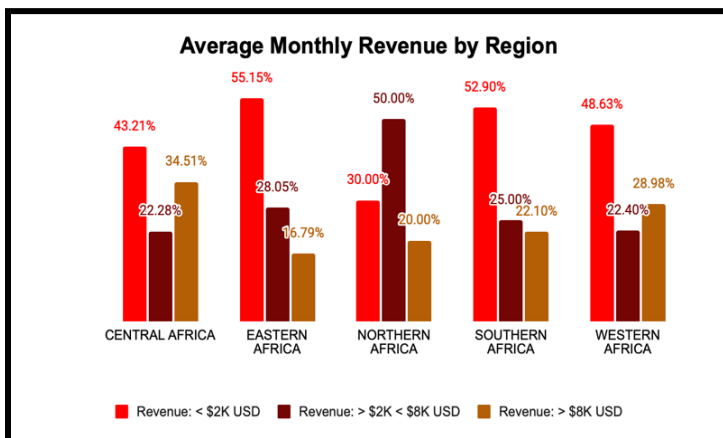
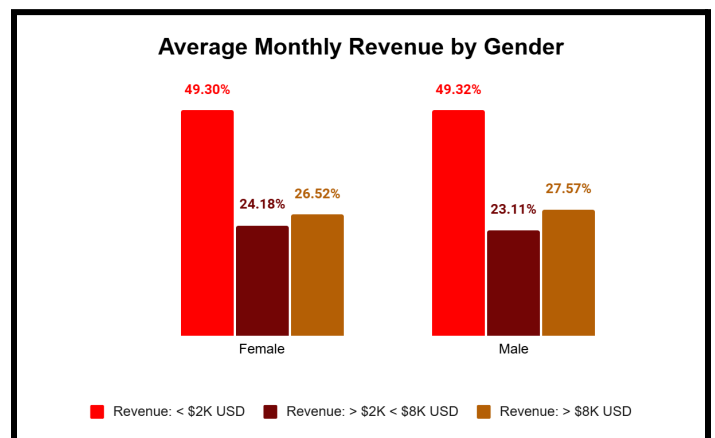


Figure 38; Average Monthly by Gender



**Male and female owned businesses reported to be generating similar monthly revenue** as shown in Figure 38 above. However, there was a difference with a slightly higher percentage of male beneficiaries reporting revenue higher than eight thousand US dollars (\$8,000) monthly. A higher percentage of women compared to men were in the mid revenue bracket reporting between two to eight thousand US dollars (\$2,000 - \$8,000) monthly. Different studies explain why male owned businesses tend to report higher revenues and profits

compared to female owned businesses. According to the world bank 2018 report<sup>39</sup>. The factors contributing to the differences were grouped into four main categories namely; choices and preferences asserting that women did not naturally prefer entrepreneurship but opted for it as a last result and that women preferred less risky businesses that offer a slow and steady growth compared to male entrepreneurs who are more risk seeking.

The second factor identified was endowment given that women continue to be more disadvantaged when it comes to asset ownership, differences in literacy levels, skills and experience and finally in their social and capital networks affecting their efficacy to run and scale the businesses. The third difference was on external constraints such as legal and financial environments, labor market discrimination, and social and cultural differences. Finally the last factor was linked to internal constraints such as esteem issues, reluctance to seek credit options and perceptions of opportunities in the markets. A study by United Nations Industrial Development Organization (UNIDO)<sup>40</sup> reported that gendered differences in entrepreneurship are because of deep gender norms and practices within societies. The study documented that on average, female led enterprises face specific challenges in entrepreneurship that negatively affect the firm size and profit. Some of the factors contributing to this gendered differences include; larger proportion of women operating in informal sector<sup>41</sup>, structural and gendered barriers in accessing and deploying resources to grow their enterprises such as access to finance<sup>42</sup> and technical support and that systems and institutions, such as markets, are designed to better suit the needs of men than of women as entrepreneurs<sup>43</sup>.

### Profitability outlook among TEF Beneficiaries.

In terms of profitability, the beneficiaries' businesses were assessed against three elements: break-even level, loss level or profit level as shown in figure 39 below. From the analysis, **the majority of TEF beneficiaries are more likely to be running profitable businesses.** 62.2% of the beneficiaries reported to be operating their businesses at a profitability level, with 34.2% reporting to be operating at a loss while 3.6% reported to be breaking even. **While the proportion of profitable business was more than 50% across all regions, the proportion of those making losses were more in the Southern and Eastern region at 39.12% and 45.65% respectively. Regions with a larger proportion of businesses reporting profitability were in Central Africa (66.58%) and Northern Africa (70.0%).** Figure 40 below shows the profitability by region.

Figure 39; Profitability levels of Beneficiaries

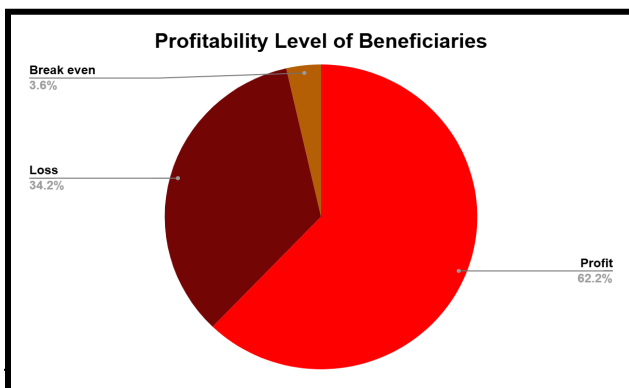
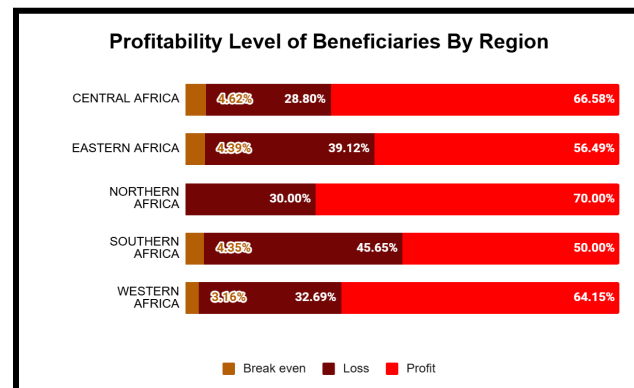


Figure 40; Profitability levels of beneficiaries by Region



<sup>39</sup> Link to report ; <https://documents1.worldbank.org/curated/zh/400121542883517807/bat/Female-Entrepreneurs-How-and-Why-are-they-Different.pdf>

<sup>40</sup> Report Accessed from ; [Women, SMEs and sustainable development – lessons learnt for the road ahead | UNIDO](#)

<sup>41</sup> Report Accessed from; [MULTI-COUNTRY STUDY ON WOMEN-LED MSMES, WITH A FOCUS ON MICROENTERPRISES](#)

<sup>42</sup> Oxfam, Babson College, and Value for Women. Understanding Structural Barriers & Hidden Bias in Access to Credit for Women-Led Businesses. Oxfam, 2018. Accessed August 2022.

<sup>43</sup> HailmD.WomenEntrepreneursNeeded-Stat! .Blog,WorldBank.April2020.Seealso,WorldEmploymentandSocialOutlook:Trends 2022.ILO,2022

**Both Male and female TEF beneficiaries are likely to be operating profitable businesses.** The profitability outlook of male and female owned businesses was quite similar in the proportions represented. The proportion of profitable male business was reported at 63.12% while that of females was reported at 60.53%. **In terms of profitability, most of the sectors were profitable businesses. The top three profitable sectors were food and beverage with 65.64% of business profitability, followed by ICT at 63.53% and agribusiness at 63.04%. The fashion sector had the highest number of businesses operating at a loss reported at 40.36% compared to the other sectors followed by the healthcare sector 35.92% and Agriculture reported at 35.72%.** Figures 41 and 42 below show profitability levels by gender and sector respectively.

Figure 41; Profitability level of beneficiary business by Gender

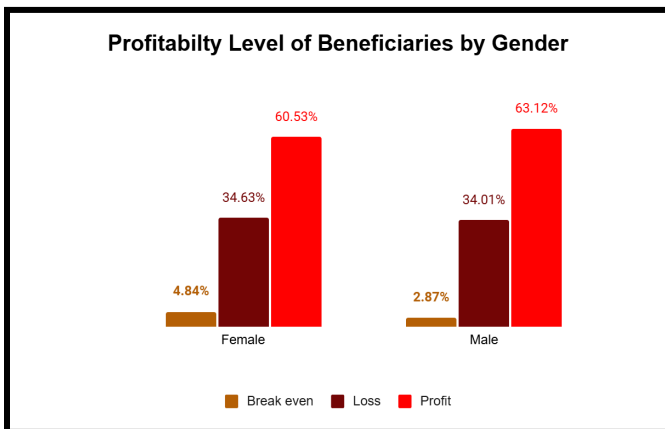
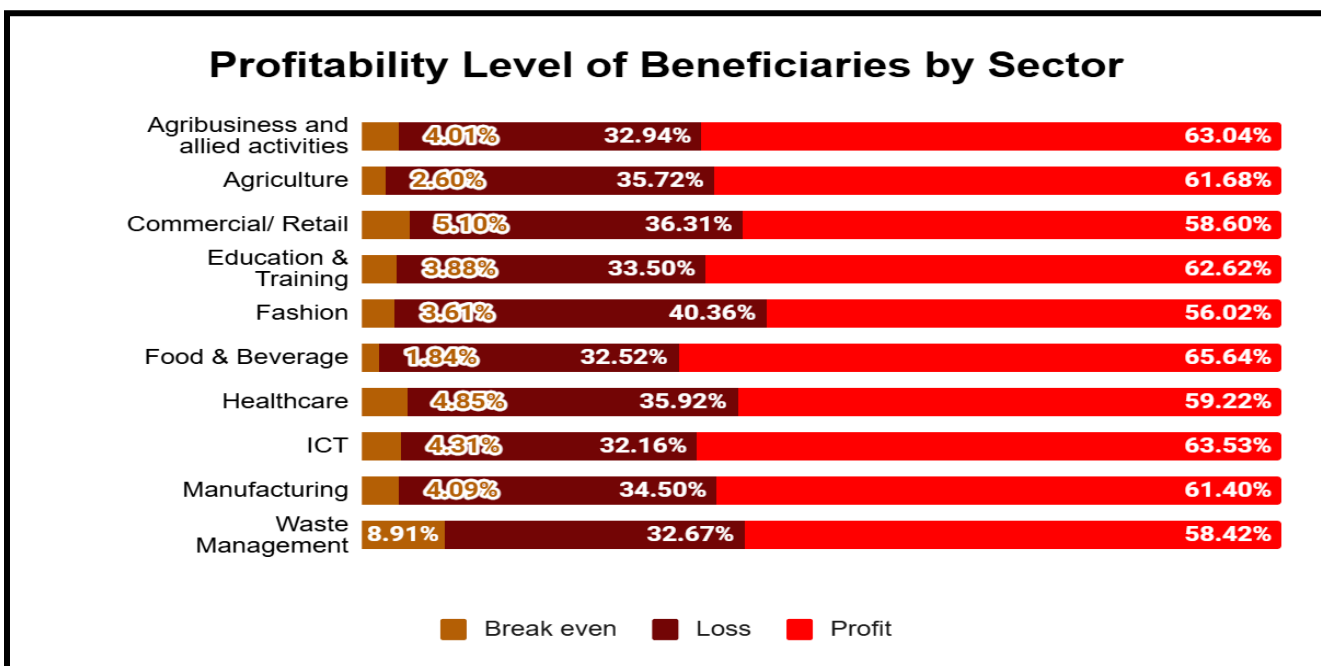


Figure 42; Profitability level by Sector



## Customer Acquisition strategies among Programme beneficiaries

TEF beneficiaries are more likely to have a customer acquisition strategy as shown by figure 43 below. **45.25%** reported having one while an additional **31.53%** reported building an acquisition strategy. One of the technical areas for support that can be accorded to the beneficiaries is how to build effective business management strategies. **The most common marketing channel used by TEF beneficiaries in all regions was social media** as shown by figure 44 below. **In Northern Africa, 20% of the businesses reported using direct marketing to its clients, a trend reported by an average of between 3-6% of businesses in the other regions.** Following the disruption caused by COVID-19, digital platforms opened as convenient channels of marketing sales and distribution in recent years. Social media platforms are relatively cheaper<sup>44</sup>, convenient, and have a wider following, especially among the younger generation.

Figure 43; Customer Acquisition Strategies of Beneficiaries

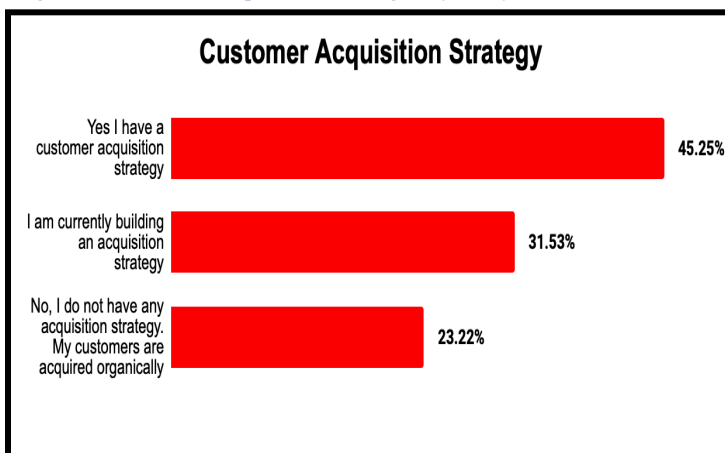
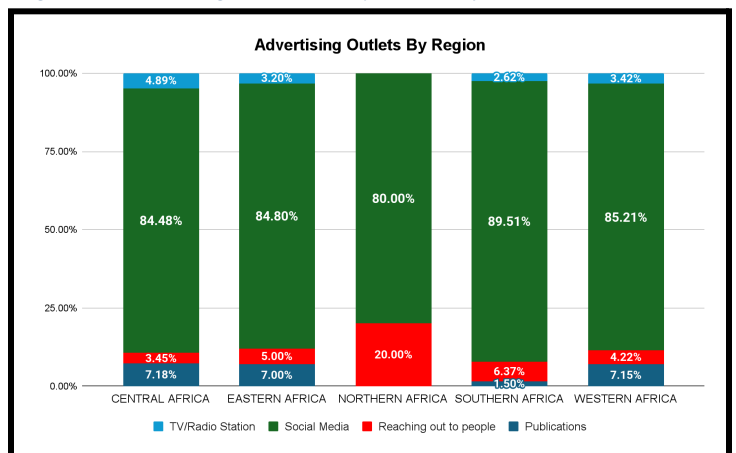


Figure 44; Advertising outlets used by TEF beneficiaries



## Customer Lifetime Value (LTV) to Customer Acquisition Cost (CAC) (LTV:CAC) Ratio of Programme Beneficiaries

In terms of the lifetime customer value to the cost of acquisition ratio, most of the beneficiaries' businesses had a healthy ratio. As shown in figure 45 below, **none of the businesses recorded a ratio of less than one, an indication that none of the businesses were losing value for every customer. However, 40.72% of the business had a ratio of less than 3.1 indicating an unsustainable acquisition strategy as the cost of acquiring a customer is higher than the value they bring.** A good benchmark for LTV to CAC ratio is 3:1 or better. If the business ratio is less than 3:1, it suggests that the cost of acquiring customers is higher than the value they bring over their lifetime indicating an unsustainable acquisition strategy, as the business is spending more on acquiring customers than it can generate in revenue<sup>45</sup>. **Those who had a ratio of between 3-4 accounted for 38.35% while those who had a score of 5.1 accounted for 20.94% of the beneficiaries, an indication that they had profitable growing businesses.** Ideally, if the LTV:CAC ratio is higher than 3:1 it means that the value a customer brings over their lifetime is much greater than the cost to acquire them. Generally, 4:1 or higher indicates a great

<sup>44</sup> Augustine Chu ; Cross Channel Media Costs Comparison CPM Basis. Accessed from: <https://www.slideshare.net/slideshow/cross-channel-media-costs-comparison-cpm-basis-by-augustine-fou/30815080>

<sup>45</sup> [Understanding the LTV:CAC Ratio and Its Calculation](#)

business model. If your ratio is 5:1 or higher, you could be growing faster and are likely under-investing in marketing

Figure 45; LTV; CAC Ratio of businesses

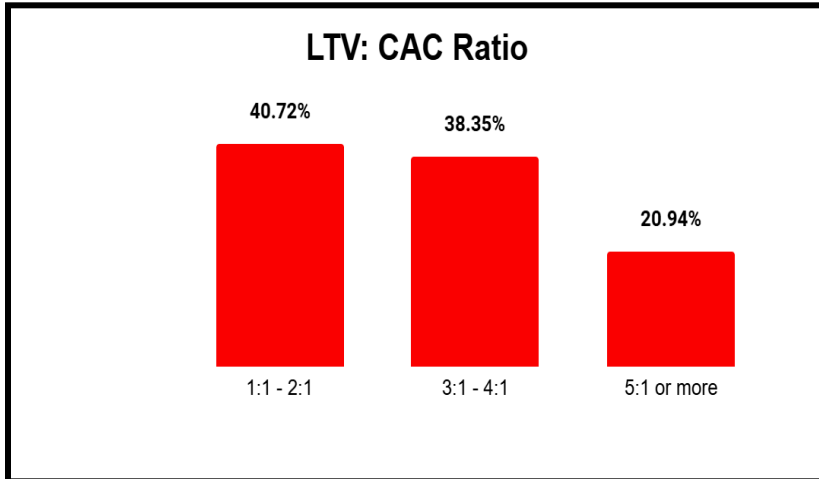




Photo: Gladmore Moses from Zimbabwe, founder of Hven Agri-Solutions

### 3.4 Regulatory Compliance of TEF Programme Beneficiaries

#### Formal registrations and licensing of Businesses

**TEF beneficiaries are likely to have been registered formally in the main country of operation.** Figure 46 shows the proportion of businesses with VAT registration. From the analysis, the majority of the surveyed beneficiaries (65.40%) had registered with the tax authority while 63.03% reported having a local license in the country of operation. **For those that had operations outside of their local country, 9.24% mentioned they had a license to operate in other countries** as shown in figure 47. One of the common characteristics of informal MSMEs is the lack of business registration. Lack of registration locks them outside of the formal financial systems hindering their ability to access loans. From a sectoral perspective, this lack of formalisation of the businesses results in data gaps that limit the financial sector in understanding the needs of the MSME and underserved populations and subsequently designing relevant products to them. Relevant products, especially in the context of inclusive finance, should consider the socio-economic status (affordability), distribution options (digital, agents on ground e.t.c) and convenience of accessing the products. In recent years there has been a clarion call to promote formalisation of the MSMEs sector in a bid to open the sector to more opportunities and markets.

Formalisation also gives the sector the power to negotiate with governments, policymakers and traders' associations. UNCTAD 2021<sup>46</sup>, asserts that if the formalisation is to happen, then a multifaceted, multisectoral, multi-stakeholder approach would be needed.

Figure 46; Distribution of VAT registrations among TEF Beneficiaries

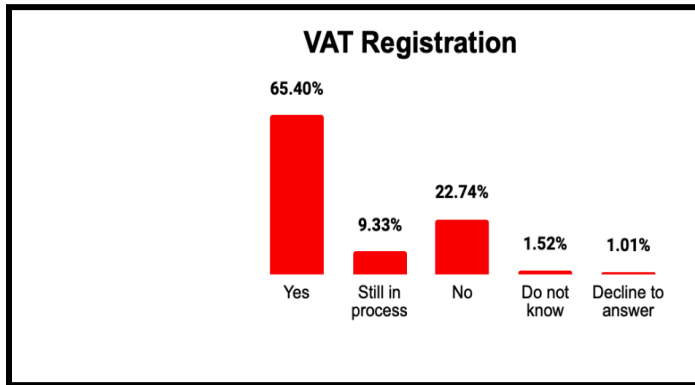


Figure 47; Distribution of Business Licenses in Country of Operation

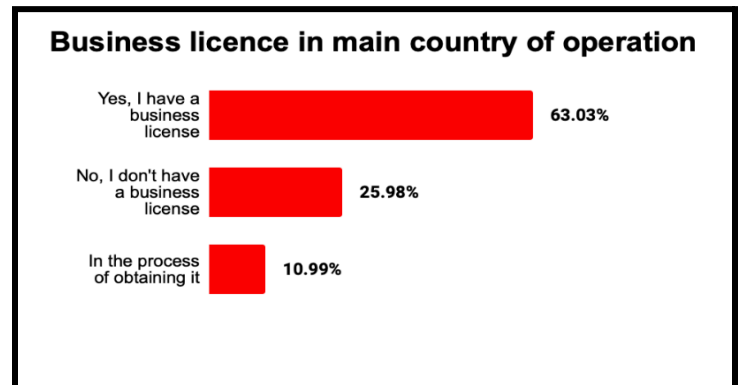


Photo: Amina Umuhoza from Rwanda, founder of Saye company

<sup>46</sup> [Promoting Micro-, Small and Medium-sized Enterprise \(MSME\) Formalization through the Cooperative Enterprise Model | UNCTAD](#)

### 3.5. Growth Stages and Market Access of TEF Programme Beneficiaries

#### Product and Market

The majority of TEF beneficiaries' businesses have now advanced to the growth stage (55.26%) of the business development trajectory, with 59.51% having validated their products. This marks a substantial improvement from the baseline study, where only 5% of businesses were in the growth stage, and approximately 87% were classified within the startup and intermediary stages. This progress highlights the significant impact of the TEF Entrepreneurship Programme in supporting beneficiaries to elevate their businesses from startup to maturity, fostering a more robust and sustainable entrepreneurial landscape. Figures 48 and 49 below show the results. Those who were in the process of validating the marketing fit comprised 24.01% of the beneficiaries while 16.48% had not validated their product at all. As shown in Figure 10, the majority of the businesses were established in the later years of the decade (2015-2022).

According to the Harvard business review there are five stages of every business, with the growth stage being the second. While there is no agreed timeframe as to when a business proceeds to the next stage, The growth stage typically occurs after the first 3-5 years but is preceded by a strong customer base<sup>47</sup>. The mapping on profitability and customer base support this insight, an indication that the majority of the TEF beneficiaries having been in the market for a while have an already established customer base and some form of profitability.

Figure 48; Validation of Product/Market /need

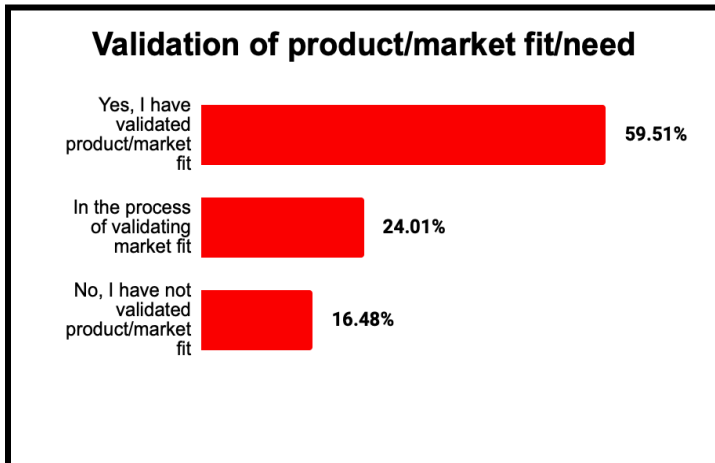
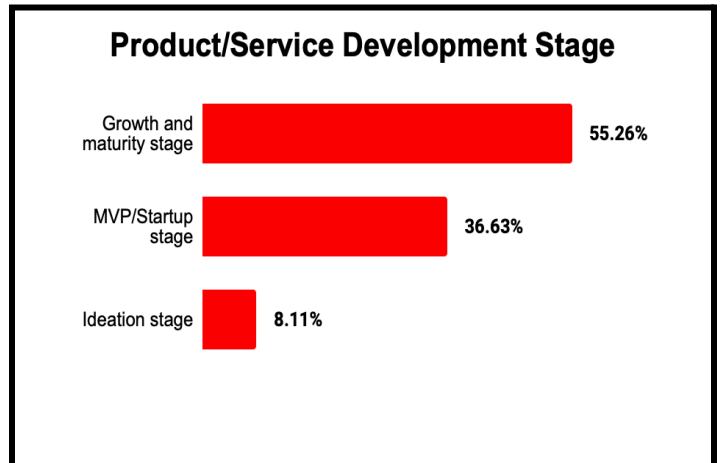


Figure 49; Product/Service Development Stage



#### Market Access and Supply Chain

The study sought further to determine if the surveyed TEF Beneficiaries had access to all the right players in the supply chain. We defined key players as stakeholders relevant within the supply and value chain that enables the entrepreneur to access the right goods and products. For example: For a fashion business this could be designers, a production team, a factory, buyer/s. The results are shown in figure 50 below. The majority (50.61%) of the surveyed TEF beneficiaries felt they had access to a few players in the supply chain with only 35.39% report having access to all the right players. Only 14.00% reported not to have access to any player in their supply chain. Figure 51 and 52 further show responses on access to suppliers by region and sector.

<sup>47</sup> [How Long It Takes for a Small Business to Be Successful: A Year-By-Year Breakdown](#)

Figure 50; Access to all the right players by beneficiaries

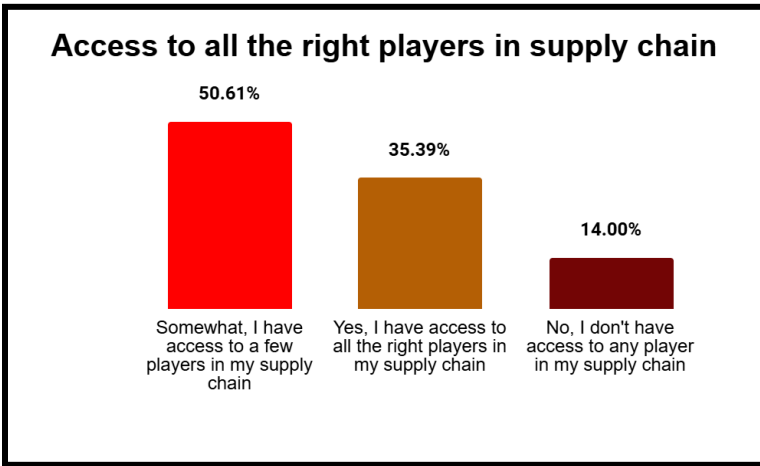


Figure 51; Access to all the right players by Sector

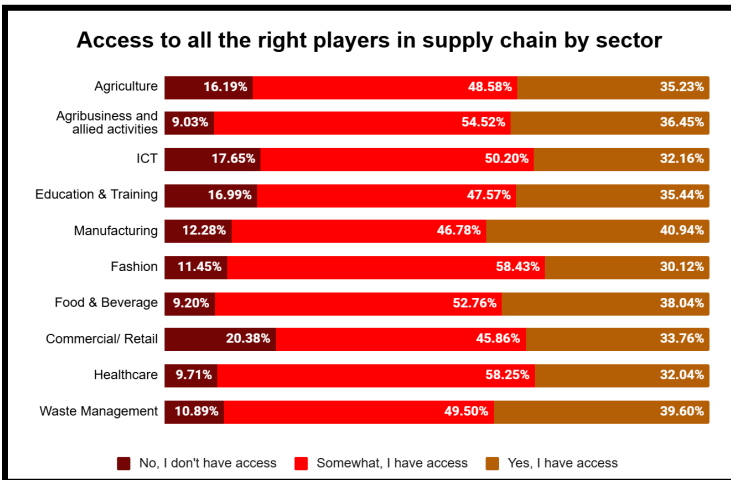


Figure 52; Access to all the right players by region

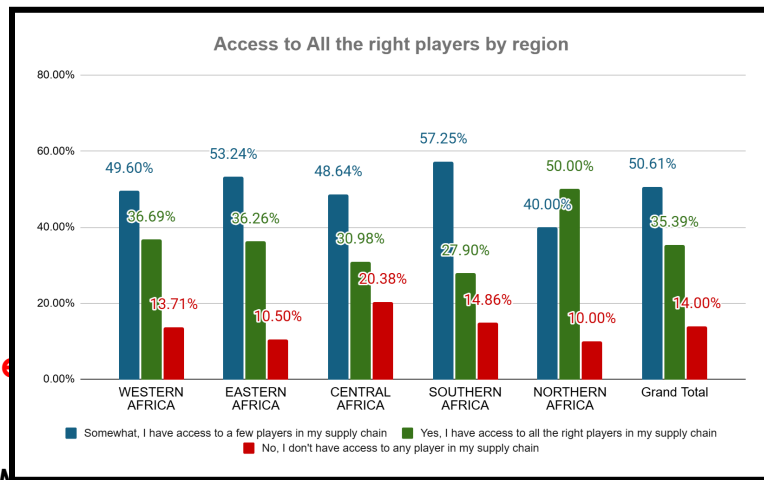
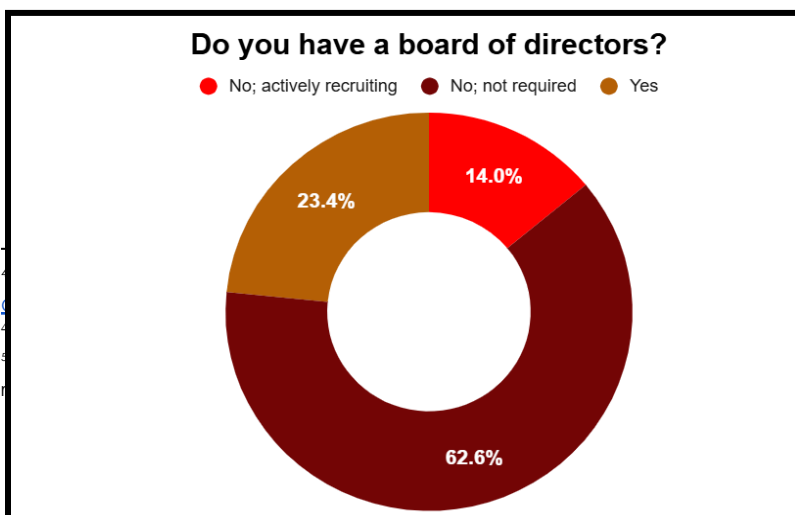


Figure 53 shows that the majority of the beneficiaries are MSMEs with 76.6% yet to have a governance structure of overseeing board. Of the surveyed businesses, 62.6% do not yet require it while 14.0% do require it and are in the process of recruiting directors. Generally, MSMEs' leadership and governance structures are unstructured and consist of lean teams<sup>48</sup>. This is partly due to financial constraints<sup>49</sup>. However, as the business expands to maturity the need for a structured leadership and governance unit significantly changes. The Evolution needs of MSMEs continue to shift significantly as the business grows<sup>50</sup>.

Figure 53; Distribution on the presence of a board member



Economy: A Strategic Human Resource Perspective. Accessed from: [Strategic Human Resource Perspective. - KESRA](#)

...al sector enterprises, including support for their recovery and

### 3.7. The Contribution of the TEF Businesses to the Sustainable Development Goals

Entrepreneurship plays a critical role in advancing the achievement of sustainable development goals. Entrepreneurs create self-employment for the owners who also subsequently employ people, hence providing household income. While TEF support for African entrepreneurs' cuts across the 17 SDGs<sup>51</sup>, we identified 5 SDGs (SDG 1,2,5,8, and 9) as indicated below that the current beneficiaries are actively contributing to.



#### SDG 1: NO POVERTY

Data from the mapping activity revealed that 100% of TEF entrepreneurs are contributing to **SDG1** that is generating revenues thereby contributing to their economies. A disaggregated analysis of the data reveals that businesses in West Africa contribute the most to achieving SDG 1, with 66.81% of contributions, followed by Eastern Africa (14.76%), Central Africa (10.37%), and Southern Africa (7.78%). Northern Africa accounts for the least contribution at just 0.28%. This regional disparity highlights the concentration of entrepreneurial activity

<sup>51</sup><https://www.tonyelumelufoundation.org/en/africapitalism/africapitalism-and-africas-sustainable-development-the-tony-elumelu-foundations-contribution-to-the-sdgs#:~:text=The%20TEF%20and%20the%20SDGs%3A&text=SDG%201%20-%20eradication%20of%20poverty,low%2Dincome%20individuals%20and%20communities>

and programme engagement in West Africa, where initiatives are likely better aligned with poverty alleviation and economic empowerment goals. Conversely, the limited contribution from Northern Africa suggests potential gaps in outreach, programme accessibility, or support for businesses in this region, signaling an opportunity for targeted interventions to enhance impact and inclusivity across all regions. A further disaggregation of the data by sector reveals that agriculture (22.80%), agribusiness and allied activities (16.85%), and ICT (7.19%) are the leading contributors to revenue generation. This suggests that these sectors hold significant economic potential and align well with market demands and growth opportunities. The prominence of agriculture and agribusiness highlights the critical role of these sectors in food security and rural development, while the strong performance of ICT reflects the increasing reliance on digital technologies and innovation.

Figure 54: Distribution of regions contributing towards SDG 1

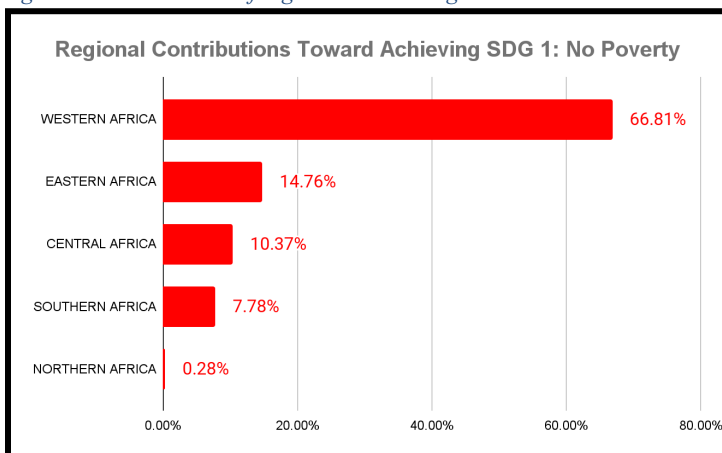
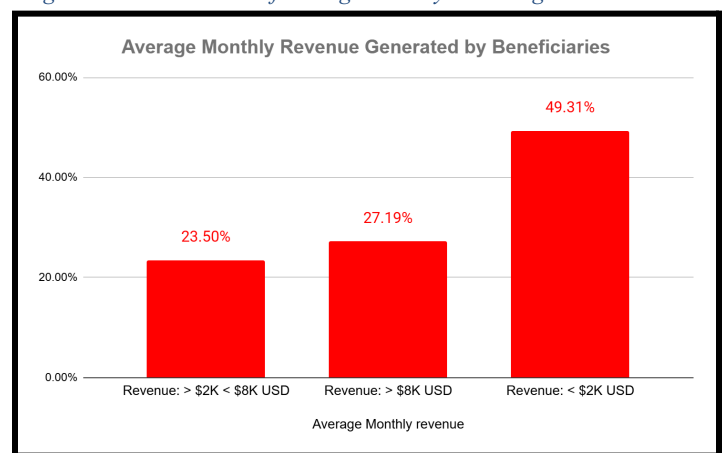


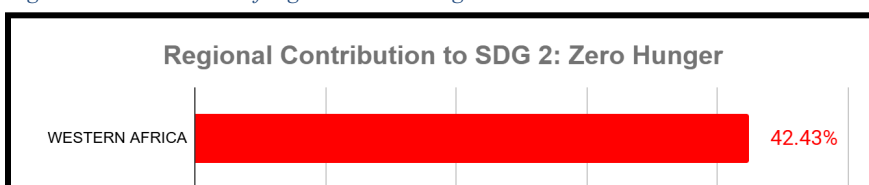
Figure 55: Distribution of average monthly revenue generated



## SDG 2: ZERO HUNGER

**SDG 2** focuses on ending hunger, achieving food security, improving nutrition, and promoting sustainable agriculture. The mapping exercise revealed that a significant proportion of TEF entrepreneurs are engaged in agriculture (22.80%) and agri-based businesses (16.85%), with a combined contribution of 39.64% to SDG 2 goals. Regionally, businesses in Western Africa are the leading contributors, accounting for 42.43% of this impact, while Southern Africa contributes the least at 28.26%. This disparity highlights the strong alignment of entrepreneurial activities in Western Africa with agricultural and food security objectives, likely driven by the region's rich agricultural resources and market focus. Conversely, the lower contribution from Southern Africa suggests potential barriers, such as limited access to agricultural infrastructure or market opportunities.

Figure 56: Distribution of regions contributing towards SDG 2



### SDG 5: GENDER EQUALITY

**SDG 5** aims to achieve gender equality and empower all women and girls. The data reveals mixed progress among TEF entrepreneurs in fostering gender inclusion. Approximately 40.80% of entrepreneurs reported that women constitute less than 25% of their full-time employees, while 59.20% indicated that women make up more than 25% of their workforce. Regarding business ownership, Approximately 50.5% of entrepreneurs reported female shareholders owning 0%-39% of their businesses, whereas 49.5% stated that female ownership ranges between 40%-100%. These figures highlight the programme's role in promoting gender-inclusive practices.

Figure 57: Percentage of women that are full time employees

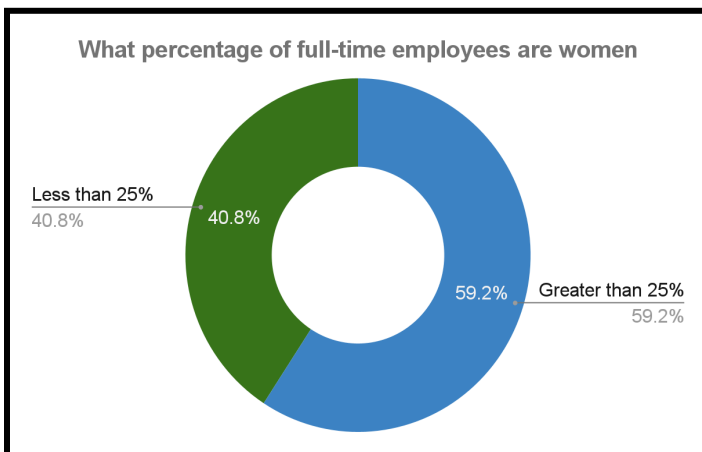
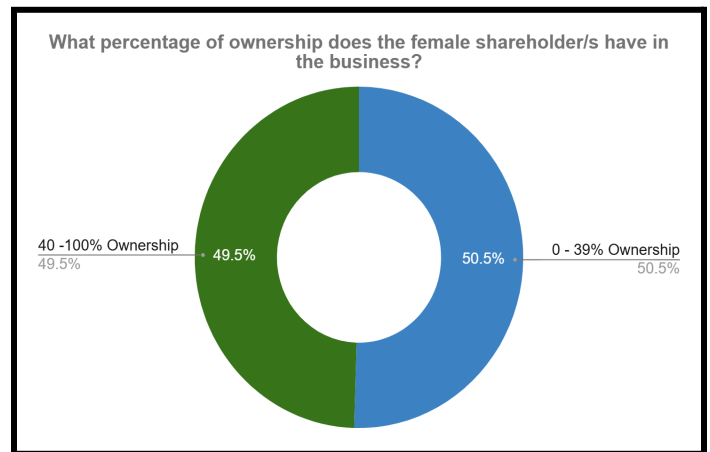


Figure 58: Percentage of ownership that female shareholders has

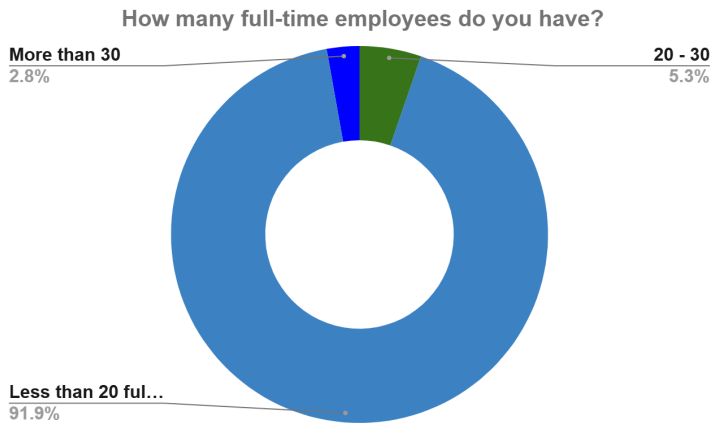


### SDG 8: DECENT WORK AND ECONOMIC GROWTH

The mapping exercise revealed that all beneficiaries reported having full-time employees in their businesses, aligning with **SDG 8**, which emphasizes promoting sustainable economic growth through the creation of full-time and productive employment. The data indicates that approximately 92% of businesses employ fewer than 20 full-time staff, 5% employ 20-30 full-time staff and approximately 3% employ over 30 full-time staff. This reflects the programme's significant contribution to job creation and economic empowerment. While the majority operate within small to medium-sized employment scales, the presence of businesses with larger

workforces highlights the potential for scalability and broader economic impact facilitated by the TEF programme.

Figure 59: Distribution of full time employees



### SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG 9 focuses on building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation. The mapping data reveals that all beneficiaries have adopted green practices, demonstrating their commitment to sustainability. Notably, the majority (**39.25%**) of beneficiaries reported that they use renewable sources of energy. This reflects the program's role in encouraging environmentally responsible business operations and fostering innovation that aligns with global sustainability goals.

Figure 60: Distribution of beneficiaries engagement in green practices

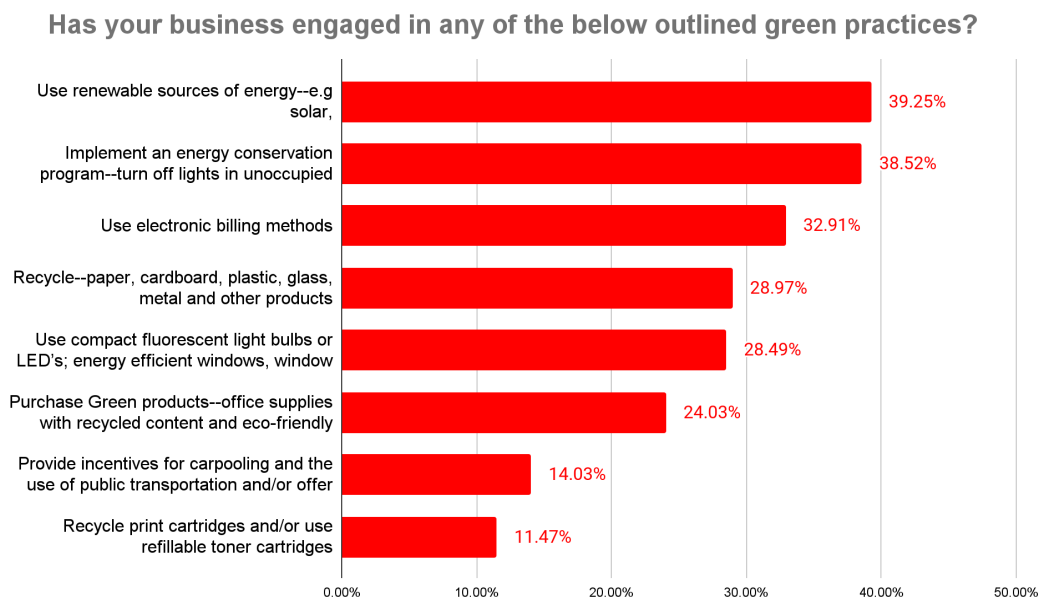




Photo: Victor Muthini from Kenya, CEO of Kyuma goods

## SECTION 4: Findings- Investment Readiness Patterns of the TEF Programme Beneficiaries

The funding deficit for MSMEs in Africa is estimated at \$5.7 trillion financing gap for MSMEs (IFC, 2024<sup>52</sup>). Mercy Corps 2021<sup>53</sup> estimated that between 55-68% of Formal SMEs are either unserved or underserved by formal financial institutions. Over the years, one of the main factors that has been linked to influence the financing gap, is the limited data and tools to appropriately score and profile the viability of the small business. On the other side, MSMEs owners are faced with the challenge of packaging their business value proposition, its viability and availing materials of interest to investors such as business plans, financial records and inventory records (World Bank, 2019<sup>54</sup>). Businesses would benefit from additional technical knowledge and business management materials to enable businesses to identify when they are ready for investment and become more aware of the importance of the readiness levels to investors.

An investment readiness score is a quantitative assessment of a business or project's preparedness to attract investment. It is a way for entrepreneurs, investors, or institutions to evaluate various aspects of a venture to determine its attractiveness for investment. An investment readiness score helps the entrepreneur assess the extent to which they can meet the needs and expectations of their potential investors. A randomized control trial by the World Bank in 2019, validated the need for more players to support MSMEs with investment readiness programmes. The results of the experiment asserted that the programme resulted in a 0.3 standard deviation

<sup>52</sup>Press release IFC to Help Financial Institutions Support Small Businesses Through New Global MSME Financing Platform

Accessed from: [IFC to Help Financial Institutions Support Small Businesses Through New Global MSME Financing Platform](#)

<sup>53</sup>[Bridging the financial gap for small business owners in Africa | Mercy Corps](#)

<sup>54</sup>[Investment Readiness Program for Innovative SMEs in Western Balkans](#)

increase in the investment readiness score subsequently, treated firms attained significantly more media attention and were 5 percentage points more likely to have made a deal with an outside investor, although this increase is not statistically significant (World Bank, 2019<sup>55</sup>).

For this assessment, the beneficiaries were subjected **Chil Artificial Intelligence**<sup>56</sup> evaluation (See Annex 1 for the detailed score evaluation) . The table below shows the indicators discussed under each thematic area and the score evaluation. The score provides valuable insights to both entrepreneurs and investors, helping them understand the strengths and weaknesses of a venture and make informed decisions about investment opportunities. Table 2 below is the explanation of the range used in the report to determine whether a business is ready for investment or not.

*Table 1; Investment Readiness Score Evaluation per Theme*

<b>Investment Readiness Score Evaluation</b>			
<b>Chil Artificial Intelligence Lab</b>			
	<b>Scoring guideline</b>	<b>Startup Response (1st ev.)</b>	<b>Weighted evaluation</b>
<b>Team, Talent &amp; Advisors</b>			
<b>Founders &amp; C-Suite</b>		(Pick a number between 1 to 3)	
Commitment levels among the three categories	1) Slightly engaged, for now it's a part-time job 2) Partially engaged, my team is complete, some of us work part-time 3) Highly committed, my team is complete, we work full time and invest our own money	3	0.8333333333
<b>Employees</b>		(Pick a number between 1 to 3)	
How many full-time employees do you have?	1) Less than 20 full time employees 2) 20 - 30 3) More than 30	2	0.5555555556
Are the number of employees in the business enough to grow the business over the next 6 months	1) No and we're not recruiting 2) No but actively recruiting 3) Yes	1	0.2777777778
What is the percentage of staff turnover over the last 12 months?	1) More than 15% 2) Between 10 - 15% 3) Less than 10%	3	0.8333333333
<b>Board of Directors</b>			

<sup>55</sup> [Investment Readiness Program for Innovative SMEs in Western Balkans](#)

<sup>56</sup> Chil Artificial Intelligence Lab WE4A Investment readiness score



Do you have Board of Directors	1) No; not required 2) No; actively recruiting 3) Yes	3	0.8333333333
<b>Product &amp; Market</b>			
<b>Market Need</b>		(Pick a number between 1 to 3)	
Have you validated your product/market fit/need?	1) No, I have not validated product/market fit 2) In the process of validating market fit 3) Yes, I have validated product/market fit	3	3.571428571
<b>Product / Service</b>		(Pick a number between 1 to 3)	
Product / Service Development Stage (please pick one)	1) Ideation stage 2) MVP/Startup stage 3) Growth and maturity stage	3	3.571428571
Do you have access to ALL the right players in your supply chain?	1) No, I don't have access to any player in my supply chain 2) Somewhat, I have access to a few players in my supply chain 3) Yes, I have access to all the right players in my supply chain	2	2.380952381
<b>Technology &amp; Operations</b>			
		(Pick a number between 1 to 3)	
Ownership of tech platforms	1) No 2) No but in the process of implementing it 3) Yes	3	5
Challenges of Scaling tech platforms	1) Very difficult 2) Can be scaled but haven't explored that 3) Highly scalable and has traction to prove it	3	5
Availability of Resources to develop platforms	1) No, I do not have any resources 2) Partly, I have some resources 3) Yes, I have all the resources	2	3.333333333
Presence of business contingency plans	1) No 2) I am currently working on a continuity plan 3) Yes	3	5
<b>Revenue &amp; Growth</b>			
Presence and effectiveness of customer acquisition strategies	1) No, I do not have any acquisition strategy. My customers are acquired organically 2) I am currently building an acquisition strategy 3) Yes I have a customer acquisition strategy	3	3



Distribution of Churn Rate	1) Less than 5% 2) 5 - 10% 3) More than 10%	2	2
Estimated LTV:CAC ratio	What is your estimated LTC: CAC ratio? 1) 1:1 - 2:1 2) 3:1 - 4:1 3) 5:1 or more	1	1
<b>Financial &amp; Performance Management</b>			
Understanding of business KPIs	1) No, I do not understand what my business' KPI's are 2) I know my KPIs but need help applying them to my business 3) Yes, I understand my business' KPIs	3	2.5
Financial Management Practices	1) I do not have a specific method to manage my finances 2) I manage it myself using simple bookkeeping methods 3) I use an accounting software/have an accountant	3	2.5
Presence of financial budgets			
Customer Payment Channels	1) Pay solely by cash 2) Cash, cheque and credit card payment 3) All of the above and cardless payments such as mobile money and digital wallet	3	2.5
Time take for payments by customers	How long do most customers take to pay for your product/service? 1) More than 30 days 2) Between 15 - 30 days 3) Less than 15 days	3	2.5
<b>Fundraising</b>			
Funding raised to date	1) TEF Grant 2) TEF Grant/ bootstra[ping/additional external grants/donations/ bank loans 3) Grants, equity/debt obtained from potential investors/interest from investors"	1	1.666666667
How confident are you with the quality of your pitch deck?	1) Not confident 2) Moderately confident 3) Highly confident	2	3.333333333
Short Term and Long term challenges			
Areas where businesses seek more support			

The score provides valuable insights to both entrepreneurs and investors, helping them understand the strengths and weaknesses of a venture and make informed decisions about investment opportunities. Below is the explanation of the range used in the report to determine whether a business is ready for investment or not.

Table 2; Investment readiness scoring

<b>Thresholds/Investments Readiness</b>		
<b>IRL <math>\geq</math> 85%</b>	<b>60% <math>\leq</math> IRL <math>&lt;</math> 85%</b>	<b>IRL <math>&lt;</math> 60%</b>
Highly Investment Ready (High Readiness Score)	Moderately Investment Ready (Mid Readiness Score)	Almost Investment Ready (Low Readiness Score)

### **Highly Investment Ready:**

This indicates that the business or project is fully prepared to attract and secure investment. It has a clear business model, strong financial performance, a detailed growth plan, and solid management in place. The risks are minimal, and the venture is well-positioned to provide a high return on investment. For a business to achieve a high level of investment readiness, longevity plays a critical role, as it reflects stability and resilience. Research shows that 80% of businesses fail within their first five years, and of the 20% that survive, only 25% reach the 10-year milestone.<sup>57</sup> These statistics underscore the importance of sustained operations and proven track records in building investor confidence. Businesses that demonstrate longevity are better positioned to showcase financial stability, market adaptability, and operational maturity—key factors that significantly enhance their appeal to potential investors.

### **Moderately Investment Ready:**

A moderately investment-ready venture is well-positioned for growth, with a strong foundation and clear business model that highlights its potential. While certain areas, such as financial projections, operational efficiency, or risk management strategies, may benefit from further refinement, these represent exciting opportunities for strategic enhancements. With targeted improvements, the venture can significantly amplify its investment appeal, attracting investor interest and building confidence. By addressing these areas proactively, the business sets itself up for sustainable growth, scalability, and long-term success.

### **Almost Investment Ready:**

This indicates that the venture is approaching investment readiness but still has notable gaps to address. While it may showcase a promising concept or product, critical elements such as refining its business plan, achieving market validation, or solidifying its financial structure remain in progress. With targeted improvements, the business could become more attractive to investors in the near future.

## **Investment Readiness Patterns Results**

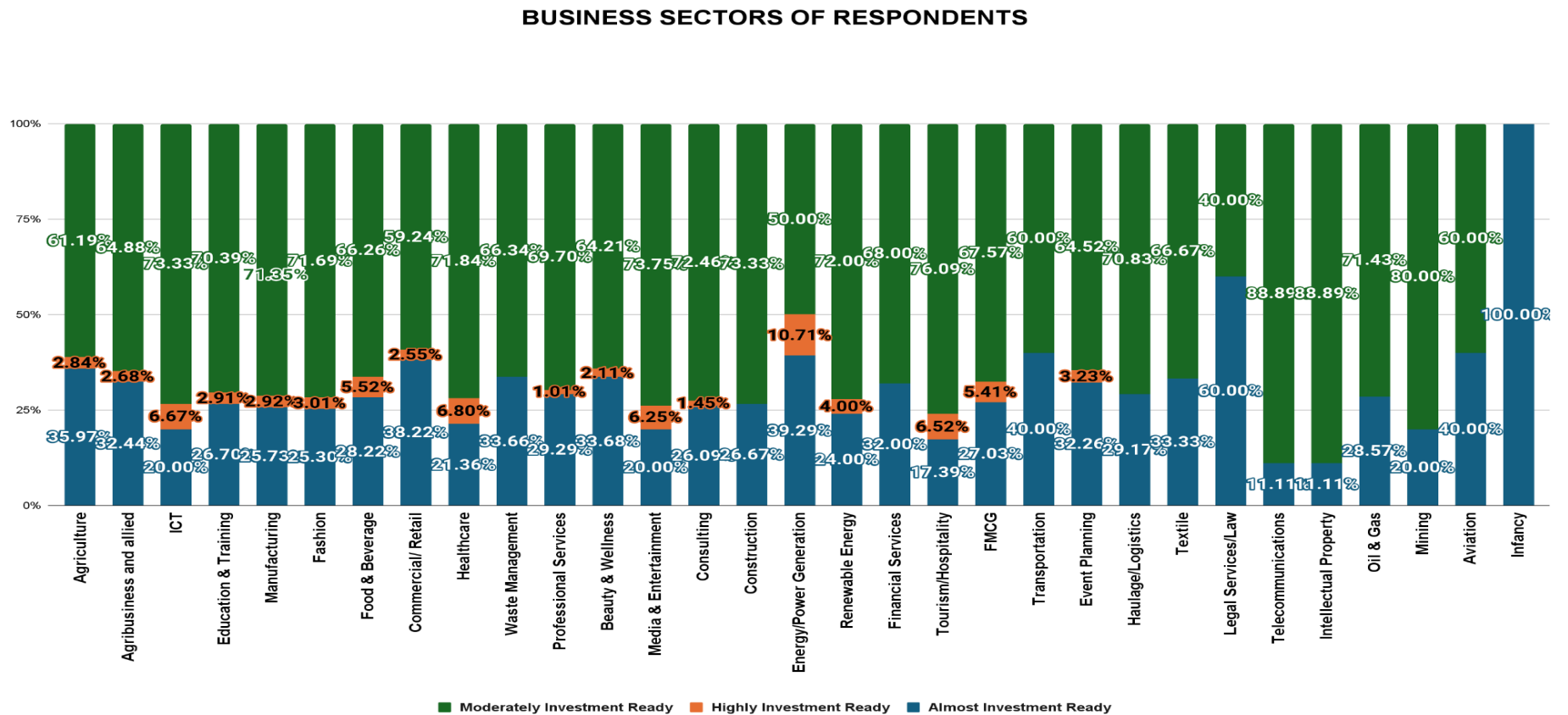
An analysis of the surveyed TEF beneficiaries reveals that the majority (66.38%) achieved a “moderate investment readiness” score, ranging from 60% to 85%. This suggests that with tailored support, at least 7 out of 10 beneficiaries could attract investors to scale their operations or secure additional capital. Notably, 85% of

<sup>57</sup> [How to be Investment Ready](#)

the businesses in the TEF database were less than five years old, having been founded between 2015 and 2022. Given that existing research indicates 80% of businesses fail within their first five years, this is a remarkable achievement for the TEF Entrepreneurship Programme. This accomplishment is further highlighted by the fact that it coincided with the global economic challenges posed by the COVID-19 pandemic, which disrupted economies and businesses worldwide. The resilience demonstrated by TEF-supported ventures underscores the programme's efficacy in equipping small businesses to navigate and overcome entrepreneurial challenges.

Additionally, 30.37% of enterprises earned an "almost investment readiness" score, while 3.24% achieved a "highly investment readiness" rating. Most of the supported ventures are newly established with limited operational history, and a substantial portion was founded in 2021 or later. These early-stage businesses are still in the process of solidifying their market presence and operational stability, further emphasizing the programme's role in fostering growth and building a foundation for long-term success.

Figure 61; Investment readiness score of beneficiaries' businesses disaggregated by their sector



## 4.1. How do investment readiness trends vary across different industries, sectors, or geographic regions?

This section presents a demographic mapping of investment readiness trends across various industries, sectors, and geographic regions.

### Demographic Factors and Investment Readiness



Photo: Florida Mpingesi from South Africa, CEO of Oru Social

### Demographic Representation across investment categories

**There were no differences in the demographic profiles across the investment categories.** Businesses that were highly investment ready were mainly led by Men (68.70%), aged between 28-47 years old (85.22%) with at least a tertiary education (58.26%) or Postgraduate (33.91%). Those that were moderately investment ready were male (64.43%), aged 28-47 years old (85.11%), with either tertiary education (46.43%) or postgraduate (40.20%).



The demographics were largely the same for the almost investment category comprising male (62.15%) ages 28-47 years (78.57%) with either tertiary education (41.00%) or postgraduate (39.42%). From the insights below we note that from the sampled businesses, the larger percentage of women are in the moderately and almost category contrary to the male, whose larger proportions are in the highly investment ready and moderately investment category. Women-led MSMEs are increasingly being recognised for their potential to drive economic growth and innovation. Efforts are underway to enhance their access to funding and develop tailored solutions that address their unique needs. While studies have historically underrepresented women-led enterprises, this trend is shifting as more research and initiatives focus on inclusivity and equitable support<sup>58</sup>

Table 3; Demographic Profile across investment readiness business profiles

DEMOGRAPHIC REPRESENTATION ACROSS INVESTMENT READINESS CATEGORIES				
Demographic Variable	Category	Highly Investment Ready	Moderately Investment Ready	Almost Investment Ready
<b>Gender</b>	Female	31.30%	35.57%	37.85%
	Male	68.70%	64.43%	62.15%
	<b>Total</b>	100.00%	100.00%	100.00%
<b>Current Age</b>	18 - 27	8.70%	10.10%	16.05%
	28 - 37	63.48%	59.47%	57.33%
	38 - 47	21.74%	25.64%	21.24%
	48 - 57	3.48%	4.24%	4.36%
	58 - 67	2.61%	0.55%	0.83%
	<b>Total</b>	100.00%	100.00%	100.00%
<b>Highest Level of Education</b>	Complete Primary	0.87%	0.72%	0.93%
	Complete Secondary	1.74%	5.43%	9.28%
	Complete Tertiary	58.26%	46.43%	41.00%
	Incomplete Primary	0.87%	0.25%	0.28%
	Incomplete Secondary	0	1.27%	1.67%
	Incomplete Tertiary	4.35%	5.43%	6.77%
	Postgraduate	33.91%	40.20%	39.42%
	None		0.08%	0.37%

<sup>58</sup> [SME Finance \(SMEF\) - Alliance for Financial Inclusion](#)

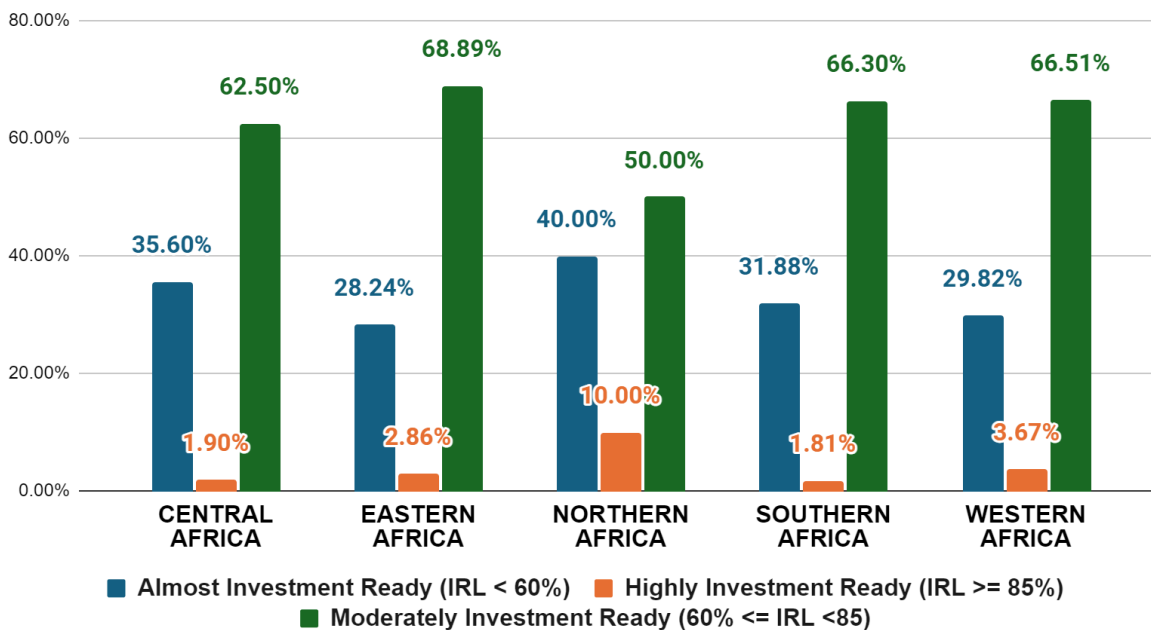


	Quranic	0.17%	0.28%
	<b>Total</b>	100.00%	100.00%

In terms of regional representation, those who are highly investment-ready are more likely to be from the Northern Africa region as they accounted for 10%, a significantly higher proportion compared to the other regions. The distribution also had the least gap between the moderately investment ready and the almost investment ready category with a 10-percentage difference. In all the other regions, the trend was similar with at least 6 out of every 10 businesses falling in the moderately ready category.

Figure 62: Regional representation by investment readiness business categories

### INVESTMENT READINESS SCORE BY REGION



### Time and investment readiness

We sought to establish if there was a correlation between time in business and investment readiness of the beneficiaries. According to the MSEA (2020)<sup>59</sup>, in Africa, it estimated that 80% of MSMEs businesses fail within the first five years. This dynamic creates the missing middle challenge as very few enterprises graduate to medium enterprises<sup>60</sup>. For example, in Kenya, according to the National Bureau of statistics<sup>61</sup>, it was reported that up to 40,000 businesses fail annually with 46% representing businesses being in their first year of operations. The major reasons given included high cost of operations, declining income and increased losses contributed by the difficult economic times. Secondly, large and established businesses have been linked to the phasing out of small enterprises as the larger companies have the financial muscle<sup>62</sup>. From the analysis, while trend in the

<sup>59</sup> MSEA (2020), Policy Document on MSMEs in Kenya. Accessed from: [MSEs-Policy.pdf](#)

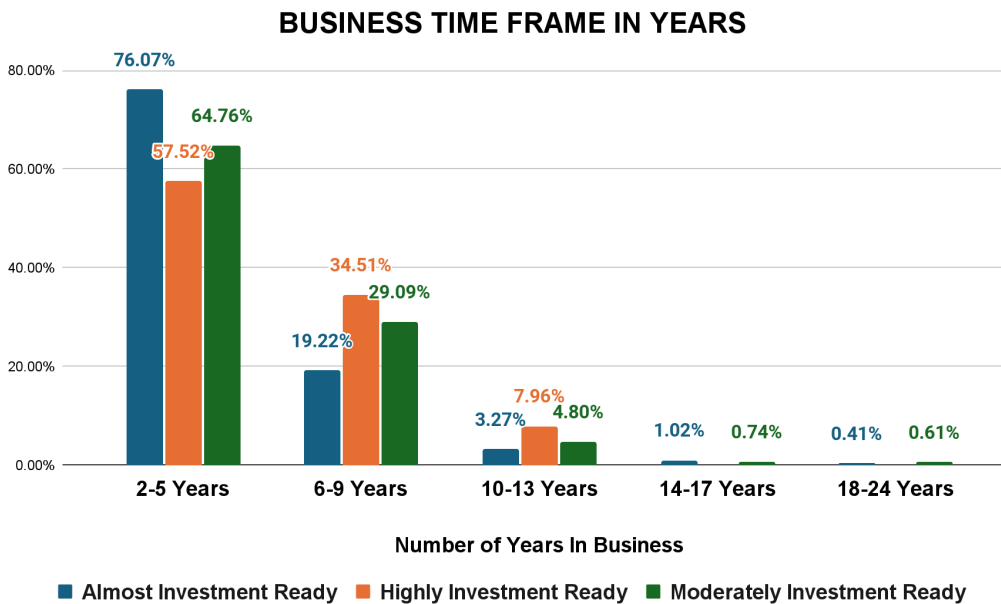
<sup>60</sup> MSEA (2020), Policy Document on MSMEs in Kenya. Accessed from: [MSEs-Policy.pdf](#)

<sup>61</sup> KNBS (2016) MSME Survey Report. Accessed from [Why 400,000 SMEs are dying annually - The Standard](#)

<sup>62</sup> Kenya Agribusiness and agroindustry Alliance Report. Accessed from: [Factors which cause the failure of Small and Medium Enterprises \(SMEs\) in Kenya | KAAA](#)

number of years was the same across the categories, the **majority of the businesses in the almost investment ready category seemed to have been in business for a shorter period, which could indicate that it's only a matter of time before they move up to the other categories especially if the necessary support to overcome the challenges discussed in the chapters below is given.** The oldest time frame in the high and moderately investment ready categories were 13 and 14 years respectively, while that of the almost investment ready was 10 years. Secondly, most of the businesses in the almost investment ready category had been operational between 2-5 years while in the other categories, the majority were in the range of 2 – 9 years. Figure 63 shows the trends of time and investment readiness compared across the categories.

Figure 63: Number of business years for businesses across each category



Although there is no set amount of time required for a business to be successful or ready for investors<sup>63</sup>, the various stages of growth have been defined. Various sources have estimated that it takes between 3-4 years for a business to be profitable and between 7-10 years for the start-up to translate to being successful. According to Harvard business<sup>64</sup> there are five stages of the business, and each stage takes time. However, this time is determined by several factors such as the nature of the business and the sector it operates in.

## 4.2 What internal factors (e.g., team composition, business planning) most significantly impact investment readiness?

Under this section, we sought to determine if there were any variations in internal business factors such as leadership traits, team dynamics, and technological operations and how those differences affect the readiness score. From the insights, we identified notable differences in the areas of leadership commitment, demand for labor, technological adoption and governance structures.

<sup>63</sup> BGF blogpost on how long it takes to be investor ready. Accessed from: [How long should it take to prepare your business for investment? - BGF](#)

<sup>64</sup> Harvard Business Review. Stages of Growth. Accessed from: [The Five Stages of Small-Business Growth](#)

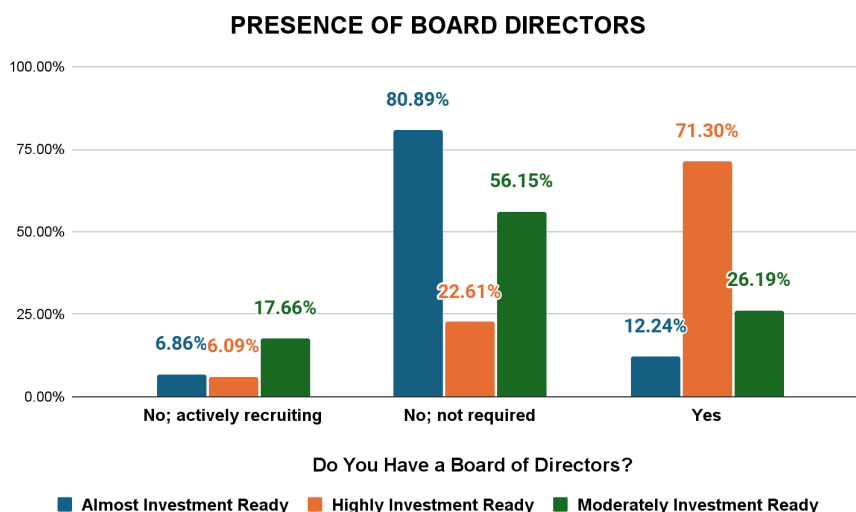
#### 4.2.1 Relationship between Governance structures, Leadership commitment and investment readiness scores.

One of the key aspects used in determining investment readiness of a business is its team dynamics. According to the MSME hub<sup>65</sup> investors perceive the team as the driving engine of any startup hence their expertise and experience will be critical in driving the success of the business. Secondly, MSME businesses are quite risky to invest in. A qualified team reflects a competent decision-making environment. Understanding knowledge about the team helps investors identify whether the business' employees and management have the competencies to deliver on the value proposition pitched. In their MSME guide for raising fund, SIDBI Ventures<sup>66</sup>, affirms the need for a potential investee to have a core team and highlight the competence of that team. In addition, these insights assert that MSMEs need to ensure that there is demonstrated experience, competence, commitment, execution capacity and alignment with the investors needs to attract a good investment offer.

##### Governance Structures and investment readiness

Leadership is a critical aspect of business management. A competent and committed leadership builds investor confidence. From the general analysis outlined in the leadership structure and staffing need section of the report, majority of the TEF beneficiaries had an informal governance structure without an overseeing board (76.58%), employed mostly a youthful population (50%) and only 37.64% reported to have enough employees in the business to grow the business over the next 6 months. This section of the report will look at the differences in leadership and team dynamics between investment ready business and those that are not. **Highly investment ready businesses are likely to have a formal governance structure with a board overseeing the operations. From the data, 71.30% of highly investment ready businesses had a board of directors compared to 26.19% of moderately investment businesses and 12.24% of the almost investment ready businesses.** From the analysis, not only did the larger proportions of moderately ready and almost all businesses do not have a board, but the majority were also not recruiting and did not perceive a board as a need for their business. There is evidence that supports that MSMEs are often operated in an informal manner hence the lack of formal governance, systems and structure. However, for investors corporate governance is critical in managing stakeholder and investor expectations regarding the business<sup>67</sup>. Secondly, formal governance structures have been linked to accountability and transparency in decision making and how businesses are managed, a critical aspect influencing the success of the business<sup>68</sup>. Figure 64 below shows the trend on presence of directors across the categories.

Figure 64; Presence of board directors across the categories



[/20MSMEs.pdf](#)

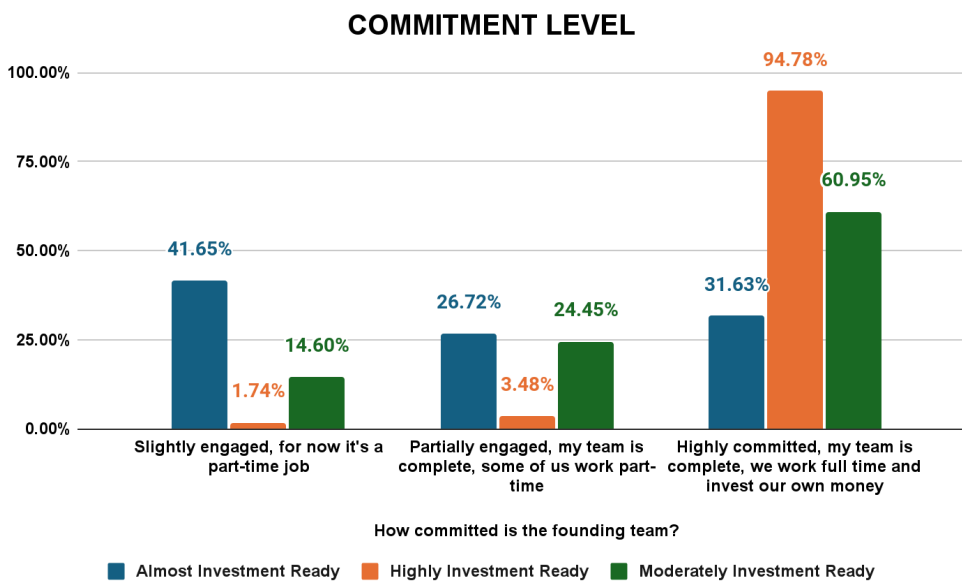
tical Resource Guide. Accessed from: [Corporate  
Inclusion](#)

mentals (2019). Enhancement of Corporate Governance through Privatization. Accessed from: [ENHANCEMENT OF CORPORATE GOVERNANCE THROUGH PRIVATIZATION](#)

### Leadership Commitment and investment readiness

One of the main aspects linked to the success of any business is its leadership commitment to the vision and mission of the business. For the study we looked at commitment level across three areas namely: the team, time and financial resources. **Highly investment ready businesses have highly committed leaders, with complete teams and invest their resources in the business.** From the analysis, 94.78% of the businesses in the highly investment ready category were highly committed compared to 60.95% in the moderately investment ready category and 31.63% of the almost investment ready category. Committed leaders are positive and take accountability for the results. Results are critical to investor confidence. Investors seek leaders that are committed and disciplined ensuring companies will stay on track with their milestones. In addition, leadership commitment highly influences organization culture which subsequently affects employee performance and retention

Figure 65; Commitment levels beneficiaries across the categories



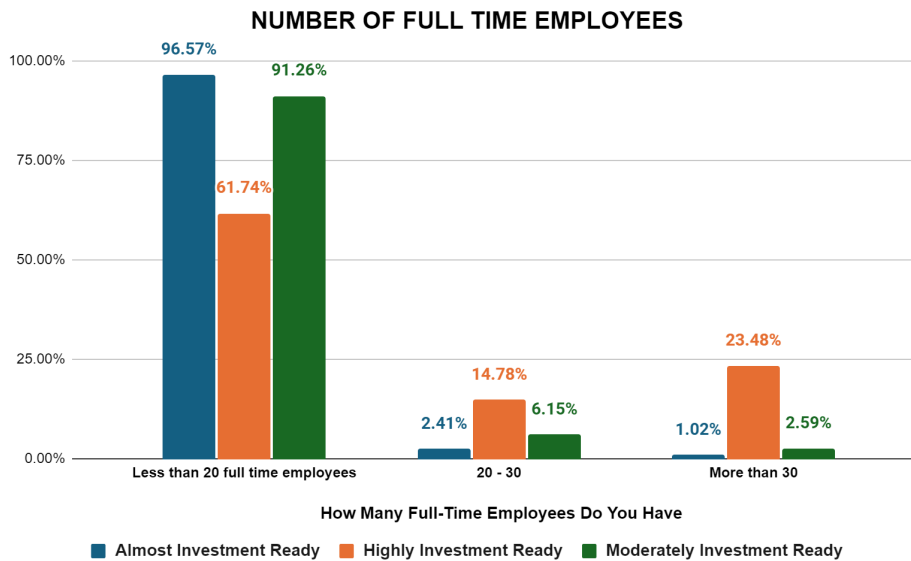
### 4.2.2 Relationship between labor demand patterns and investment readiness scores.

#### Number of employees and Investment Readiness

Another aspect related to team dynamics is whether the labor demands of the business are being met. Small and Medium Enterprises (MSMEs) are defined as follows – micro enterprises: 1–9 employees; small: 10–49 employees; and medium: 50–249 employees. Despite this, MSMEs often face the challenge of employee shortage, because of the labor costs market and economic dynamics, according to the MSME 2024 pulse survey<sup>69</sup>The survey found that 40% of MSMEs have had to lay off staff in the last two years, and 40% are unlikely to hire soon. **Highly investment ready businesses have a higher labor demand compared to other businesses** According to the research, highly **investment ready businesses had more employees** compared to the other two categories. The figure below shows that 38.26% of businesses that are highly ready had more than 20 employees compared to 8.74% in the moderately ready category and 3.43% in the almost ready category.

<sup>69</sup> [Africa MSME Pulse 2024 Report - GeoPoll](#)

Figure 66: Number of full-time employees of beneficiaries across each category



### Sufficiency of employees and investment readiness

We sought to determine the sufficiency of the current employees to the business needs. According to the ILO, SMEs tend to have very low productivity levels<sup>70</sup>. This is further supported by the SME finance forum<sup>71</sup> asserting that the productivity of small business in emerging economies is less than half of large companies. One of the major factors linked to the low productivity is skills shortage, often lacking enough employees and shortage of skilled laborers at both, managerial and workforce level<sup>72</sup>. From the analysis, **highly investment ready businesses seemed to have less unmet labor demand compared to the other categories**. The results reveal that, 59.13% of highly investment ready businesses have enough employees to grow the business in the next 6 months, compared to 39.22% in the moderately ready category and 31.91% of the almost ready category. From the insights, the labor demand gap was largest in the almost ready investment category. Human capital can be classified as an intangible asset that significantly contributes to the economic value of the company. A company can easily attain competitive advantage in the market because of the innovative approach taken during product development or the nature of tailored customer experience offered by its talented workforce brings to the table<sup>73</sup>.

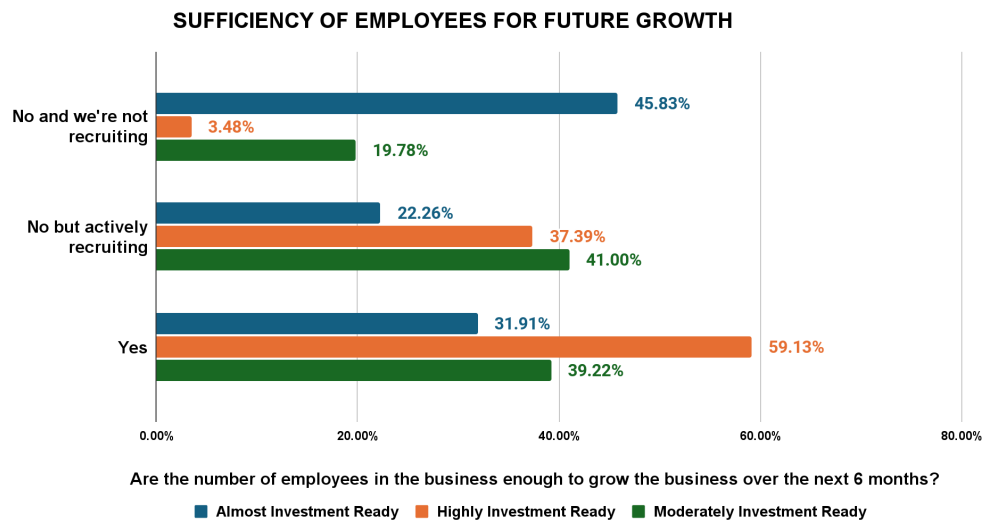
<sup>70</sup> ILO (2019). The power of unlocking potential of MSEs. Accessed from: [The power of small: Unlocking the potential of SMEs - InfoStories](#)

<sup>71</sup> SME Finance Forum (2024). A microscope on small business. Accessed from: [A microscope on small businesses | SME Finance Forum](#)

<sup>72</sup> ILO (2019). The power of unlocking potential of MSEs. Accessed from: [The power of small: Unlocking the potential of SMEs - InfoStories](#)

<sup>73</sup> FSD-K (2024). Why Segment MSMEs. Accessed from: [Why segment MSMEs? Insights from a multifaceted study by Safaricom and FSD Kenya - Financial Sector Deepening Kenya](#)

Figure 67; Sufficiency of employees of beneficiaries across each category



### Staff Turnover and investment readiness

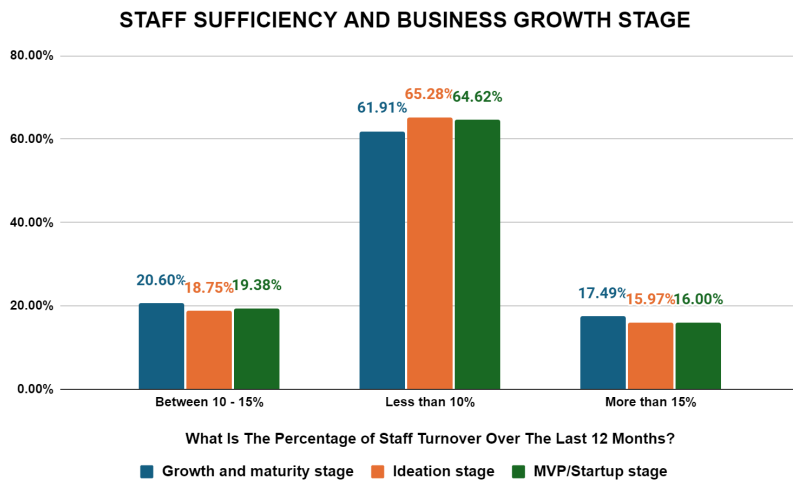
One of the challenges associated with skills improvement of the workforce among MSME businesses, is the limited resources to invest in the capacity building of staff and the fear of losing the employees after training<sup>74</sup>. Employee turnover among MSMEs is a major challenge and the rates differ depending on the industry. A study revealed that in Nigeria<sup>75</sup> employees tend to leave after one year of employment. Another study in Kenya<sup>76</sup> reported that on estimate 71.2% of SMEs entrepreneurs had observed Kenyan SMEs face problems in attracting and retaining skilled labor hence impeded their growth. From the insights, while most of the businesses in all the categories had a turnover of less than 10%, the higher proportion of **highly investment ready businesses reported to have turnover rates of more than 15% compared to businesses in the other categories**. The data reported that 28.70% of businesses within the highly investment ready category reported a turnover of more than 15 percent compared to 16.26% in the moderately ready category and 16.79% in the almost ready category.

<sup>74</sup> ILO (2019). The power of unlocking potential of MSEs. Accessed from: [The power of small: Unlocking the potential of SMEs - InfoStories](#)

<sup>75</sup> Siyanbola and Gilman, (2017), Extent of employee turnover in Nigeria SMEs. Accessed from: [Extent of employee turnover in Nigerian SMEs: Employees'-owner/managers' standpoint | Request PDF](#)

<sup>76</sup> Agweya (2020), Determinants of employee turnover among small and medium enterprises in Nairobi central business district, Kenya. Accessed from: [DETERMINANTS OF EMPLOYEE TURNOVER AMONG SMALL AND MEDIUM ENTERPRISES IN NAIROBI CENTRAL BUSINESS DISTRICT, KENYA BY GERALD AVONN](#)

Figure 68; Staff Turnover of beneficiaries in each category



A healthy staff turnover is estimated to be between 10% - 12% but can extend up to 20%<sup>77</sup>. A rate of above 20% is alarming while a turnover of above 30% is detrimental to the organization. Staff turnover has an inverse relationship with the firm's performance<sup>78</sup>. Studies have shown that a high turnover increases the cost of recruitment and consequently decreases the output of the organization. Forbes (2019)<sup>79</sup> estimated that turnover can cost employers up to 33 percent of an employee's annual salary. The increased cost was linked to the hiring costs, such as fees to recruiters or advertising and subsequently an increase in the amount of salary the replacement will be paid. Further to that the cost of training the new employees will affect the bottom line. On average it might take 8-12 weeks to replace a knowledge worker, and then another month or two before the replacement gets to full productivity mode.

<sup>77</sup> PWC (2024). Staff Turnover is a consequence of how the company works. Accessed from: [Staff turnover is a consequence of how a company works](#)

<sup>78</sup> Effiong (2017). The Impact of labour turnover on MSMEs in Nigeria. Accessed from: [The Impact of Labour Turnover on Small And Medium Scale Enterprises \(Smes\) Performance in Cross River State, Nigeria](#)

<sup>79</sup> Forbes (2019). The Cost of Turnover Can Kill Your Business and Make Things Less Fun. Accessed from: [The Cost Of Turnover Can Kill Your Business And Make Things Less Fun](#)

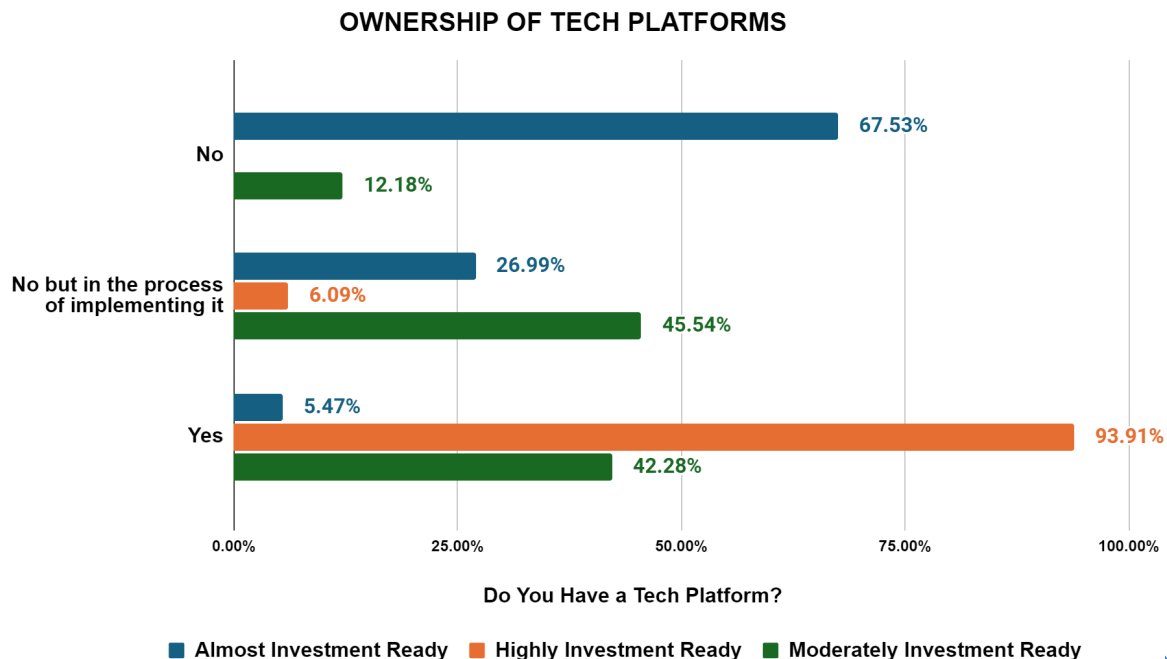
It is paramount for employees to investigate the cause of the high turnover and in turn develop strategies to improve retention. Some of the main causes for high turnover among MSMEs documented include lack of recognition and promotion<sup>80</sup>, company culture<sup>81</sup>, high workload<sup>82</sup> and leadership<sup>83</sup>.

### Ownership of Technology Platforms and Investment readiness

In today's fast-paced business environment, technology plays a crucial role in shaping the investment readiness of companies, especially startups and small to medium enterprises (SMEs). A business that has embraced technology in its operation is perceived to be more attractive to investors. Technology has been linked to streamlined business operations and improved access to markets. **Highly Investment ready businesses leverage on technology platforms in their operations. From the analysis, 93.91% of highly investment ready businesses had tech platforms compared to 42.28 in the moderately ready category and 5.475 in the almost ready category. Furthermore, there seemed to be a little apathy regarding technology among the almost ready category as 67.53% indicated they did not have a platform, and neither were they in the process of implementing it.**

Technology is a significant aspect when it comes to attracting investors. This is because the digitization of systems and processes creates operational efficiency, transparency and accountability. Technology streamlines processes enabling faster outcomes, reducing costs and improving productivity. Secondly, with automated processes continuous monitoring through data analytics, and cloud computing can enhance a startup's operational efficiency, making it a more attractive investment.

Figure 69: Ownership of Tech platforms across each category



<sup>80</sup> Judith .  
[RETENT](#)

<sup>81</sup> Adedeji and Ojo (2017). Labor Turnover and Performance of Micro, Small and Medium Enterprises in Akure South Local Government Area of Ondo State, Nigeria.

<sup>82</sup> Forbes (2019). The Cost of Turnover Can Kill Your Business and Make Things Less Fun. Accessed from: [The Cost Of Turnover Can Kill Your Business And Make Things Less Fun](#)

<sup>83</sup> Ntenga and Awour (2018). Leadership Style and Employee Turnover Intentions in Organizations in Kenya: A Case of XYZ Company. Accessed from : <https://www.google.com/url?sa=i&url=https%3A%2F%2Fstratfordjournals.org%2Fjournals%2Findex.php%2Fjournal-of-human-resource%2Farticle%2Fdownload%2F175%2F335%2F806&psig=AOvVaw3hhxPpYaUnxblMe1XJyCZh&ust=1723103607764000&source=images&cd=vfe&opi=89978449&ved=0CAYQrpoMahcKEwi4m-ims-KHAXUAAAAHOA AAAAQBA>

Robust technology prowess is also a sign of scalability and growth potential. Companies that are technology driven are perceived to be forward looking increasing investor attractiveness. Through technology businesses can automate all their processes giving visibility of company performance to investors<sup>84</sup>. Automated investment reporting gives both the investor and management continuous tracking of business performance creating an environment for potential risks to be flagged in advance and mitigation measures adopted. Technology is often associated with innovation<sup>85</sup>. This is because the companies are not just relevant today but also have the potential to adapt and thrive in the future<sup>86</sup>. COVID – 19 amplified the potential of technology to scale distribution and enlarge market accessibility. For example in Africa, a growth of 1087% was estimated for the number of tech start-ups that secured funding in 2022 compared to 2015. Subsequently, the total equity funding raised annually increased by 1673% from US\$277 Million to US\$4.9 billion in the same period<sup>87</sup>. Technology enables startups to access and serve global markets, breaking down geographical barriers. Digital platforms, e-commerce, and online marketing tools enable even small startups to reach a wide audience. This potential for broad market access makes the startup more attractive to investors, as it increases the chances of significant market penetration and revenue growth<sup>88</sup>.

Investors care about the technology capacity of potential beneficiary businesses because it influences the company's ability to scale, compete, and innovate. A strong technological foundation not only increases the chances of success but also mitigates risks and enhances the startup's appeal in the eyes of potential acquirers or future investors.

### 4.3. What is the relationship between investment readiness and growth stages (e.g., startup, scaling, maturity)?

This section explores the relationship between investment readiness and the different growth stages of a business, including startup, scaling, and maturity. It examines how the needs, challenges, and opportunities associated with each stage influence a business's preparedness to attract and secure investment.

#### 4.3.1 Product /Service development stage and Investment readiness

Product development stages differ across industries and the functionality of the stage. For this study we classified the development staged into three, ideation, MVP/ Start-up & Growth and maturity stage

- **Ideation Stage: In this stage**, Product ideation is the foundational step development of a product or service. This entails developing diverse ideas targeted at developing relevant market solutions.
- **MVP/Startup Stage:** a minimum viable product (MVP) is a prototype of the product and service to be offered by the business. The MVP should reveal if the customers find value in the business' products and services and the most accurate and efficient channel of reaching the customer.
- **Growth and maturity stage:** This is the most profitable stage of the product life cycle as the costs of producing and marketing decline.

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<sup>84</sup> PWC (2020). How Technology can help you gain more control of your investment portfolio. Accessed from: [How technology can help you gain more control of your investment portfolio | PwC Canada](#)

<sup>85</sup> McKinsey (2018). The trillion-dollar opportunity for the industrial sector: How to extract full value from technology. Accessed through; [Tech-enabled transformation - The trillion-dollar opportunity for industrials](#)

<sup>86</sup> PWC (2023). Growing the Nigerian Technology Ecosystem through the Capital Market. Accessed from: [Growing the Nigerian Technology Ecosystem through the Capital Market](#)

<sup>87</sup> PWC (2023). Growing the Nigerian Technology Ecosystem through the Capital Market. Accessed from: [Growing the Nigerian Technology Ecosystem through the Capital Market](#)

<sup>88</sup> McKinsey (2018). The trillion-dollar opportunity for the industrial sector: How to extract full value from technology. Accessed through; [Tech-enabled transformation - The trillion-dollar opportunity for industrials](#)

Table 4; Product/ Service development stage

<b>PRODUCT / SERVICE DEVELOPMENT STAGE</b>			
<b>Key Indicator</b>	<b>Response/ Parameter</b>	<b>Frequency [n = 3549]</b>	
		<b>In #</b>	<b>In %</b>
<b>Highly Investment ready</b>	Growth and maturity stage	105	91.30%
	Ideation stage	1	0.87%
	MVP/Startup stage	9	7.83%
	<b>Total</b>	115	100.00%
<b>Moderately Investment Ready</b>	Growth and maturity stage	1462	62.05%
	Ideation stage	97	4.12%
	MVP/Startup stage	797	33.83%
	<b>Total</b>	2356	100.00%
<b>Almost Investment Ready</b>	Growth and maturity stage	394	36.55%
	Ideation stage	190	17.63%
	MVP/Startup stage	494	45.83%
	<b>Total</b>	1078	100.00%

The table above shows the results. **Highly investment ready businesses are more likely to be in the growth and maturity stage of the product life cycle. 91.30% of the highly investment ready businesses were in the growth and maturity stage compared to 62.05% and 36.55% in the moderately ready and almost investment ready categories respectively.** An interesting perspective on product lifecycle and investor attraction is that investors would be interested in products at the life cycle stage that aligns with their vision. For example, seed and angel investors would most likely invest in MSMEs in the ideation and start-up phase compared to venture capitalists looking for equity in established businesses. It is important for MSMEs to understand what type of investors suit their business best.

- Accelerators and incubators:** These are programmes that act as a gateway to start and grow your business. Ideally most incubators support with the seed capital and technical counsel to help you gain traction, refine your sales pitch and scale up your startup<sup>89</sup>. There is evidence linking accelerators and incubators to have a positive effect on the performance of MSMEs in the start-up and ideation phase<sup>90</sup>. Some of the advantages mentioned include seed funding accelerating startup growth<sup>91</sup>, better decision making among founders<sup>92</sup>, promoting innovation<sup>93</sup> and improved skills through training<sup>94</sup>.

<sup>89</sup> PWC (2024). Incubator or accelerator? Both may play a role on your journey to scale. Accessed from: [Incubator or accelerator? Both may play a role on your journey to scale](#)

<sup>90</sup> Polo., et.al (2020). How business accelerators impact startup's performance: Empirical insights from the dynamic capabilities approach. Accessed from: [How business accelerators impact startup's performance: Empirical insights from the dynamic capabilities approach](#)

<sup>91</sup> Gikabu (2020). Influence of accelerators programs on MSMEs growth. Accessed from: [Influence of Accelerator Programs to the Growth of Micro, Small and Medium Enterprises \(Msmes\) Supported by Tony Elumelu Foundation](#)

<sup>92</sup> Harvard Business School (2024), startup incubator vs. Accelerator: which is right for you? Accessed from: [Startup Incubator vs. Accelerator: Which Is Right for You?](#)

<sup>93</sup> Polo., et.al (2020). How business accelerators impact startup's performance: Empirical insights from the dynamic capabilities approach. Accessed from: [How business accelerators impact startup's performance: Empirical insights from the dynamic capabilities approach](#)

<sup>94</sup> Mugambi (2015). Effect of accelerator programs on business success among technology startups in Kenya. Accessed from: [Effect of accelerator programs on business success among technology startups in Kenya](#)

- Venture Capital and Equity:** These investors usually come in after the seed funding stage or when a business has started generating some form of income<sup>95</sup>. Venture capitalist in addition to purchasing equity they help businesses gain more traction by giving credibility<sup>96</sup>. To attract a venture capitalist, a MSME must have a minimum viable product, a good market size, and a potential for rapid growth. There has been evidence on the impact of venture capital financing on businesses. One study established that venture capitalism can significantly improve the technology innovation, profitability, and growth ability of SMEs<sup>97</sup>. Other benefits mentioned in other studies include improved access to new markets<sup>98</sup>, increased sales turnover, profitability and return on assets<sup>99</sup> and improved managerial practices<sup>100</sup>

Early-stage funding often has a few complexities associated with it. To an investor the businesses in either the ideation or the start-up stage are still trying to prove the demand for the product. This is often associated with a lot of uncertainty that may not appeal to several investors. Business in the ideation phase is also perceived to be in the pre-revenue phase. This means that unless they can access external funding there is likelihood of not developing the product further to a minimum viable product. Another challenge that might limit the attractiveness of businesses in the ideation phase is the market acquisition, product acceptance and customer trust. Basically, market penetration is harder compared to customer retention. Businesses in the growth and maturity phase have the advantage of the existing customer base as they expand into other markets. Finally, the lack of defined and solid structures and systems in start-ups make it difficult for financial projection and defining the business model may take time as an aspect that would limit the investment readiness of the business.

#### 4.3.2 Product Validation and investment readiness

Product and market validation is a critical aspect that subjects the ideated product to the reality of the market and its targeted consumers. Product validation is simply ensuring that the ideated product meets the need of the target customers in an efficient and convenient manner<sup>101</sup>. On the other hand, market validation entails understanding if there is actual demand for people to buy the products.

*Table 5; Product and market Validation guide*

<sup>95</sup> Forbes (2024). Understanding Venture Capital. Accessed from: [What Is Venture Capital? – Forbes Advisor](#)

<sup>96</sup> Link to article on Advantages of Venture Capitalist: [Advantages vs. Disadvantages of Venture Capital | The Hartford](#)

<sup>97</sup> Wang (2020). The Impact of Venture Capital on the Growth of Small- and Medium-Sized Enterprises in Agriculture. Accessed from: [The Impact of Venture Capital on the Growth of Small- and Medium-Sized Enterprises in Agriculture](#)

<sup>98</sup> Madanwale (2023). The Role of Venture Capital Financing in the Development of Small and Medium Enterprises: THESIS. Accessed from: <https://www.linkedin.com/pulse/role-venture-capital-financing-development-small-medium-madanwale/>

<sup>99</sup> Kato and Tsoka (2020). Impact of Venture capital on SMEs' performance in Uganda. Accessed from: [\(PDF\) Impact of Venture capital on SMEs' performance in Uganda](#)

<sup>100</sup> Mwanzia (2022). Influence of Equity Financing on the Growth of Micro, Small and Medium Enterprises. A Critical Literature Review. Accessed from: <https://carijournals.org/journals/index.php/JAR/article/view/1044?srsltid=AfmBOorKLOd2vSzAH-na9F5F72eQnR1Hfkb2IEm3MSaCPhGwxE8fMi54>

<sup>101</sup> PWC (2024). Business Model Reinvention. Accessed from: <https://www.pwc.com/us/en/services/consulting/business-model-reinvention/digital-products.html>



Product validation vs Market validation		
Aspect	Product validation	Market validation
Focus	Testing if the product idea is good and people want it	Understanding if there's enough demand for the product
Main questions	Is this a good product? Will people buy it?	Will enough people buy this? Is there a market need?
Key methods	Building a minimum viable product, customer interviews	Target market research, potential customers interviews
Goals	Confirm that the product meets the needs of the users	Confirm that there is a market demand for the product
Tools & techniques	Lean product validation process, software development	Market research, monthly search volumes, market validation research

Source: [Product Vs Market Validation](#)

From the analysis, **highly investment ready businesses are likely to have validated their product. From the analysis, 100% of TEF beneficiaries whose businesses were highly investor ready had validated their product compared to 69.31% and 33.77% of businesses that are moderately ready for investment and almost ready respectively.** Investor confidence is increased if an MSME has conducted market and product validation. One can demonstrate strong value proposition if they develop a product deeply informed by market validation insights<sup>102</sup>. You can demonstrate business model viability through a validation process that showcases the product meets the needs of the customer and their willingness to pay for the product. According to Forbes<sup>103</sup>, customer-centric companies grow their revenues 4% to 8% faster than their market competitors, but they can also reap higher profits compared to their product-centric counterparts

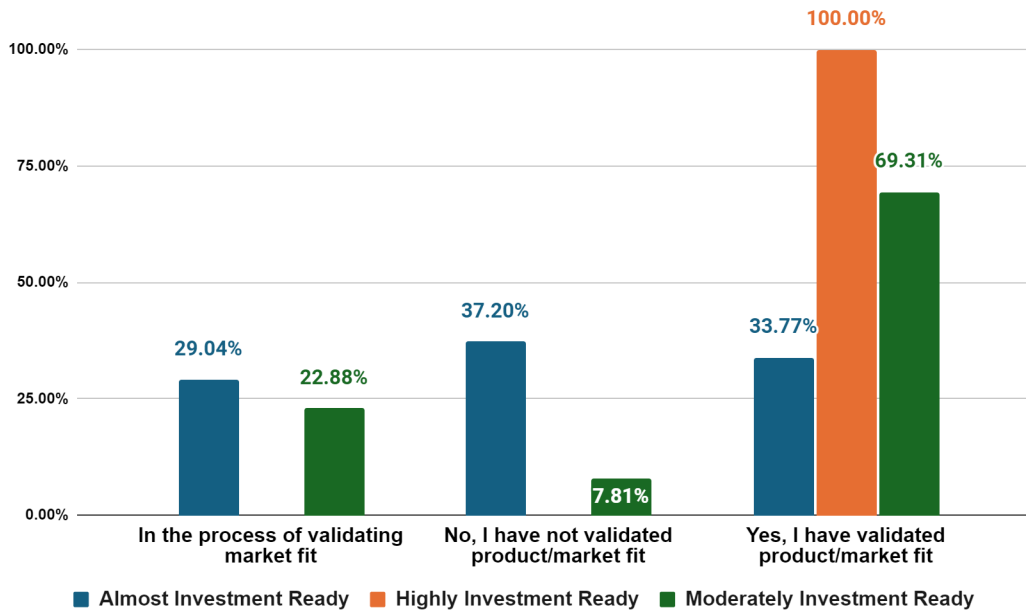
*Figure 70; Product and market fit validation for highly investment ready businesses*

<sup>102</sup> KPMG (2022). Delivering on the promise of value creation. Accessed from:

<https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2022/03/delivering-on-the-promise-of-value-creation.pdf>

<sup>103</sup> Forbes (2023). Why Customer centricity is key to long term success. Accessed from. [Why Customer Centricity Is A Key To Long-Term Success](#)

### PRODUCT AND MARKET FIT



#### 4.3.3 Access to Key Players and Investment readiness

Supply chain management is a critical element of investment readiness. Distribution models are critical in assessing demand – supply gaps and flagging potential risks that may affect availability of the goods and products in the market. **Highly Investment ready businesses had access to all the right players in their supply chain. From the analysis, only 0.87% of businesses in the highly investment ready category reported not having access to key players compared to 7.13% in the moderately ready category and 30.43% in the almost ready category.** The analysis shows a strong link between a business's investment readiness and its access to key players in the supply chain. Highly investment-ready businesses have significantly better access, with only 0.87% reporting gaps, compared to 7.13% in moderately ready businesses and 30.43% in those nearly ready. This suggests that as businesses advance in investment readiness, they also build stronger supply chain connections, which could enhance their attractiveness to investors. Additionally, the data highlights a need for targeted support for businesses in lower readiness categories to improve their access to essential supply chain networks, which could, in turn, boost their readiness for investment.

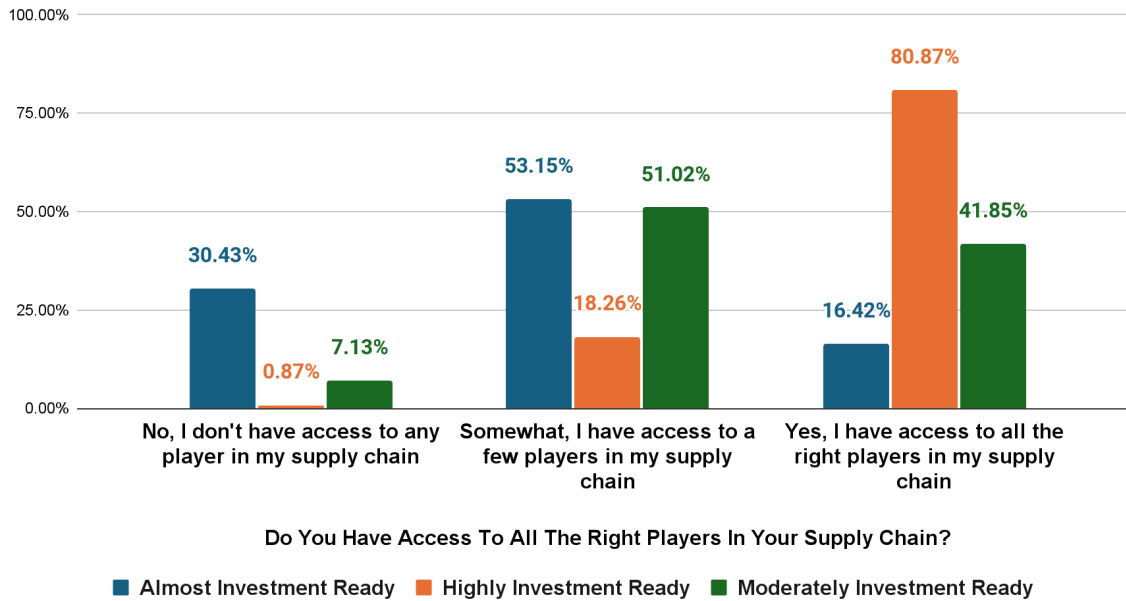
Micro and small businesses continue to face some challenges accessing the right suppliers within their sectors compared to their counterparts who are either middle or large enterprises. One of the reasons given for this is the limited financial and technology resources to achieve the levels of visibility required in a competitive market<sup>104</sup>. Another reason for these challenges among MSMEs includes challenges handling inventory operations such as increased demand, volatility of market competition and regulatory compliance<sup>105</sup>.

Figure 71: Access to key players of beneficiaries across each category

<sup>104</sup> Dawson Consulting (2019). Supply Chain Challenges for Small and Medium Enterprises. Accessed from: [Supply Chain Challenges for Small and Medium Enterprises](#)

<sup>105</sup> Article on Major Supply Chain Challenges for SMEs & Ways Overcome Them. Accessed from: [Major Supply Chain Challenges for SMEs & Ways Overcome Them | AAJ](#)

## ACCESS TO KEY PLAYERS



From the survey data, **1 out of every 3 businesses that are almost ready for investment, do not have access to any player in their supply chain**. These results reflect the challenge faced by small businesses accessing distribution and building robust distribution models. Unfortunately, Micro and small businesses do not have the scale to create leverage with key suppliers in the market, limiting their negotiating power<sup>106</sup>. The scope within which the Small and micro businesses operate means they are more likely engaging with players who are also in the start-up phase or small businesses, a dynamic that is often informal. These informal relationships increase the vulnerability of the business in production and supply chain, weakening their investor attractiveness<sup>107</sup>. Traditional supply chains focus on speed, costs and reliability and recently there has been an increased demand to adopt a sustainable supply chain. According to 2023 MIT report on State of Supply Chain<sup>108</sup> there has been an increase by 25% of investor pressure to increase supply chain sustainability, while that of corporate buyers is 15%. The more sustainable a supply chain is, the more likely the business can avoid the negative impacts of the market disruptions<sup>109</sup>. A sustainable supply chain means that the company can enjoy cost savings, improved credibility and trust with the market, improved market share which overall improves the profitability increasing their attractiveness to an investor<sup>110</sup>.

Another challenge associated with the supply chain is the limited supply chain financing options available for MSMEs. Supply chain financing means suppliers can receive early payments on their invoices<sup>111</sup>. One of the main benefits of supply chain financing is that it enables suppliers to meet the customers' requirements further reducing the risk of supply chain disruption resulting in both buyers and suppliers to optimizing their working

<sup>106</sup> Dawson Consulting (2019). Supply Chain Challenges for Small and Medium Enterprises. Accessed from: [Supply Chain Challenges for Small and Medium Enterprises](#)

<sup>107</sup> Article in how MSMEs fix their supply chain challenges. Accessed from: [How MSMEs can fix their supply chain challenges and accelerate recovery - SME News | The Financial Express](#)

<sup>108</sup> MIT (2023). State of supply chain sustainability 2023. Accessed from: [State of Supply Chain Sustainability](#)

<sup>109</sup> MIT (2023). State of supply chain sustainability 2023. Accessed from: [State of Supply Chain Sustainability](#)

<sup>110</sup> Article on Why sustainable supply chains matter for investors. Accessed from: [Why sustainable supply chains matter for investors](#)

<sup>111</sup> IFC (2022). Supply chain finance: market assessment report. Accessed from: [Supply Chain Finance, Market Assessment, Kenya](#)

capital<sup>112</sup>. Despite its potential, the supply chain financing market remains untapped with the gap being wider in developing markets. Globally, an estimated 80 percent of eligible assets do not benefit from better working-capital financing, and the remaining one-fifth of assets are often inefficiently financed<sup>113</sup>. The 2020 McKinsey Global Payments Report<sup>114</sup> estimated that the local gap in trade finance could be up to \$2.5 trillion by 2025 with an estimate for the market value of supply chain finance given \$17 trillion globally. There had been a clarion call for more financial institutions to offer SCF to MSMEs and leverage on technology to reduce the risk of supply chain disruption.

The high access levels among businesses with lower investment readiness are influenced by sector-specific and regional dynamics, informal networks, and targeted interventions. Sectors like agriculture and ICT benefit from their economic prominence, government support, and global partnerships, which create alternative access pathways beyond formal investment readiness. Regional variations, such as cooperative financing in East Africa or tech hubs in West Africa, also contribute to this phenomenon. Informal funding mechanisms, such as personal networks and microfinancing, play a significant role, especially in regions with limited formal financial systems. These dynamics highlight the importance of leveraging informal access while addressing structural gaps to enhance overall readiness and sustainability.

**Adopting digital supply chain finance (SCF) solutions could boost trade in Asia, Africa and the Middle East by 7.5 percent to USD 11.3 trillion by 2030, bridging the trade finance gap and making global trade more sustainable, inclusive and transparent**

Standard chartered 2024<sup>115</sup> Why digital supply chain finance could be a game changer

From Fig 64 above, it is observed that about 70% (2 out of 3) of businesses that are almost investment ready have access to a player in their supply chain. The observed high access to key players can be attributed to several factors. Informal networks and collaborations which often play a significant role, as many businesses at this stage rely on peers or small suppliers within their immediate ecosystem. These relationships, while not formally structured, provide crucial access points. Sector-specific dynamics also influence supply chain accessibility, with industries like agriculture benefiting from the proximity of farmers to local distributors and markets, albeit with limited scalability, and ICT leveraging digital platforms that reduce dependency on traditional supply chains.

Additionally, increased reliance on technology, such as social media and digital platforms, has democratized access to markets and suppliers, enabling businesses to connect with key supply chain actors without extensive financial or physical resources. Support mechanisms like incubators and accelerators further enhance access by acting as intermediaries, linking businesses to relevant supply chain players and providing technical assistance. Regional and sectoral patterns also impact access, with businesses in digitally advanced regions, such as Eastern or Southern Africa, finding it easier to leverage technology, and sectors like agribusiness and ICT demonstrating varying levels of accessibility depending on proximity to suppliers or reliance on technology.

*Figure 72: Regional Distribution of beneficiaries access to key players across each category*

<sup>112</sup> SAP (2024) Article on What is supply chain finance? Accessed from: [What is Supply Chain Finance? | Definition & Meaning | Taulig](#)

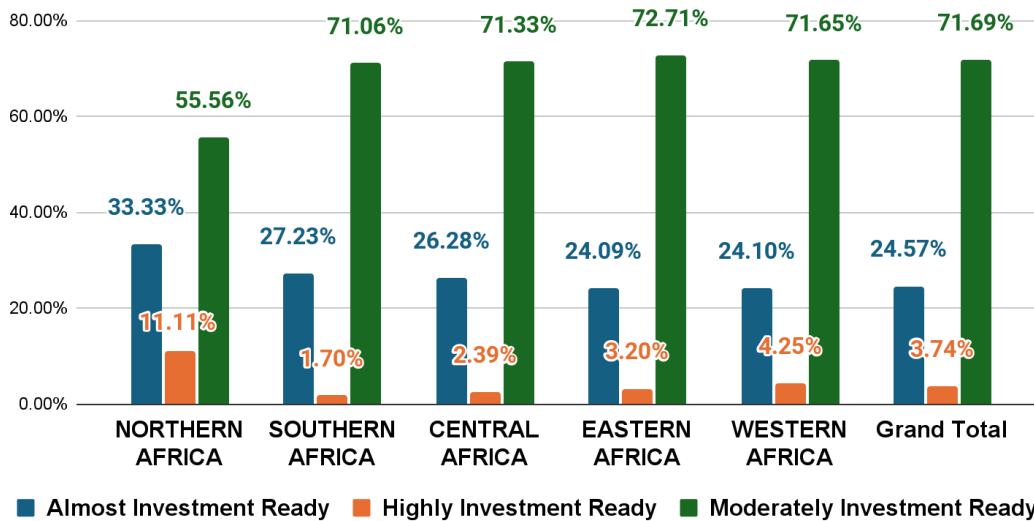
<sup>113</sup> Mckinsey (2020) Report: Supply-chain finance: A case of convergent evolution? Accessed from: [Chapter 3: Supply-chain finance: A case of convergent evolution?](#)

<sup>114</sup> A. Botta et al. 2020. Supply-Chain Finance: A Case of Convergent Evolution? In McKinsey & Company. The 2020 McKinsey Global Payments Report. New York.

<sup>115</sup> Link to blog post: [Digital supply chain finance could be a game changer | Standard Chartered](#)



### Regional Distribution of Beneficiaries with Access to Key Players



#### 4.4. To what extent do entrepreneurs in the programme possess a clear and compelling value proposition, scalable business model, and robust financial projections

This section examines the degree to which entrepreneurs in the programme have developed a clear and compelling value proposition, a scalable business model, and robust financial projections. It explores how these critical components contribute to their overall investment readiness and business viability, providing insights into the entrepreneurs' ability to attract investors and sustain long-term growth.

##### 4.4.1 Availability of Contingency Plans and investment readiness

Addressing these challenges requires not only financial and technical resources but also a shift in mindset and strategic planning tailored to the unique needs of MSMEs. We sought to determine if the beneficiaries had any contingency plans. **Investment ready businesses are likely to have a contingency plan in place making them more attractive to investors. From the analysis, 83.48% of investment ready beneficiaries had a contingency plan compared to 36.21% in the almost ready category and 11.50% in the not ready category.** This analysis suggests that having a contingency plan is a key factor in a business's investment readiness, as the majority (83.48%) of investment-ready businesses have one in place. In contrast, only 36.21% of almost-ready and 11.50% of not-ready businesses have such plans. This indicates that contingency planning is both a marker and a contributor to investment readiness. Businesses with contingency plans are likely viewed as more resilient and prepared for unexpected challenges, making them more appealing to investors. For businesses still developing their investment readiness, building a robust contingency plan could be a strategic step to enhance their appeal and readiness for investment.

Table 6; Availability of a contingency plan

#### AVAILABILITY OF A CONTINGENCY PLAN



Key Indicator	Response/Parameter	Frequency [n = 2534]	
		In #	In %
<b>Moderately Investment Ready</b>	I am currently working on a contingency plan	857	36.38%
	No	646	27.42%
	Yes	853	36.21%
	<b>Total</b>	2356	100.00%
<b>Highly Investment Ready</b>	I am currently working on a contingency plan	13	11.30%
	No	6	5.22%
	Yes	96	83.48%
	<b>Total</b>	115	100.00%
<b>Almost Investment Ready</b>	I am currently working on a contingency plan	306	28.39%
	No	648	60.11%
	Yes	124	11.50%
	<b>Total</b>	1078	100.00%

Investors are perceived to be risk averse when it comes to funding businesses<sup>116</sup>. MSMEs need therefore to proactively address any anticipated risks in their risk mitigation strategies. This to an investor signifies that the company can continue operating and meeting its obligations even in the face of unexpected eventualities increasing its attractiveness<sup>117</sup>. One of the most fundamental advantages of having a contingency plan is its contribution to saving time and money during a crisis. A contingency plan ensures that when the eventuality occurs the management is not caught off guard hence reducing the level of effort and time spent coming up with a plan during a crisis. The availability of one, ensures reduces the probability of the business incurring down time which significantly affects their bottom line. A contingency plan also ensures the company bounces back hence quick recovery time. In addition to time, a contingency plan can minimize the damage incurred reducing the effects of the occurrence to the business property, equipment and reputation.

<sup>116</sup> Faster Capital (2024). Investment readiness Mastering Investment Readiness: A Guide for Entrepreneurs. Accessed from: [Investment readiness Mastering Investment Readiness: A Guide for Entrepreneurs - FasterCapital](#)

<sup>117</sup> Tamplin, T., (2024). Financial Contingency Planning. Accessed from: [Financial Contingency Planning | Components & Implementation](#)



## Key Components of Financial Contingency Planning

COMPONENTS	DESCRIPTION
<b>Emergency Fund Creation</b>	Financial Buffer to Cover Unexpected Expenses
<b>Diversification of Investments</b>	Spread Investments to Minimize Risk
<b>Insurance Coverage Review</b>	Regular Assessment of Protection Against Financial Setbacks
<b>Debt Management</b>	Strategy to Control and Reduce Outstanding Liabilities
<b>Legal Documentation</b>	Documents Like Wills and Trusts for Asset Distribution and Decision-Making During Personal Crises

Source: [Finance Strategist](#)

### 4.4.2 Customer Acquisition Strategies and investment readiness

Revenue generation is critical for MSMEs growth. A solid customer base, especially with repeat customers, contributes to stable and predictable revenue streams<sup>118</sup>. This predictability is crucial for investors as it indicates lower risk and a higher likelihood of sustainable growth. Secondly, investors would need to see traction in revenue as the business continues to operate<sup>119</sup>. From the analysis above on average B2C businesses serve 3000 customers while the beneficiaries focusing on B2B models have about 20 businesses as repeat customers. The customer base of a Micro, Small, and Medium Enterprise (MSME) is a critical factor for investors for several reasons such market size, and profitability, all of which highlight the business's potential for growth, stability, and profitability<sup>120</sup>. A solid customer base, especially with repeat customers, contributes to stable and predictable revenue streams. This predictability is crucial for investors as it indicates lower risk and a higher likelihood of sustainable growth<sup>121</sup>.

**Highly Investment ready businesses are likely to already have a customer acquisition strategy in place or working on one. From the analysis, 92.17% of the highly investment ready businesses had an acquisition strategy in place compared to 53.40% and 22.45% in the moderately ready and almost ready categories. The almost investment ready businesses also seemed to acquire their customers organically.** A customer acquisition strategy is crucial for any business as it directly influences their growth, sustainability, and competitive edge in the market. Hence it is a key document for potential investors. The strategic document

<sup>118</sup> Article titled Customer retention strategies businesses need to know. Blog accessed from: [Customer retention strategies for any business | Stripe](#)

<sup>119</sup> Milkove (2018). The Fundamentals of Traction. Accessed from: [The Fundamentals of Traction](#)

<sup>120</sup> Faster Capital (2024). Traction the growth. Accessed from: [Traction the growth - FasterCapital](#)

<sup>121</sup> Article titled Customer retention strategies businesses need to know. Blog accessed from: [Customer retention strategies for any business | Stripe](#)

gives a blueprint for how the business intends to achieve its revenue targets. Below we discuss some of the reasons why a customer acquisition strategy is attractive to a potential investor.

*Table 7; Presence of a customer acquisition strategy across investment category rates*

<b>PRESENCE AND EFFECTIVENESS OF CUSTOMER ACQUISITION STRATEGIES</b>			
<b>Key Indicator</b>	<b>Response/Parameter</b>	<b>Frequency [n = 3549]</b>	
		<b>In #</b>	<b>In %</b>
<b>Moderately Investment Ready</b>	I am currently building an acquisition strategy	771	32.72%
	No, I do not have any acquisition strategy. My customers are acquired organically	327	13.88%
	Yes, I have a customer acquisition strategy	1258	53.40%
	<b>Total</b>	2356	100.00%
<b>Highly Investment Ready</b>	I am currently building an acquisition strategy	9	7.83%
	Yes, I have a customer acquisition strategy	106	92.17%
	<b>Total</b>	115	100.00%
<b>Almost Investment Ready</b>	I am currently building an acquisition strategy	339	31.45%
	No, I do not have any acquisition strategy. My customers are acquired organically	497	46.10%
	Yes, I have a customer acquisition strategy	242	22.45%
	<b>Total</b>	1078	100.00%

- Sustained Revenue Growth through a growing customer base: A well-defined customer acquisition strategy helps MSMEs systematically grow their customer base, which is essential for generating consistent revenue streams. This is particularly important for smaller businesses that often rely on a steady inflow of new customers to achieve financial stability and scale operations.
- A customer acquisition strategy also communicates revenue predictability to an investor: By understanding and optimizing the cost of acquiring new customers, MSMEs can better predict their revenue growth and allocate resources more effectively. This predictability is vital for planning and sustaining long-term growth.
- Effective customer acquisition strategies allow MSMEs to identify the most cost-effective channels for reaching their target audience Profitability is all about ensuring the operational costs are at the minimum. A customer acquisition strategy documents the cost associated with acquiring a customer generating evidence on the most efficient channel to reach the customers. Secondly, as the MSMEs track each channel, they can draw up an optimum mix that ensures each channel is used to reach as many potential customers as possible.
- A strategic approach to customer acquisition helps MSMEs to differentiate themselves giving them competitive advantage. Secondly, understanding the market helps them adopt a customer centric approach in how they serve their customers. Finally, it lays the groundwork for targeting the right customers and delivering value from the start, improving customer satisfaction and fostering retention.
- Expanding Market Reach: As MSMEs grow, their customer acquisition strategy can be scaled to target new markets or customer segments, facilitating business expansion. This scalability is essential for MSMEs aiming to move beyond their initial market niche. This communicates sustainability to a potential investor increasing the MSMEs attractiveness.

#### 4.4.3 Customer Churn Rates and investment readiness

Customer churn rate is the percentage of customers who stop doing business with an organization or the customer attrition<sup>122</sup>. For a business to remain afloat, it must record a healthy churn rate. A business needs to track its churn rate as it provides visibility on its retention rate<sup>123</sup>. A high churn rate is an indication that a customer is losing more customers than it's bringing on and could be a reflection that the customers are not happy<sup>124</sup>. **From the analysis, across the three categories, the largest percentage of the businesses in each category had a churn rate of less than five percent. 45.22% of businesses in the highly investment ready business had a churn rate of less than five percent compared to 49.45% in the moderately ready category and 66.98% in the almost investment ready businesses.** This consistency in patterns highlights the importance businesses place on retaining customers, reflecting their commitment to sustaining strong customer relationships. A low churn rate is a positive indicator for investors, as it suggests the business is effectively meeting customer needs and maintaining profitability.

Table 8; Customer Churn rate across investment categories

CUSTOMER CHURN RATES			
Key Indicator	Response/Parameter	Frequency [n = 3549]	
		In #	In %
Moderately Investment Ready	5 - 10%	824	34.97%
	Less than 5%	1165	49.45%
	More than 10%	367	15.58%
	<b>Total</b>	<b>2356</b>	<b>100.00%</b>
Highly Investment Ready	5 - 10%	25	21.74%
	Less than 5%	52	45.22%
	More than 10%	38	33.04%
	<b>Total</b>	<b>115</b>	<b>100.00%</b>
Almost Investment Ready	5 - 10%	291	26.99%
	Less than 5%	722	66.98%
	More than 10%	65	6.03%
	<b>Total</b>	<b>1078</b>	<b>100.00%</b>

#### Customer Lifetime Value (LTV) to Customer Acquisition Cost (CAC) (LTV:CAC) and investment readiness

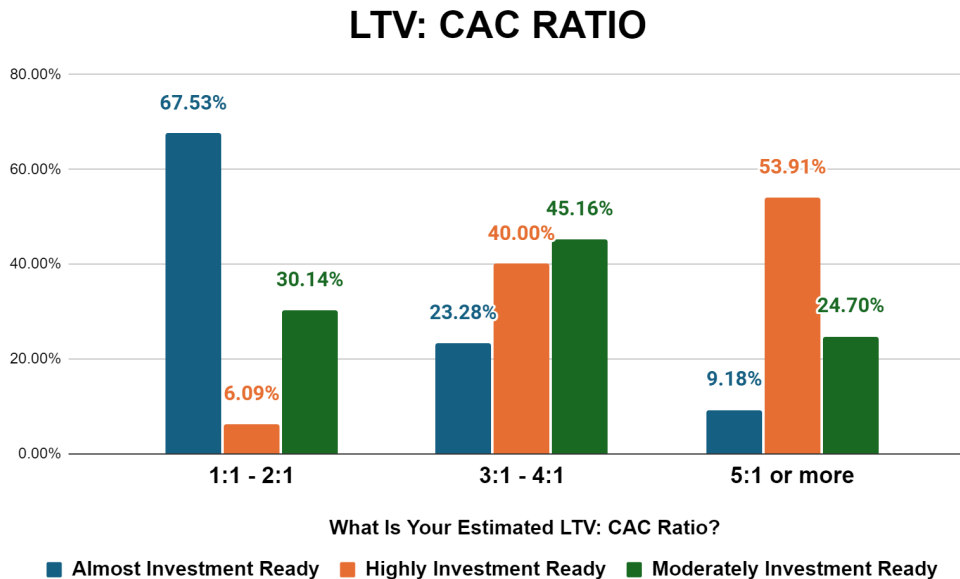
The ratio of Customer Lifetime Value (LTV) to Customer Acquisition Cost (CAC)—is a critical metric for Micro, Small, and Medium Enterprises (MSMEs) as it provides insight into the efficiency and profitability of their customer acquisition efforts. From the analysis, **highly investment ready businesses are more likely to have LTV:CAC ratio of more than 5. 1. From the analysis, more than half (53.91%) of the highly investment ready businesses had an LTV: CAC ratio of 4.1 or more compared to 24.70% of those in the moderately ready category and 9.18% in the almost ready category.**

<sup>122</sup> Investopedia (2024). Churn Rate: What It Means, Examples, and Calculations. Accessed from: [Churn Rate: What It Means, Examples, and Calculations](#)

<sup>123</sup> McKinsey (2023). Experience-led growth: A new way to create value. Accessed from: [Experience-led growth: A new way to create value](#)

<sup>124</sup> Investopedia (2024). Churn Rate: What It Means, Examples, and Calculations. Accessed from: [Churn Rate: What It Means, Examples, and Calculations](#)

Figure 73; LTV: CAC ratio for beneficiaries for each category



The LTV:CAC ratio is an important indicator of the wellbeing of a business to a potential investor. This is because the ratio is associated with the long-term profitability, scalability and financial health of a business<sup>125</sup>. The ratio is an indicator of profitability. This is because the investor has visibility of how much revenue a business can expect to generate from a customer relative to the cost of acquiring that customer. It also creates an opportunity for discussion on the customer acquisition strategy, marketing and the level of customer satisfaction in case the churn rate is high.

Secondly the ratio is important for an investor in determining the growth trajectory of the company and its sustainability<sup>126</sup>. If the LTV significantly outweighs the CAC, then the company can scale without the need for huge increase in the CAC ensuring growth is sustainable in the long term. Resource allocation is another factor that has been connected to the importance of the LTV to CAC ratio by investors. By monitoring the ratio, a business can allocate its resources as efficiently as possible in order to acquire and retain customers. An investor is interested in companies that can optimise and maximise returns on investments in customer acquisition<sup>127</sup>. MSMEs should consistently track such ratios as they are also able to flag and mitigate for any potential risks. A potential risk, such as increasing customer acquisition costs or decreasing customer value could be detrimental to the financial stability of the business. Investors prefer businesses with predictable and recurring revenue streams. A strong LTV: CAC ratio suggests that the company has a solid understanding of its customer lifecycle and can generate consistent cash flows, which is essential for reducing investment risk<sup>128</sup>. In addition, businesses

<sup>125</sup> [LTV/CAC Ratio - Important eCommerce and SaaS Metrics](#)

<sup>126</sup> Wefund (2023). The Startup's Guide To LTV/CAC: When And How To Incorporate It Into Your Strategy. Accessed from: <https://www.wefund.io/en/the-startups-guide-to-ltv-cac-when-and-how-to-incorporate-it-into-your-strategy/#:~:text=The%20LTV%2FCAC%20ratio%20is,re%20spe nding%20to%20acquire%20them>

<sup>127</sup> Kipfolio (2023). Measure marketing and sales efficiency with the LTV:CAC Ratio KPI. Accessed from: [LTV:CAC Ratio: What It Is & How To Calculate It | Kipfolio](#)

<sup>128</sup> Kowalski (2023). The Significance of LTV, CAC & LTV/CAC Ratio: Metrics that Matter For Startup Ventures. Accessed from: <https://www.linkedin.com/pulse/significance-ltv-cac-ltv-cac-ratio-metrics-matter-jaimie-kowalski-mba/>

are able to make informed business decisions and can accurately make future projections on the cost of acquiring and retaining customers<sup>129</sup>.

#### 4.4.4 Understanding of Business KPIs and Investment readiness

Key Performance Indicators (KPIs) are significant in any business to measure and evaluate its trajectory in relation to various functions of their operations<sup>130</sup>. Overall tracking of KPIs has been linked to investor confidence and reporting. This is because for MSMEs seeking investment, KPIs are essential tools for demonstrating the company's performance and potential to investors. Investors rely on KPIs to assess the viability of the business and understand its growth trajectory and evaluate risks. In addition, KPIs provide a benchmark against which MSMEs can measure their performance relative to industry standards. This benchmarking is important for valuation purposes, as it gives investors a clear picture of where the business stands in comparison to competitors. **Highly investment ready businesses are more likely to have KPIs, understand them and are actively tracking them. From the analysis, 92.17% of the highly investment ready businesses reported that they understand their business KPIs compared to 44.10% in the moderately ready category and 14.94% in the almost ready category. Further to that, MSMEs in the moderately ready and almost ready category, reported needing help applying the KPIs to their business.** The results indicated that more than half (53.06%) of businesses that are almost investment ready, reported that they do not understand what my business' KPIs are, 38.62% in the moderately ready category and 32.00% in the almost ready category reporting that they need support. This speaks to the role of investors offering more than financial support to businesses but also coupling it with technical assistance.

Table 9; Understanding Business KPIs

UNDERSTANDING OF BUSINESS KPIs			
Key Indicator	Response/Parameter	Frequency [n = 3549]	
		In #	In %
<b>Moderately Investment Ready</b>	I know my KPIs but need help applying them to my business	910	38.62%
	No, I do not understand what my business' KPIs are	407	17.28%
	Yes, I understand my business' KPIs	1039	44.10%
	<b>Total</b>	<b>2356</b>	<b>100.00%</b>
<b>Highly Investment Ready</b>	I know my KPIs but need help applying them to my business	9	7.83%
	Yes, I understand my business' KPIs	106	92.17%
	<b>Total</b>	<b>115</b>	<b>100.00%</b>
<b>Almost Investment Ready</b>	I know my KPIs but need help applying them to my business	345	32.00%
	No, I do not understand what my business' KPIs are	572	53.06%
	Yes, I understand my business' KPIs	161	14.94%
	<b>Total</b>	<b>1078</b>	<b>100.00%</b>

<sup>129</sup> Kipfolio(2023). Measure marketing and sales efficiency with the LTV:CAC Ratio KPI. Accessed from: [LTV:CAC Ratio: What It Is & How To Calculate It | Kipfolio](#)

<sup>130</sup> Yadavalli, Srinivasa & Reddy, T & Babu, Neerugatti. (2024). Small and Medium Sized Enterprises Key Performance Indicators. 11. 01-06. 10.9790/5933-1104060106.

Key performance indicators are significant in ensuring that all the relevant stakeholders in any business remain aligned with their business goals, make informed decisions, and drive growth. There are various documented benefits of MSMEs understanding their key performance indicators and remaining committed to achieving them. MSMEs that have defined KPIs are able to track progress of their performance in achieving its strategic objectives. This quantitative tracking ensures that management can make evidence based and informed decisions with the health of the company in mind. Due to their limited financial and technical resources, MSMEs benefit greatly from KPI tracking, which allows management and investors to monitor issues like inventory turnover, production efficiency, and employee productivity. This helps MSMEs identify their strengths and weaknesses in day-to-day operations. KPIs also help companies prioritise actions that yield the best returns on investment. This could involve focusing on high-performing products, optimising marketing strategies, or improving operational efficiency. Tracking the business performance also enables them to identify areas that need improvement. For instance, financial KPIs like revenue growth, profit margins, and cash flow help.

#### 4.4.5 Financial Management Practices and Investment readiness

Financial management practices are critical to the success and sustainability of any business, particularly for small and medium-sized enterprises (SMEs). Effective financial management not only ensures the efficient use of resources but also plays a pivotal role in enhancing a business's investment readiness. One of the key aspects that investors look for is financial transparency. Businesses that maintain accurate and up-to-date financial records are more likely to gain the trust of investors. Key Financial Management Practices for Investment Readiness. Below we discuss some of the best financial practices that help businesses get ready for investment analysis and the trend of the same among the TEF beneficiaries.

**1. Financial accounting, reporting and analysis:** Regular financial reporting and analysis provide insights into a business's performance, helping to identify trends and areas for improvement. Investors rely on these reports to assess the financial stability and growth potential of a business<sup>131</sup>. Accurate and timely financial reports enhance credibility and increase the likelihood of securing investment<sup>132</sup>. **From the analysis, highly investment ready businesses seemed to have formal structures and used technology in managing their finances compared to the other categories that managed their finances in more informal manner. 84.35% of the business in the highly investment ready category managed their business using an accounting software compared to 28.19% in the moderately ready category and 6.59% in the almost investment ready category.**

While simple bookkeeping methods are better than none, the method has a number of challenges and is less attractive to investors for any business<sup>133</sup>. The use of traditional financial management has been linked to financial errors that could result in businesses shutting down, under budgeting or overspending.

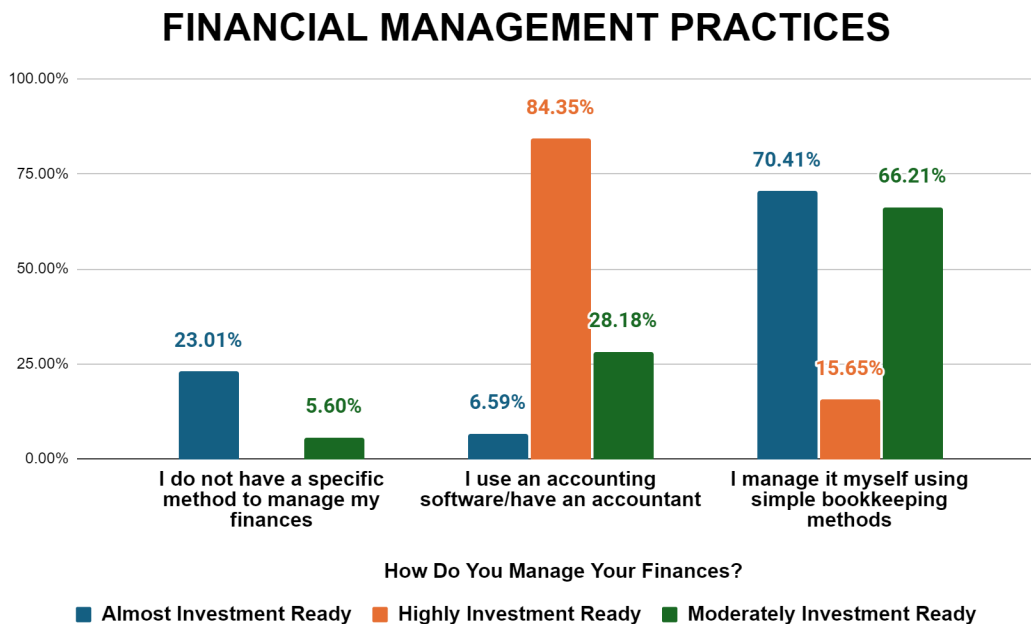
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<sup>131</sup> Linked in Article on; Navigating Growth: Mastering Financial Management for Business Expansion. Accessed from: <https://www.linkedin.com/pulse/navigating-growth-mastering-financial-management-business-kn8ef/>

<sup>132</sup> Faster Capital (2024). The Importance Of Financial Management In Business. Accessed from: [The Importance Of Financial Management In Business - FasterCapital](#)

<sup>133</sup> Anwar, S., Rahmadani, A. S., & ... (2022). Pelatihan Pembukuan Akuntansi dalam Rangka Peningkatan Pelaporan Keuangan UMKM. Jurnal Pustaka .... [Pelatihan Pembukuan Akuntansi dalam Rangka Peningkatan Pelaporan Keuangan UMKM. | Jurnal Pustaka Mitra \(Pusat Akses Kajian Mengabdikan Terhadap Masyarakat\)](#)

Figure 74; Financial business practices among business in each category



**2. Financial Planning and Budgeting:** Financial documents such as balance sheets, budgets, income statements, and cash flow statements, provide a clear picture of a company's financial health<sup>134</sup>. These documents help investors understand how a business generates revenue, manages expenses, and utilizes its assets. Without such transparency, investors may be hesitant to provide funding due to the perceived risk of financial mismanagement<sup>135</sup>. **From the analysis on the presence of Financial Budgets/ Forecasts and investment readiness 95.65% of highly investment ready businesses had a financial budget/forecast document compared to 71.69% in the moderately ready category and 43.51% in the almost ready category.**

Comprehensive financial planning and budgeting help businesses forecast their financial needs and allocate resources efficiently. Investors favor businesses that can clearly articulate their financial plans, as it indicates a well-thought-out strategy for growth and profitability. Planning and budgeting are an effective way of promoting cost control and efficiency in a business<sup>136</sup>. It is paramount that businesses keep costs under control and improve operational efficiency as this can significantly boost profitability. Investors are attracted to

<sup>134</sup> Faster Capital (2024). The Importance of Financial Management In Business. Accessed from: [The Importance Of Financial Management In Business - FasterCapital](#)

<sup>135</sup> Akinola (2023). The importance of financial management in small and medium-sized enterprises (SMEs): an analysis of challenges and best practices. Accessed from: [\(PDF\) The importance of financial management in small and medium-sized enterprises \(SMEs\): an analysis of challenges and best practices](#)

<sup>136</sup> Okyere, Bismark & Kofi, Adjei-Gyabaah & Kofi, Obeng & Hope, Eric. (2020). Impact of Financial Management Practices on the Growth of Small and Medium Scale Enterprises in Ghana: The Case of Birim Central Municipality. 2349-5219

businesses that can demonstrate cost efficiency, as it suggests that the company can maximize returns on investment<sup>137</sup>.

Table 10; Presence of financial budgets/forecast across investment readiness categories

PRESENCE OF FINANCIAL BUDGETS/FORECASTS			
Key Indicator	Response/Parameter	Frequency [n = 3549]	
		In #	In %
Moderately Investment Ready	No	667	28.31%
	Yes	1689	71.69%
	<b>Total</b>	2356	100.00%
Highly Investment Ready	No	5	4.35%
	Yes	110	95.65%
	<b>Total</b>	115	100.00%
Almost Investment Ready	No	609	56.49%
	Yes	469	43.51%
	<b>Total</b>	1078	100.00%

#### 4.4.6 Preferred payments methods and investment readiness

**Best Financial planning and management practices also involve cash flow management.** Cash flow management gives visibility of money coming in and out of the businesses. This transparency helps investors gauge the profitability of the business, identify possible financial risks and draw up mitigation strategies when investing<sup>138</sup>. Effective cash flow management ensures that a business can meet its short-term obligations while also investing in opportunities for growth. Positive cash flow is a strong indicator of financial health and reduces the risk perceived by investors. In developing economies and especially rural areas, cash is predominantly used<sup>139</sup>. **From the analysis, highly investment ready businesses and moderately investment ready businesses utilized both cash and digital payment options while the almost investment ready businesses heavily relied on cash transactions. 76.52% in the highly investment ready category and 56.24% in the moderately ready category reported using cash, credit and cheques and cardless payments such as mobile money and digital wallet.** This also signified diversity in how they allow their customers to pay for their products/services which largely signifies flexibility in the payment options. **More than half of businesses that were almost ready for investment 54.64% reported relying solely on cash payments.** One of the major challenges of cash-based

<sup>137</sup> Linked Article on Go Deeper into the Importance of Financial Readiness for Business Expansion. Accessed from: <https://www.linkedin.com/pulse/go-deeper-importance-financial-readiness-business-argae/>

<sup>138</sup> PWC (2024). Your cash flow forecast: The key to surviving and thriving. Accessed from: [Your cash flow forecast: The key to surviving and thriving - PwC](#)

<sup>139</sup> UNDP (2024). Fundamentals Financial Planning E-Guide for MSMEs. Accessed from: [Fundamentals Financial Planning E-Guide for MSMEs](#)

system is that in the absence of digital financial diaries, MSMEs struggle to access financing and credit against their businesses as its financial capability is not documented<sup>140</sup>.

Table 11; Distribution of how customers pay across the investment categories

HOW CUSTOMERS PAY FOR PRODUCTS/SERVICES			
Key Indicator	Response/Parameter	Frequency [n = 3549]	
		In #	In %
<b>Moderately Investment Ready</b>	All the above and cardless payments such as mobile money and digital wallet	1325	56.24%
	Cash, cheque and credit card payment	537	22.79%
	Pay solely by cash	494	20.97%
	<b>Total</b>	2356	100.00%
<b>Highly Investment Ready</b>	All the above and cardless payments such as mobile money and digital wallet	88	76.52%
	Cash, cheque and credit card payment	25	21.74%
	Pay solely by cash	2	1.74%
	<b>Total</b>	115	100.00%
<b>Almost Investment Ready</b>	All the above and cardless payments such as mobile money and digital wallet	309	28.66%
	Cash, cheque and credit card payment	180	16.70%
	Pay solely by cash	589	54.64%
	<b>Total</b>	1078	100.00%

### Customer payment time and investment readiness

Payment timelines are critical to ensure that operations of the businesses go on well. A business with a high payment default from its customers is a red flag for investors and hence reduces the chances of such business acquiring credit as well. While there is no strict best practice rule by when a business should receive its payments, most MSMEs operate on 30 -45 day<sup>141</sup> window. From the analysis, **there was no variation in the payment time , with the largest proportion of businesses in all categories reporting receiving the payment in less than 15 days. 67.83% of businesses in the highly investment ready category, 58.53% in the moderately ready category and 58.91% in the almost ready category reported receiving payment within 15 days.**

Table 12; Distribution of customer payment time across the investment readiness categories

CUSTOMER PAYMENT TIME			
Key Indicator	Response/Parameter	Frequency [n = 3549]	
		In #	In %
<b>Moderately Investment Ready</b>	Between 15 - 30 days	743	31.54%

<sup>140</sup> Asian Development Bank (2024). How Can Fintech Close the Finance Gap for the Region's Smallest Businesses? [Q&A: How Can Fintech Close the Finance Gap for the Region's Smallest Businesses? | Asian Development Bank](#)

<sup>141</sup> KPMG (2024). Micro, Small & Medium MSME Enterprises Survey report – 2021. Accessed from: [MSMEs-Survey-Report.pdf - Nairobi](#)

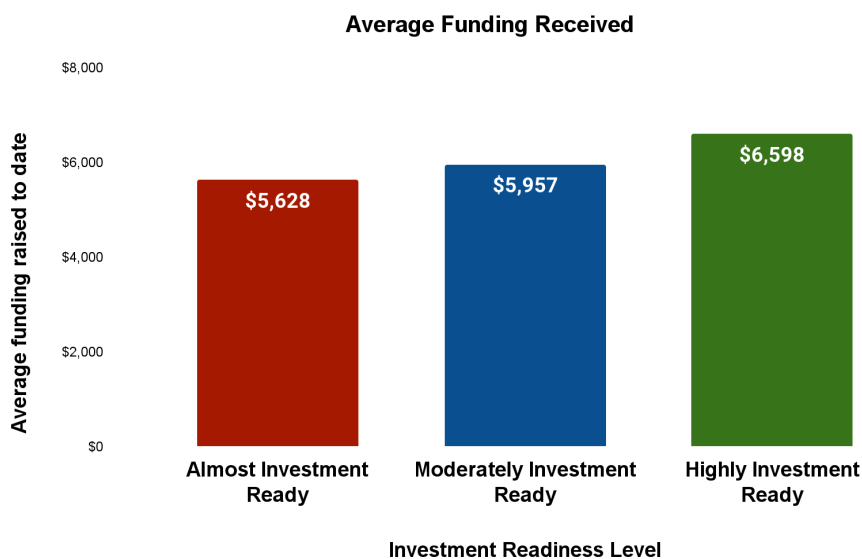


Ready	Less than 15 days	1379	58.53%
	More than 30 days	234	9.93%
	<b>Total</b>	<b>2356</b>	<b>100.00%</b>
Highly Investment Ready	Between 15 - 30 days	28	24.35%
	Less than 15 days	78	67.83%
	More than 30 days	9	7.83%
	<b>Total</b>	<b>115</b>	<b>100.00%</b>
Almost Investment Ready	Between 15 - 30 days	288	26.72%
	Less than 15 days	635	58.91%
	More than 30 days	155	14.38%
	<b>Total</b>	<b>1078</b>	<b>100.00%</b>

#### 4.4.6 Fundraising and investment readiness

Access to finance is disproportionately difficult for smaller firms in the least developed countries (LDCs), with 41 percent of SMEs in LDCs reporting access to finance as a major constraint to their growth and development, by comparison to 30 percent in middle-income countries (MICs) and only 15 percent in high-income countries (HICs)<sup>142</sup>. Fundraising is a critical activity for Micro, Small, and Medium Enterprises (MSMEs) in Africa, serving as the lifeblood that sustains their growth, innovation, and competitiveness. While access to financing globally remains a challenge, SMEs struggle more accessing funding especially in developing economies as traditional funding sources such as banks give preference to well established firms to the detriment of these SMEs<sup>143</sup>. This is also linked to the fact that fundraising generally takes time<sup>144</sup>. From the analysis, highly investment readiness businesses on average received more funding compared to the other business categories. **The average funding raised by highly investment ready businesses to date was \$6,598, compared to \$5,957 in the moderately ready category and \$5,628 in the almost investment category.**

Figure 75: Distribution of funding received by TEF beneficiaries across investment readiness category



<sup>142</sup> [Micro-, Small and Medium-sized Enterprises Day | United Nations](#)

<sup>143</sup> Tomomewo, Amos & Akintoye, Ishola. (2022). Development of SMEs in Africa: The role of crowdfunding. International Journal of Entrepreneurship. 25. 1 - 16.

<sup>144</sup> ADBI (2016). Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating Them. Accessed from: [Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating Them](#)

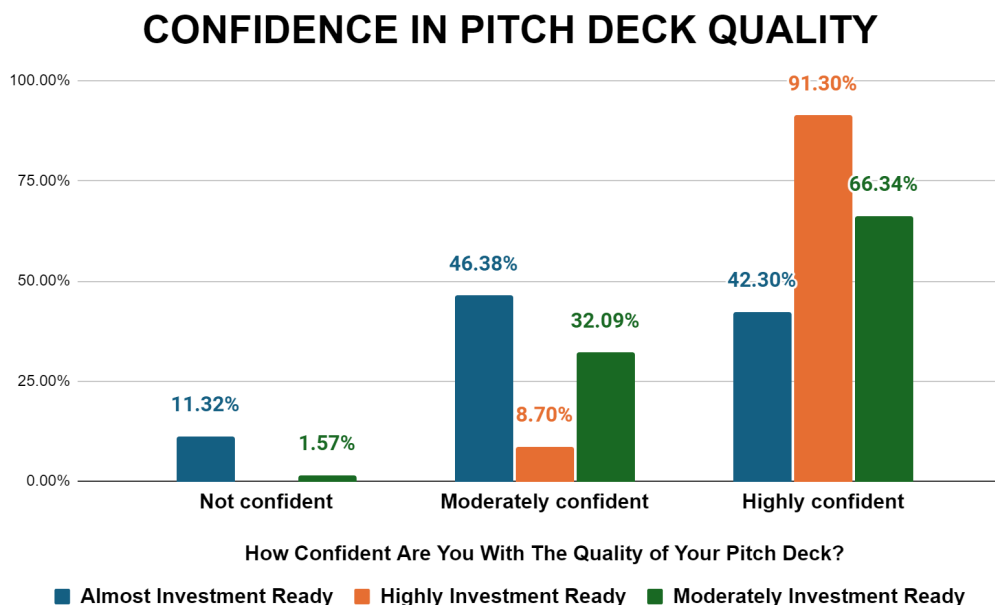
There are various approaches that MSME adopts in raising financing. Some of the approaches include

- **Blended finance** involves combining public and private funds to support MSMEs. Development finance institutions (DFIs) and governments often provide concessional funding, which can attract private investors by reducing the perceived risk<sup>145</sup>.
- **Impact investing**, which seeks to generate social and environmental benefits alongside financial returns<sup>146</sup>
- **Partnerships** for example with larger companies, NGOs, or international organizations, MSMEs can gain access to funding, technical expertise, and markets that would otherwise be out of reach<sup>147</sup>.

#### 4.4.7 Confidence in Pitching a Deck and investment readiness

A pitch deck is a crucial document for demonstrating investment readiness. It provides a clear and organized overview of the business, allowing investors to quickly assess the company's profile and determine whether it aligns with their investment criteria<sup>148</sup>. **Highly Investment ready businesses owners are more likely to have pitch decks and be confident in the quality of their pitch deck. From that analysis 91.30% of the beneficiaries running highly investment ready businesses, were highly confident in the quality of their pitch deck compared to 42.30% in the almost investment ready and 66.34% in the moderately ready category.**

Figure 76; Investment ready businesses' confidence in Pitch Deck Quality of businesses across each category



<sup>145</sup> SME Finance Forum (2024). A Recipe for Blended Finance Accessed from:

<https://www.smefinanceforum.org/post/~:text=Blended%20finance%20refers%20to%20finance,or%20in%20local%20currency%20loans>

<sup>146</sup> SME Finance Forum (2024). Small Enterprise impact investing. Accessed from: [Small Enterprise impact investing](#)

<sup>147</sup> ICR Report (2021). Crowdfunding: An opportunity to increase access to finance for MSMEs in ACP countries. Accessed from: [Crowdfunding: an opportunity to increase access to finance for MSMEs in ACP countries](#)

<sup>148</sup> PWC (2024). The Fundraising process : Preparation phase - preparing pitch and investor decks. Accessed from; [Chapter 4: The Fundraising process: Preparation phase](#)

## 4.5. What are the primary barriers or gaps that hinder entrepreneurs in the programme from achieving investment readiness, and how can these be addressed through targeted support and resources?

This section identifies the primary barriers and gaps that hinder entrepreneurs in the programme from achieving investment readiness. It explores key challenges such as limited access to capital, lack of strategic business planning, and insufficient market insights. Additionally, the section discusses how targeted support, resources, and interventions can help overcome these obstacles, enabling entrepreneurs to enhance their readiness for investment and scale their businesses successfully.

### 4.5.1 Barriers and Gaps faced by Beneficiaries across investment categories.

Globally, MSMEs form the backbone of most economies. It is estimated that MSMEs account for 90% of businesses, 60 to 70% of employment and 50% of GDP worldwide<sup>149</sup>. According to the UN, 600 million new jobs must be created globally over the next 15 years to keep up with the growing population. MSMEs hold the potential to transform economies, foster job creation, and promote equitable economic growth if given adequate support. However, MSMEs continue to face a myriad of challenges hindering their growth and sustainability. In a report published by the African Union development agency, 5 out of 7 business SMEs fail in the first year. The numbers significantly vary across the sectors. MSEs are perceived as a key catalyst to the achievement of some of the sustainable development goals. However financial, technical, infrastructure and market dynamics often affect these small businesses. These challenges do not just affect the business but also affect the growth of the sector in various countries. There are about 365-445 million MSMEs in emerging markets: 25-30 million are formal SMEs, 55-70 million are formal micro, and 285-345 million are informal enterprises<sup>150</sup>.

#### Limited Access to Finance

MSMEs continue to face a myriad of challenges when it comes to accessing finance, running the business and growing their enterprise. For this study we sought to understand the perception of some of these challenges across the short term and long run. **TEF beneficiaries continue to face the adversity of accessing additional finance to run their businesses as shown below. In all the categories, a larger proportion of the beneficiaries perceived obtaining finance as a short term and long-term challenge.**

Table 13; Obtaining finance as challenge across investment readiness categories

OBTAINING FINANCE AS A CHALLENGE		
Obtaining Finance as a short-term Challenge		
Category	Yes	No
Highly Investment ready businesses	66.09%	33.91%
Moderately investment ready	68.42%	31.58%
Almost investment ready	66.60%	33.40%
Obtaining Finance as a long term Challenge		

<sup>149</sup> UN 2023, Accessed from: [Micro-, Small and Medium-sized Enterprises Day | United Nations](#)

<sup>150</sup> UN SDG : Accessed from: [Why SMEs face particular challenges and why it is a particular challenge to support SMEs | UN SDG:Learn](#)

Category	Yes	No
Highly investment ready businesses	53.91%	46.09%
Moderately investment ready	50.81%	49.19%
Almost investment ready	49.72%	50.28%

The table highlights that obtaining finance remains a significant challenge across all levels of investment readiness, with the majority of businesses identifying it as a short-term issue: 66.09% of highly investment-ready, 68.42% of moderately investment-ready, and 66.60% of almost investment-ready businesses face difficulties. In the long term, the challenge persists but slightly decreases, with 53.91% of highly investment-ready, 50.81% of moderately investment-ready, and 49.72% of almost investment-ready businesses reporting concerns. This trend suggests that while financial barriers are universal, businesses with higher investment readiness experience slightly reduced long-term constraints, likely due to improved financial strategies or access to resources. The findings emphasize the need for targeted financial support mechanisms to address both immediate and sustained funding challenges, helping businesses across readiness levels secure the capital needed for growth.

The financing gap continues to be a barrier affecting MSMEs. Globally, the financing gap is estimated to be 1.3 times the level of the current MSMEs lending needs, with women entrepreneurs accounting for 32% of the gap<sup>151</sup>. In Sub-Saharan the estimated financial gap is to be 51%, indicating that half of MSMEs either do not have access to financial services or can only access less than what they need to run their businesses. Women continue to be disadvantaged in accessing financial tools hence are left behind and marginalized. There is also a call to expand the range of financing tools targeting MSEs<sup>152</sup>. Evidence has shown limited access to finances affects the MSEs ability to adopt technology, purchase machinery, hire enough skilled labor, expand their inventory hindering their competitiveness and expansion. These parameters are interlinked and affect the productivity, profitability and subsequently sustainability of businesses. Traditionally, formal financial services, for example, Banks, MFIs and SACCOs were the main source of credit available for MSEs, a dynamic that locked out due to the inability to meet collateral needs. Currently, the emergence of fintech and digital finance has increased the sources of credit available for MSEs. Despite the increase, there is room for more players to improve their credit offerings to meet the demand of MSEs and low-income households<sup>153</sup>.

Financing remains a major challenge for business globally. From a broader perspective, the SME finance forum asserts that the challenges of SMEs financing in Africa could also be influenced by systemic issues such as the inefficiency of African capital markets in supporting SMEs, Minimal visibility to a broad investor base and the absence of government-led SME strategy to develop the ecosystem<sup>154</sup>. MSMEs continue to be disproportionately disadvantaged, especially in emerging economies. According to world bank<sup>155</sup> 41% of SMEs in LDCs report access to finance as a major constraint to their growth and development, by comparison to 30 percent in middle-income countries (MICs) and only 15 percent in high-income countries (HIC). The schematic below shows the financing gap in Africa for MSMEs.

<sup>151</sup> [MSME Finance Gap](#)

<sup>152</sup> <https://www.oecd.org/cfe/smes/New-Approaches-SME-full-report.pdf>

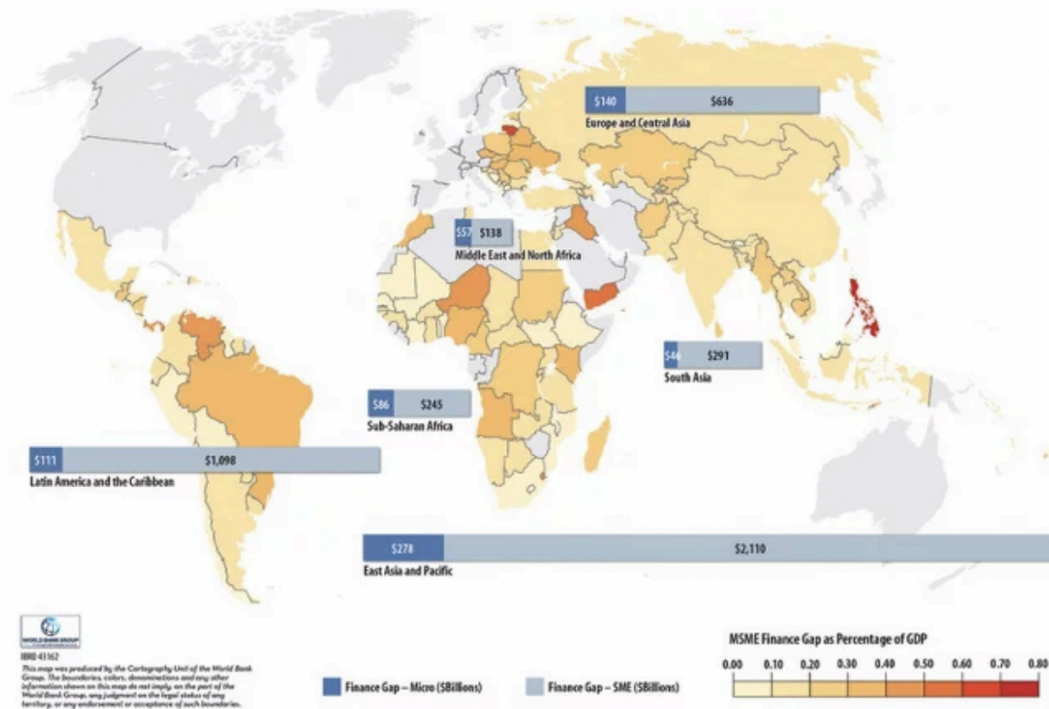
<sup>153</sup> <https://www.cgap.org/sites/default/files/publications/slidedeck/20221126%20-%20The%20Promise%20of%20Fintech%20for%20MSEs-2-compressed.pdf>

<sup>154</sup> SME Finance Forum (2024). The challenges facing SME Financing in Africa. Accessed from: [The Challenges and Opportunities of SME Financing in Africa](#)

<sup>155</sup> World Bank (2024). Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital. Accessed from: <https://www.worldbank.org/en/topic/smefinance>



## Formal MSME Finance Gap in Developing Countries



### High cost of doing Business

Figure 77; Cost of doing business in current location as a short-term challenge against investment readiness categories

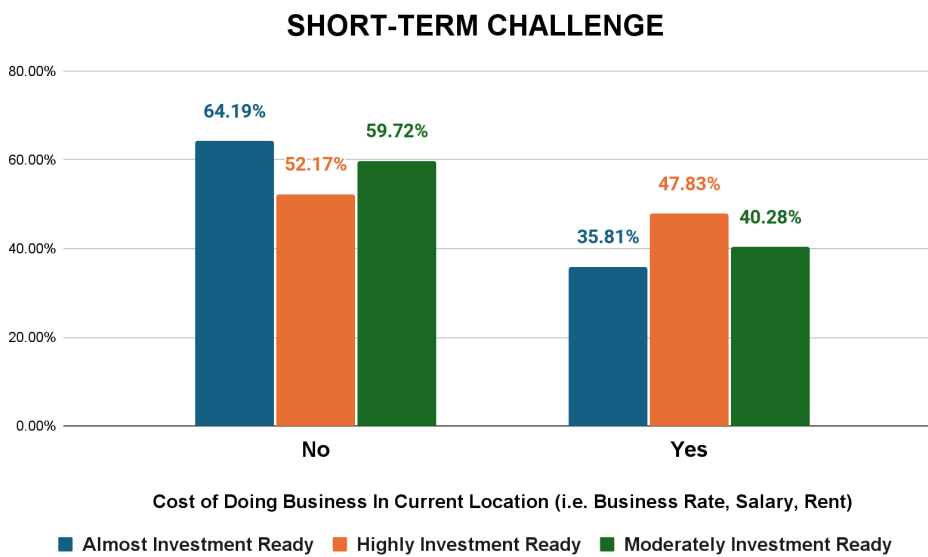
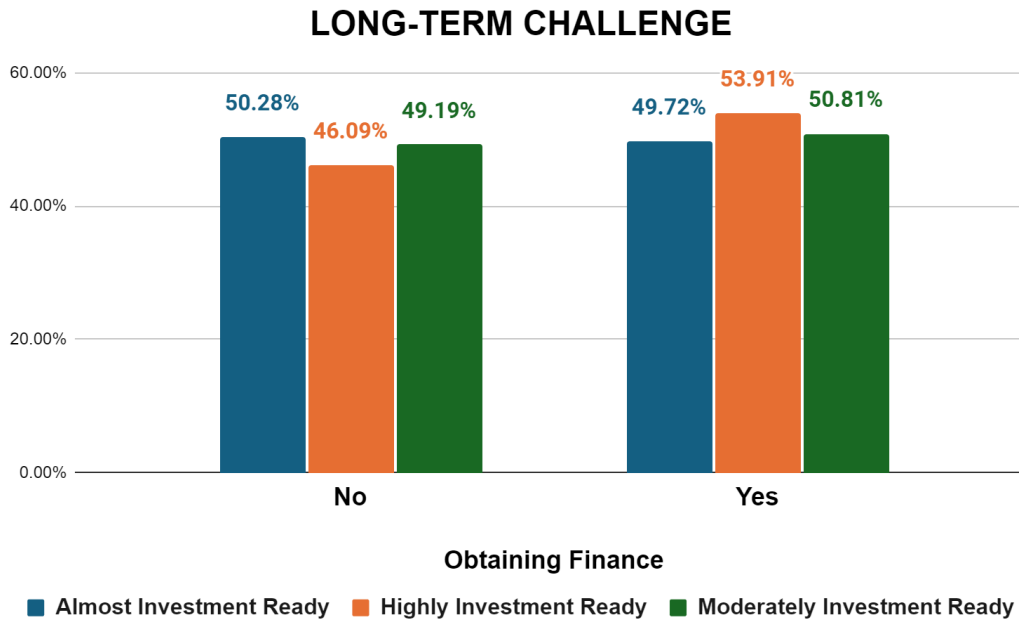


Figure 78; Cost of doing business in current location as a long-term challenge against investment readiness categories



Overall, the cost of doing business in the current location was not perceived as a challenge given that in every category of investment readiness, a larger proportion voted no. In addition, a larger proportion of beneficiaries perceived it to be more of a short-term issue compared to a long term challenge. **From the analysis, in all categories, the larger proportion of respondents reported it as a challenge in the short term compared to the long term. That is, within the highly investment ready category, 47.83% reported it in the short term against 26.96% in the long term. In the moderately ready category, 40.28% reported it in the short term and 22.96% in the long term and finally in the almost ready category, 35.81% compared to 24.49% in the short and long terms respectively.**

### Challenges of scaling tech platforms

Despite the significance of technology in growing the production, distribution and access to markets of businesses, MSMEs struggle with scaling the Tech platforms. **Highly Investment ready businesses seem to have technology that is scalable and have traction to prove it. From the data, 79.13% of all businesses that were highly investor ready had technology that is scalable compared to 17.25% and 0.57% in the moderately ready and almost ready categories.**

Table 14; Challenges of Scaling Tech Platforms

CHALLENGES OF SCALING TECH PLATFORMS			
Key Indicator	Response/Parameter	Frequency [n = 2534]	
		In #	In %
How Challenging is it to scale your tech platform  (Moderately Investment Ready)	Can be scaled but haven't explored that	1342	64.86%
	Highly scalable and has traction to prove it	357	17.25%
	Very difficult	370	17.88%
	<b>Total</b>	2069	100.00%



<b>How Challenging is it to scale your tech platform</b>  (Highly Investment Ready)	Can be scaled but haven't explored that	21	18.26%
	Highly scalable and has traction to prove it	91	79.13%
	Very difficult	3	2.61%
	<b>Total</b>	115	100.00%
<b>How Challenging is it to scale your tech platform</b>  (Almost Investment Ready)	Can be scaled but haven't explored that	187	53.43%
	Highly scalable and has traction to prove it	2	0.57%
	Very difficult	161	46.00%
	<b>Total</b>	350	100.00%

The digital divide continues to be a critical concern for Micro, Small, and Medium Enterprises (MSMEs) in developing countries<sup>156</sup>. This divide not only refers to the gap in accessibility but also in usage with differences in the capacity to effectively utilize technology for business growth and innovation. A larger proportion of beneficiaries in the not investment ready category (46%), reported that it is very difficult to scale their tech platforms with less than 1% reporting to have scalable technology. Investors are drawn to businesses that adopt technology to scale operations and market access. Research has documented several challenges MSMEs face when it comes to developing their technological capability. Below we discuss some of the challenges.

#### Limited Financial and Technical Resources to enable digitisation

Financial resources refer to the capital and monetary ability for MSMEs to acquire and maintain technology while the technical refer to the skills and capacity required to build and maintain the technology. Majority MSMEs face challenges accessing finance to acquire and expand their technology prowess<sup>157</sup>. Figure 78 below shows that despite being highly investment ready 50.43% indicating to only partially having the resources needed to expand their businesses. **This is an indication that highly investment ready businesses still need additional resources to develop their platforms with 50.43% reporting they have partial resources to develop their tech platforms.** Technology is quite expensive with the majority of MSMEs requiring capital boost to acquire the technology. While the rise of FinTech' has a positive impact closing the funding gap, the issue of the missing middle<sup>158</sup> further complicates the dynamics of accessing enough funds to build and acquire technology for the businesses. The missing middle refers to growing gap in funding and support available for small and medium-sized enterprises (SMEs) as they are too large to be served by microfinance institutions and too small and high risk for the more formal banking sector<sup>159</sup>. The small size loan tickets available leaves them without access to critical financial services they need to grow and scale their businesses<sup>160</sup>.

<sup>156</sup> Santosh, G., (2024). Bridging the Digital Divide: Enabling MSMEs in Developing Countries. Accessed from:

<https://www.linkedin.com/pulse/bridging-digital-divide-enabling-msmes-developing-countries-g-owzcc/>

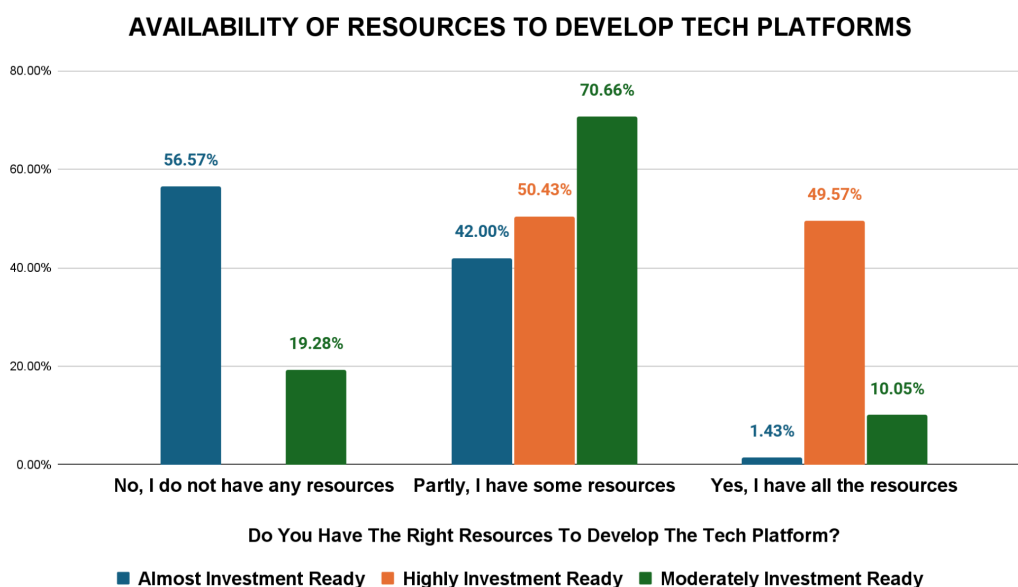
<sup>157</sup> Fitzherbert (2024). The 7 biggest challenges for SMEs in 2024. Accessed from: [The 7 biggest challenges for SMEs in 2024](#)

<sup>158</sup> IDS (2019). The SME finance gap in Kenya: how are investors missing the 'missing middle. Accessed from: [The SME finance gap in Kenya: how are investors missing the 'missing middle'? - Institute of Development Studies](#)

<sup>159</sup> Palladium (2023). Investing in the Missing Middle is a Fine Line. Accessed from: [Palladium - Investing in the Missing Middle is a Fine Line](#)

<sup>160</sup> IDS (2019). The SME finance gap in Kenya: how are investors missing the 'missing middle. Accessed from: [The SME finance gap in Kenya: how are investors missing the 'missing middle'? - Institute of Development Studies](#)

Figure 79; Availability of resources to develop tech platforms for businesses in each category



The second barrier linked to the lack of scalable technologies among MSMEs is the limited level of skills. The majority of the MSMEs lack the in-house capacity to implement and manage new technologies, this could be either limited knowledge in building technology, low digital skills levels or the lack of technical capacity to maintain the technology once it is acquired. Often this means that acquiring new technology will be accompanied by additional costs in terms of training and maintenance. Businesses that are not investment ready are more likely not to have any resources to support their technological advancement. **From the analysis, 56.57% of businesses in the almost ready category reported not having any resources to develop their tech platforms (See figure 78).** While another 42% reported only having partial resources to develop the platform. Small and micro enterprises generally have low productivity and seek to serve the informal markets whose demand is quite low. This low productivity makes it rather difficult to absorb the costs of technological advancement<sup>161</sup>. Other barriers linked to the lack of technological advancement among MSMEs include navigating complex regulatory and compliance requirements particularly in areas like data protection and cybersecurity and cultural barriers that require a mindset transformation on the use of technology in the workplace.

<sup>161</sup> Mckinsey (2024). Small enterprises, big productivity gaps. Accessed from: [Small enterprises, big productivity gaps](#)

**From the qualitative analysis, additional challenges faced by TEF beneficiaries across all categories were identified as below.**

*Table 16; Additional challenges faced by beneficiaries from qualitative data*

### **Skills and Capacity Constraints**

MSEs compared to larger corporations are plagued with limited access to skilled labor and managerial expertise that inhibits the scalability and competitiveness of MSEs. Technical capabilities such as inventory management, financial accounting, marketing and strategy remain limited among MSEs. This has over the years created a need for tailor made solutions to MSEs offered in the context of business management. However, in most instances, these services are offered as a value add services by either financial institutions or through empowerment programmes. In a recent report by Mastercard foundation, they asserted that the MSMEs landscape has evolved and the scope of the support these businesses need has expanded<sup>162</sup>.

### **Market and infrastructural Constraints**

MSMEs face stiff competition from larger corporations, which limits their market share and growth opportunities. This is often driven by MSMEs' financial, technological, staffing, and branding constraints. In a globalized ecosystem, the majority of MSMEs are constrained in terms of research and development and the extent to which they can rapidly innovate to remain competitive. Grants like the TEF programme among others provide these small businesses with the safety net to test and iterate their products. From a branding perspective, they often have to compete with renowned brands in the market. Customers are more likely to trust traditional brands in the market and will often be perceived as superior quality, locking out MSMEs that are starting out and are yet to gain brand visibility. Another challenge faced by MSMEs is Inadequate infrastructure that affects their production capacity, scale and agility. Challenges related to infrastructure include unreliable electricity, low levels of mechanization or digitization, transportation, and telecommunications, hindering the growth and efficiency and competitiveness of MSMEs.

Complex regulatory frameworks, bureaucratic inefficiencies, and corruption pose significant obstacles for MSEs, increasing compliance costs and hindering business operations. MSMEs are more likely to operate informally given the barrier to formalization. Registration requirements such as legal documents, registration fees, high taxes and diverse permits needed to operate in some sectors pose a bottleneck to formalization of these businesses. There is a global call for policies to be developed to reduce the regulatory requirements needed for MSMEs to trade within and across borders. In recent years, there has been progress to reduce administrative burdens on start-ups by lowering legal barriers to entry and reducing the costs for regulatory compliance in different areas. However, the complexity of regulatory procedures, covering a wide range of areas such as license and permit systems, insolvency and tax, among others, remains a major obstacle to entrepreneurial activity.

Source: 2024 Field data: Qualitative insights from Interviewed MSMEs

## **4.5.2 Sector Specific Challenges**

### **Manufacturing Sector**

<sup>162</sup> [The digital transformation of small business support](#)

The study sought to better understand the manufacturing sector, its beneficiaries and their experience with the TEF programme.

**The beneficiaries were largely motivated to get into the sector as a result of their innovative idea, preference and interest in the sector.** One of the respondents also mentioned getting into the sector after failing to secure employment. With increased unemployment rates, SMEs are an effective way to generate and create a source of income. **Peer training within the sector through social enterprises was a common stance.** Beneficiaries mentioned the desire to make an impact in the society and Africa at large as one of their motivations. They observed the needs of the immediate community and created solutions in that area. **There seemed to be a preference for engaging vulnerable populations within the community, largely youth and women.** For example in Rwanda, a female beneficiary runs a hybrid social enterprise business, where they teach adolescents how to manufacture home decoration items. Similarly, a beneficiary in Chad mentioned that following the TEF programme she was able to train five additional women to be part of her staff. She asserted *“I like working with women because my country women are vulnerable so that is why I am training mostly women and if you want to stay with me or go start your own after the training”* **Female Beneficiary Chad.** These skills transfer enables young men and women to contribute to the household income through such ventures. Other motivating factors mentioned included the need for financial freedom beyond employment, education and marketing sources such as events and conferences.

**The beneficiaries also mentioned that the businesses had enjoyed notable growth and progress over the years both in terms of sales and customers served, albeit slow for some.** There has been notable growth and progress and expansion for some businesses. For example, in Rwanda, a female beneficiary noted that they started out without any physical shop, however after 3 years, they had set up five branches in Rwanda, and had an office in the production center. In addition to the capital boost, other technical support offered in the training contributed to the growth of the business.

**Before the TEF programme, beneficiaries relied on friends and family to fund their businesses, raising insufficient amounts.** There was also mention of receiving grants from other institutions. In the early stages, capital and funding were sourced through personal savings, but along the way, TEF funding boosted the businesses financing. Regarding the supply chain, only 12% of beneficiaries in the manufacturing sector mentioned they did not have access to any players within the supply chain. The majority that have access mentioned that the supply chain includes providing ICT support for SMEs, agro-tech product and services, product management, website building, order and delivery application software.

Table 17; An extract from manufacturing sector case in Chad



Since I was little, I have loved decorating people's shoes, so while growing up, I can use anything recyclable, and also I love wearing anything crafted. When I was in the 100 level there were some Lebanese that came to my country, they trained people on how to recycle plastics and how to use them in decorating. That was how I started crafting shoes. I was making shoes for my sisters and their friends. From there I was invited for some inter- university competition. I was chosen for my school. I won the competition. This experience open me up to the world of entrepreneurship



*When I started to get people who believed in the idea, who gave me the seed capital because I had no money. But I started to win grants, medals like 'Youth Connect'. It started to encourage me and show me that actually there are people in Rwanda who see the value of the vision that I'm creating. TEF really helped us in the financial aspect and especially the training, because I was making shoes without the basic knowledge of how to run or manage a business. So the training, the coaching was really helpful. Also with the financial support we were able to acquire some machines needed in production, and we were also able to register our company at "L'ANI" (CAC). [Also] like I said earlier, before TEF it was just to survive. but after TEF we created our website, to showcase our products, also on our pages on social media. Also we distribute stores across the country, we are also trying to export to other countries but not yet there.*

*...what I had as a dream is now working. We have impacted seven thousand and ten adolescents all over the country and twenty families are depending on this company. The expectations I had when I was starting have been met, now it's time to meet other milestones higher than what I envisioned when I was starting*

**2019 TEF Female Beneficiary, Chad**

## Challenges faced by entrepreneurs in the sector

- **Financing challenges coupled with the slow growth rate were mentioned as a significant challenge.** Beneficiaries mentioned a lack of start-up capital to insufficient finances to run the day-to-day operations of the business. In terms of the **Slow growth rate:** From the quantitative analysis, 34.50% of the business reported to be operating in losses. MSMEs cited the slow growth rate to get to profitability level as a challenge. For example, from the case studies, the beneficiaries mentioned that they spent long hours working, but had to rely on other sources of income such as employment or having other lines of business.. Beneficiaries noted a drop in business profitability and turnover at the height of the COVID-19 pandemic. **These dynamics also resulted in fears and uncertainties related to the future of the business among beneficiaries.** Beneficiaries mentioned that the fear of losing the business due to losses means that all their investment, both monetary and non-monetary is lost.
- One of the main challenges mentioned by the beneficiaries in the sector, **was the lack of technical knowledge when setting up and managing the business.** One of the beneficiaries mentioned that for her, her business to manufacture business decoration materials was quite novel and no one in her network, including family, were in the business. There has been a need for funding institutions to offer more than just finances for the success of such businesses. MSMEs often cite lack of technical skills in managing businesses as a reason for failure.
- **Formal registrations and obtaining licenses from the business was mentioned as a major challenge.** This is a common challenge faced by businesses due to a lack of formal documents, capital requirements to pay registration fees and failing to meet regulatory thresholds for some of the permits.

## Regional Challenges

- **Eastern Africa:** Entrepreneurs often lack access to key supply chain players and technical expertise, which hampers scaling efforts. Many startups begin with family funding but struggle with formal business expansion .

- **Southern Africa:** There's a greater need for food due to demand for diversification in production, driven by food and beverage industries. High production costs and limited workforce expertise create additional obstacles .

## **Agriculture and Agribusiness Sector**

From the beneficiaries, ***their motivation for joining the sector was driven by personal preference, the observed need for processed agricultural food, products and social economic factors such as unemployment and poverty.*** The significance of the sector in the development of the African continent cannot be ignored. On estimate, more than 50% of the continent is employed in the sector which contributes to 35% of the continent's gross domestic product (GDP)<sup>163</sup>. Women in Africa represent nearly 70 percent of the workforce in agriculture and contribute up to 90 percent of the labor<sup>164</sup>. The startup journey for those in the sector was defined as one with significant challenges ranging from lack of funding and uncertainty of the business. However, with demonstrated commitment , the businesses reported that the agri-business sector is still growing. ***Beneficiaries outlined notable growth in staffing, sales turnover, business diversification and profitability.*** On average, from the quantitative data, every 6 out of 10 businesses in the sector are profitable. In terms of business representation, ***beneficiaries engaged in processing of agricultural products such as cassava, procurement of equipment, maintenance of equipment, food processing, livestock housing, stock feeds, training and consulting.***

***The sector experiences a diverse source of start-up funding and raising capital, though social networks are still dominant.*** The beneficiaries outlined the sources of funding as personal savings, donations and support from family , loans among others. Studies have documented that it is easier for MSMEs to access financing from informal networks compared to formal institutions. Some of the bottlenecks mentioned that make it difficult for MSMEs to access formal financing include: lack of collateral, lack of formal registration, low literacy levels, low digital literacy levels, product mismatch and stringent measures imposed during recovery - there is room to negotiate in the informal economy.

***Geographical expansion, diversification, social responsibility and profitability are the main aspirations agri-business owners have.*** All the beneficiaries interviewed had plans of expanding their business. Some of the business mentioned venturing into new markets by expanding within Africa. ***In terms of social responsibility,*** beneficiaries also demonstrated interest in human capacity development and giving back to the society through mentorship and employment creation just like the Tony Elumelu foundation has given them opportunities. Those who aspired to diversify mentioned getting into other sectors within the agri-business ecosystem, hospitality and manufacturing while those who sort to expand within the value chain mentioned diversification into different types of crops and expansion in the scale of production

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<sup>163</sup> [Africa's agribusiness sector should drive the continent's economic development: Five reasons why](#) .

<sup>164</sup> UN Women 2021; Accessed from: [EMPOWERING WOMEN THROUGH CLIMATE-RESILIENT AGRICULTURE IN WEST AND CENTRAL AFRICA](#)

Table 18; An extract from an Agribusiness sector case in Zimbabwe



Living as an orphan is hard, after seeing my brothers and sisters struggling, I went to the city and started doing my research. I found out that a lot of farmers here in Zimbabwe want to do farming but they don't have the know-how in terms of putting their structures on their farms. Our main focus is on livestock housing, we focus on building structures for poultry. Piggery, goat pens as well as train farmers. Recently, we started supplying stock feed for the farmers. It's more likely in terms of livestock housing.

To be honest, I wasn't expecting anyone to give me [funding]. For me, I wasn't looking at getting any funding because...you don't need to start a business by borrowing money. You've got to do some savings then put it into whatever you want to do and grow. that was a bit of a struggle because I didn't have enough money to put towards the rent office. If you want to start anything, they say to pay three (3) months in advance so I never had that money in the first place .It was quite challenging.

When I started, I used to have individuals engage us, those we call small scale farmers. But now we have grown. We have organizations like NGO's and people from all sides of Africa, outside Zimbabwe. There's Uganda, Zambia, Kenya, Sierra Leone. So, right now, I can say we are getting more on a national level because of how we're running the company business wise

TEF helped me knowledge wise. It gave me a lot of knowledge in terms of how I can run my business, how I can run my finances. When I was running my business before TEF, I was the finance person, I was the marketing person, I was everything by myself. Then TEF came aboard and I was like "wow, I need this". I need to have a legal person, I need to have a finance person, I need to have these people to work with me. So, it is not only about the five thousand dollars (\$5000) but the education, the skills I got from TEF; I benefit a lot from that. Then the five thousand dollars (\$5000) was an addition to what I had learned from TEF.

What I feel like I'm enjoying more is the feeling of "I want to take over Africa". I want to have more than five thousand (5000) people working for me in the next five years; this is my target. Here in Zimbabwe, I should have at least one thousand people that work for me. Then I'm targeting Botswana, Kenya, Zambia and Rwanda. Also, by then, we should have a plant that will manufacture most of these building materials we need to construct these structures for livestock.

2019 TEF Male Beneficiary in Agribusiness, Zimbabwe

## Agri- Tech Growth in Africa

One of the emerging trends noted in the agriculture sector has been the growth of Agri-tech. Globally the industry was valued at USD 21879.0 million in 2021, with a CAGR growth projection of 12.14%<sup>165</sup>. In Africa, the

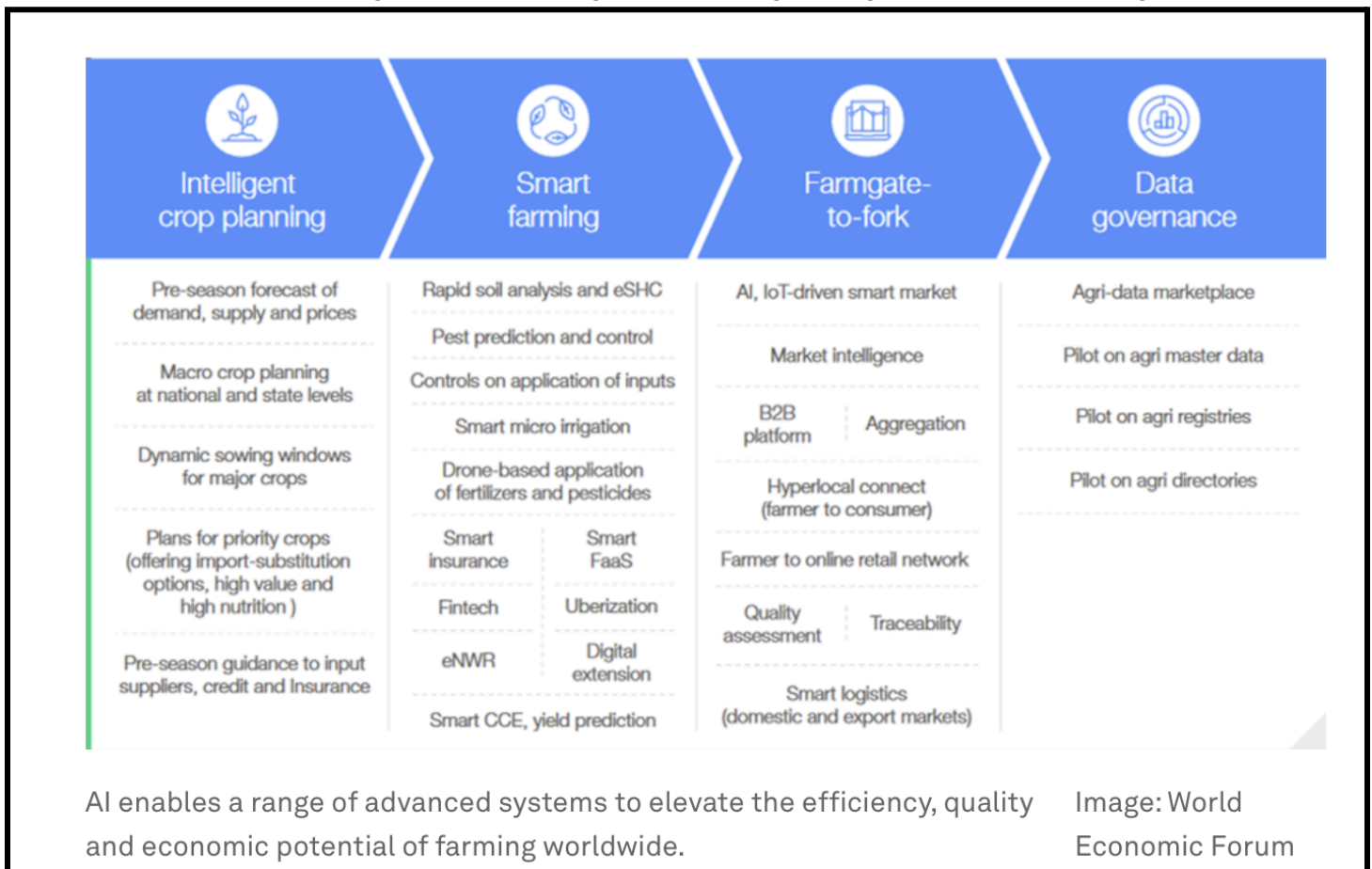
<sup>165</sup> AgriTech Market Report 2024 Insights: Accessed from article: <https://www.linkedin.com/pulse/africas-agri-tech-outlook-2024-axcelafrica-axsle/>

erratic nature of the sector has necessitated the development of cutting-edge technology targeting farmers and small business owners in various value chains. In Africa, the Agri-tech sector grew by 44% year-on-year between 2016-2019<sup>166</sup>, recording the highest number of agri-tech services in the developing world, reaching over 33 million smallholder farmers to date. Subsequently in Africa, the investments in aggrotech companies grew by 23.7% in 2020. For example, the African Agricultural Technology Foundation (AATF), reported to have technology worth \$650 million, dispersed throughout 24 African countries reaching 4.8 million smallholder farmers by 2023,

The impact of Agri-tech can be seen in three key areas:

- **Promoting Financial Inclusion:** By expanding access to finance—such as credit, insurance, and social security—Agri-tech helps strengthen the resilience of farmers, particularly women and smallholders.
- **Enhancing Sustainability:** Agri-tech fosters more sustainable agricultural practices through the optimal use of resources and by building resilience against climate change and other risks. This includes providing guidance on weather patterns, optimal sowing periods, pest control, efficient use of inputs like fertilizers and water, and the application of robotics.
- **Increasing Efficiency:** Agri-tech improves post-harvest supply chains by reducing crop losses, addressing demand-supply imbalances, and facilitating better market access.

The role that Technology can play in redefining the sector and improving farm outputs and farmers lives is diverse ranging from predicting weather patterns to developing climate-resilient seeds. WEF cites this impact four broad areas namely intelligent crop planning, smart farming, farm gate to fork and data governance



<sup>166</sup> Generation Africa (2021). Growth and opportunities in Africa Agritech. Accessed from: [Growth and Opportunities in African Agritech | Generation Africa](#)

Source: [WEE](#)

### Challenges faced by entrepreneurs in the Agriculture and Agribusiness sector

There were various challenges mentioned by beneficiaries within the sector. While these challenges are not unique to the Agribusiness sector, there is much need for a tailored approach to be adopted factoring the different market dynamics, production factors and country specific challenges. Below the challenges mentioned by beneficiaries in the Agribusiness sector were identified and discussed.

- **Market related challenges:** Beneficiaries cited challenges related to route to market strategy and market accessibility in their respective countries. The specific issues listed included market creation and distribution of products. Beneficiaries mentioned there is a technical gap between production and marketing. They cited that it is easy to produce the product however, marketing the product to create consistent demand is a challenge.
- **Start -up costs and operational costs:** Aspects related to setting up the business and operational costs were mentioned as a challenge. Recurrent costs such as rent, increased costs of inputs and animal feed, cost of managing pests and diseases, for example, pesticides and labour were mentioned. Beneficiaries compared this to the time it takes for the business to be profitable versus the cost of setting up, describing it as a main challenge in the agri-business sector.
- **High rate of mortality through pests and diseases:** Climate change has had an adverse effect on crops and animals alike, Beneficiaries mentioned the high mortality rate through pests and diseases affecting their crops and livestock contributing to business losses. For example, a beneficiary reported a loss of up to 40 fishes per day due to water contamination and diseases.
- **Regulatory and Business registration challenges:** Beneficiaries also mentioned challenges of acquiring license and operating permissions from relevant authorities. For example, a female beneficiary from Nigeria, mentioned the challenges with regulations exist because Nigeria has organizations that need to certify products and as a business, they have not managed to get those certifications. She mentioned certifications such as the NAFDAC certification and the SON certification.

### Regional Challenges

- **Western Africa:** Challenges include market creation and distribution difficulties, with a significant technical gap between production and marketing, especially for smallholders. Issues around acquiring certifications like NAFDAC (Nigeria) are prominent, particularly for women entrepreneurs
- **Eastern Africa:** Despite agriculture's prominence, challenges here include a lack of financing options and regulatory hurdles that hinder agribusinesses' growth potential .
- **Southern Africa:** This region experiences unique challenges in pest and disease control due to climate change, which directly impacts productivity and profitability. The region also faces challenges in food security despite having a strong agricultural base .

### Technology Sector

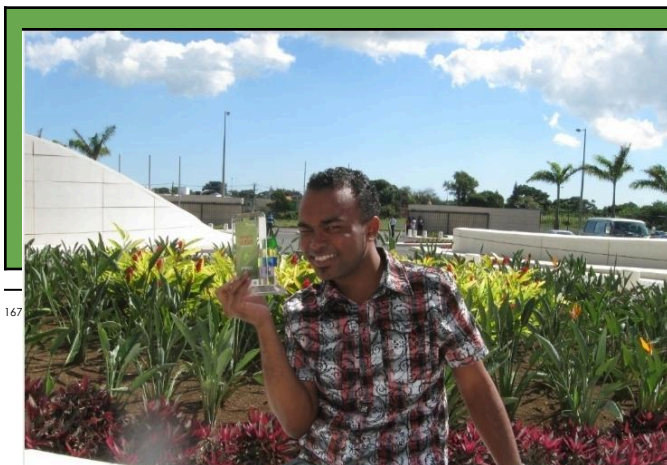
The technology sector was among the top three sectors from which TEF beneficiaries were operational in. With the rise of digital adoption, internet connectivity and mobile phone penetration, more businesses are not only adopting the use of technology, but the sector has provided an opportunity for MSMEs to thrive in the space.

**TEF beneficiaries in this sector had a general interest in the sector and their businesses are driven by the desire to solve problems within the communities.** Just like any other small-scale business, setting up the business was quite challenging following capital requirements and the uncertainty of success in their business. **One of the main notable factors driving the success of the businesses mentioned was the improved acceptability of digital innovation in Africa.** Technology has been known to increase the agility of the business, as a relevant and effective market tool and a significant enabler of distribution. Businesses noted growth in staffing levels, increased customer base and profitability among other advantages mentioned in the space. Businesses also mentioned profitability has increased despite a fall experienced at the height of the COVID-19 pandemic. Some of the businesses operating in the sector include providing ICT support for SMEs, agro-tech product and services, product management, website building, order and delivery and application software. **Other motivating factors mentioned included the desire to make an impact and change the society and in Africa at large and the need for financial freedom beyond employment.**

**Just like other sectors, start-up capital was raised from informal networks such as savings, friends and family.** To cater for the deficit, some beneficiaries operating multiple businesses, relied on businesses doing better financially to sustain those struggling with the hope of addressing the cash deficit. The second businesses were mostly still within the technology space, but some also mentioned being active in the agriculture and education sectors. The digital increase has seen the largest amount of funding being directed in Africa and especially to technology companies. It is estimated that up to \$2 billion has been raised by technology ventures in 2022 alone<sup>167</sup>. **Beneficiaries in this sector mentioned receiving both technical and financial support from other organizations such as youth connect through partnerships, conferences, webinars and crowd funding.**

**The main aspirations for beneficiaries in this sector include increased profitability, business expansion and diversification of product and service offerings. Beneficiaries mentioned the need to expand to new territories.** For example, a TEF female beneficiary running an Ag-Tech platform in Nigeria aspires to expand to other African countries, creating renewable energy centres for agro-processing in other farming communities across the country in the next five years. She asserted that she is also looking to increase and build technology know-how, to be able to accommodate more farmers and more consumers on their platform. One of the beneficiaries mentioned they are looking to expand by creating a subsidiary of one of their current products that got them into TEF programme. . The male beneficiary from Ghana who runs a technology company that builds tech products, is looking to create a subsidiary of the company in the next two years, that will focus on building products through its Tech labs, and creating employment opportunities. He aspires to have over 50 full-time employees and plans to run the project through a franchise system, in which he will invite people to expand their operations to different parts of the country while the business retains its own percentage of royalties.

*Table 19; An extract from a Technology sector case in Mauritius*



*I am from Mauritius running a business based in Mauritius and South Africa. We usually are doing business transforming whereby we do mobile apps and websites for SMEs, Small and Medium Enterprises. We also expanded to business transforming services where we accompany SME's to restructure their modus operandi. I am passionate by nature so it wasn't stressful starting out. I was learning*



and managing the business at the same time so for me, it was really enjoyable because it allowed me to learn new things and apply new things.

I would say the main challenge has been the financial aspect, that's when the Tony Elumelu Foundation came into play. The seed capital contributed greatly in the commencement of the start-up; it's like that one little switch you need and you achieve great things, things which added positivity to our business. During the programme, we restructured the website; changed the outlook, the office, went into one of the busier business areas - a prime location with top-notch furniture, that's how the fund helped. We really needed that push from the seed capital to be financially good in our book. It was a huge step for a business, especially a starter. It gave the business potential and credibility because it was from a reputable organization. So we leveraged the reputation, restructured the company, moved to new premises and also hired new staff.

I have five (5) employees for the time being, primarily women, not just because women are smarter than men but we profile our employees based on powerful minds and a lot of criteria as well. We also have freelanced and part-time employees, like five (5) to ten (10), depending on the need. They primarily do social media marketing, social media management and they also tiptoe in the construction sector by delegating tasks and doing a bit of project management

We have registered other businesses on the side. We are planning to redefine the digital landscape for crypto currency and we have applied to other international companies which provide wallets. We will be revealing our website which we are going to update by the end of April or May. We also do other things on the side like project management, copywriting. We don't focus on our only source of revenue; we have other side hustles which generate money. So I cannot say "no, I don't need mentorship" ..., we're still open to opportunities, we welcome funding with open and clear communication so that every different aspect of it is clearly highlighted.

2017 TEF male beneficiary, Mauritius

### Challenges faced by entrepreneurs in the Technology sector

- **Operational inefficiencies:** One of the beneficiaries mentioned that there is a challenge in getting things done. This coupled with long working hours puts a mental strain on the businesses. Operational management is critical in ensuring that business meets the needs of the clients within a healthy turnaround time. One of the male beneficiaries referenced that they do not have a time limit to the hours they put in a week. He stated that *"We don't really count the number of hours; it is until the work load is completed. If it isn't completed, we continue to work; sometimes it goes beyond the nine-to-five routine... So per week, I would say it is beyond fifteen (15) hours per day if you calculate that we don't work during weekends. But exceptionally, if we have customers who request certain types of services, we do what it takes"*
- **Financial constraints:** Within the sector, in addition to lack of start-up capital, possible losses and financial crisis due to uncertainties in business was mentioned as a constraint. One of the beneficiaries from Mauritius mentioned the constant fluctuations in financial flows. He asserted that *"Sometimes, you have inflow of cash, sometimes you won't have so, there will be times where the business will not work as you were planning for it to work"*
- **Government policies and regulatory restrictions** on business operations were also mentioned as a challenge in this sector. As the digital and technology landscape shifts, new policies are being set up affecting the way businesses operate or the regulatory requirements that come with the business.
- **Governance and management set up:** Some of the beneficiaries mentioned the challenge in managing their professional and social networks in relation to the business. One of the beneficiaries mentioned challenges in separating personal emotions and relationships from businesses which necessitated the need for human resource management systems in businesses. Setting up these structures comes with its own transitional challenges and additional costs to business operations. A

female beneficiary from Nigeria, mentioned that one of the main lessons she learnt in her business is the significance of relying on mentors and leveraging social networks. She asserted that that is one of the easiest ways to scale and grow.

### 4.5.3 Regional Challenges

**Central Africa:** Entrepreneurs here struggle with inadequate infrastructure, limited connectivity, and regulatory restrictions that hamper digital businesses' growth. Technical support from local institutions is minimal .

**Western Africa:** Challenges in raising start-up capital, often relying on informal funding sources due to a lack of access to formal financial support. The rapid digitalization is beneficial but also challenging due to inadequate support systems .

**Northern Africa:** Social barriers limit women's participation in tech entrepreneurship, and restrictive policies pose difficulties for business registration and operations .

### 4.5.4 Role of Technology in Promoting innovation among MSMEs

Innovation and technology have significantly transformed MSMEs, reshaping their operations, product distribution, market access, and product development capabilities<sup>168</sup>. Innovation encompasses the development of new ideas, products, processes, and business models that empower MSMEs to tackle challenges and leverage emerging opportunities. The TEF Investment Readiness Report highlights that businesses with high investment readiness scores are particularly likely to utilize technology platforms, with **93.91% of highly investment-ready businesses** reporting technology adoption compared to only **42.28% in the moderately ready category**. This indicates a strong correlation between technology use and investment readiness.

One effect of the COVID-19 pandemic was a significant increase in technology adoption among businesses for promotion, marketing, and product distribution<sup>169</sup>. For TEF beneficiaries, digital platforms have become central to marketing, sales, and distribution, with social media serving as the primary channel. This shift toward digital engagement reflects an evolving approach to customer acquisition and distribution, enhancing both operational resilience and market reach. **45.25% of TEF beneficiaries** reported having a customer acquisition strategy in place, and an additional **31.53% are actively developing one**. This movement toward structured, often digital, customer acquisition highlights the role of technology in expanding business reach and investment readiness.

Research by the IMF indicates that digitization in emerging economies rose by an average of 6 percentage points<sup>170</sup>, with smaller firms experiencing the greatest gains. There is clear evidence that technology promotes innovation and business dynamics among MSMEs. For instance, a study found that **41.2% of 131 SMEs in Turkey** adopted technological innovations, resulting in **96.9% operational efficiency**.<sup>171</sup> PWC's forecast for Nigeria also projects that artificial intelligence and the Internet of Things will drive significant short-term business impacts.

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<sup>168</sup> <https://www.google.com/url?q=https://www.atlantis-press.com/article/125994737.pdf&sa=D&source=docs&ust=1731523525692395&usq=AOvVaw0NaquPCJPR1p2OLrooAsPT>

<sup>169</sup> [How Pandemic Accelerated Digital Transformation in Advanced Economies](#)

<sup>170</sup> [How Pandemic Accelerated Digital Transformation in Advanced Economies](#)

<sup>171</sup> [MSMEs: Using technology to drive business](#)

<sup>172</sup>E-commerce, digital marketing, business management software, and cloud computing have been identified as key tools in transforming MSMEs, improving market access, operational efficiency, product development, and productivity.<sup>173</sup>

TEF beneficiaries have identified e-commerce and digital marketing as critical tools, aligning with findings that digital technologies increase sales and reduce costs, enhancing investment readiness and growth potential. Studies, such as one by the World Economic Forum (WEF), support this impact, with **85% of enterprises using digital technologies reporting sales increases** and **81% noting cost reductions** due to digital adoption. The transformative effect of technology on MSME performance is evident and continues to be a cornerstone of investment readiness for MSMEs across sectors<sup>174</sup>.

Technology is also playing a significant role within the agribusiness and agricultural sector with increased digital agribusiness innovations in marketing, production, and finance. These developments can be classified into five broad areas namely:

- **Artificial intelligence technology**<sup>175</sup> that relates to use of data driven insights, satellite imagery, and sensor adoption to improve farming practices. Some of the documented benefit has been an increase in the early detection of pests and diseases, resulting in the optimization and increased yields<sup>176</sup>. In the wake of globalization and climate change, a loss of up to 40% of global crop production is estimated<sup>177</sup>.
- **Distribution and marketplace linkages**<sup>178</sup>: There has been an increase in the number of Agri tech platforms offering market linkages for farmers. The most common of these platforms directly connect sellers of farm products to buyers of fresh produce and offer secure transactions. The **LTV ratio** analysis indicated that the majority of TEF businesses had healthy customer acquisition strategies, with **40.72% of businesses achieving sustainable LTV ratios above 3:1**. This ratio suggests that technology-driven customer acquisition strategies contribute to long-term customer value, making these businesses more attractive to investors
- **Financing**: In terms of financing, technology has also made it easier for MSMEs to access financing, digital platform that works online and offline to directly connect smallholder farmers to the agricultural and financial ecosystem. The rise in insuretech's and fintech's makes it easier for MSMEs to access unsecured financing with minimal requirements. TEF businesses that scored higher in investment readiness often reported structured financial and business management through technology. The report highlights that **formal structures and technology use in financial management** are more prevalent among high investment-ready businesses, which contributes to their operational efficiency and investor appeal. Digitization has also improved the process of ordering and payment for fertilizers, benefiting farmers in remote areas with limited access to traditional financial services. For example, in Zambia, the Farmer Input Support Programme (FISP), offers e-vouchers to farmers and reached over 1.2 million farmers and contributed to a 10-15% increase in agricultural output<sup>179</sup>.

<sup>172</sup> [PwC's MSME Survey 2020](#)

<sup>173</sup> [PwC's MSME Survey 2020](#)

<sup>174</sup> <https://www.google.com/url?q=https://www.atlantis-press.com/article/125994737.pdf&sa=D&source=docs&ust=1731523525692395&usq=AOvVaw0NaguPCJPR1p2OLrooAsPI>

<sup>175</sup> Kingsley et al., (2024) Digital innovations: Implications for African agribusinesses, Smart Agricultural Technology. Accessed from : [Digital innovations: Implications for African agribusinesses - ScienceDirect](#)

<sup>176</sup> Business Daily (2024). Leveraging technology for agribusiness. Accessed from: [Leveraging tech for agribusiness - Business Daily](#)

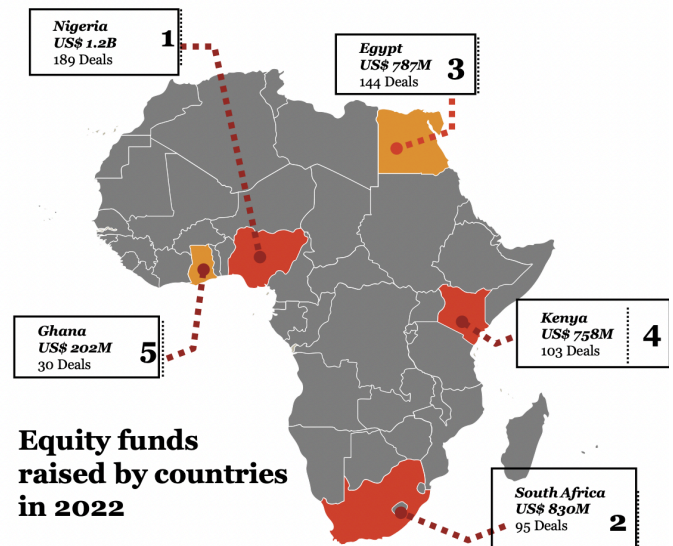
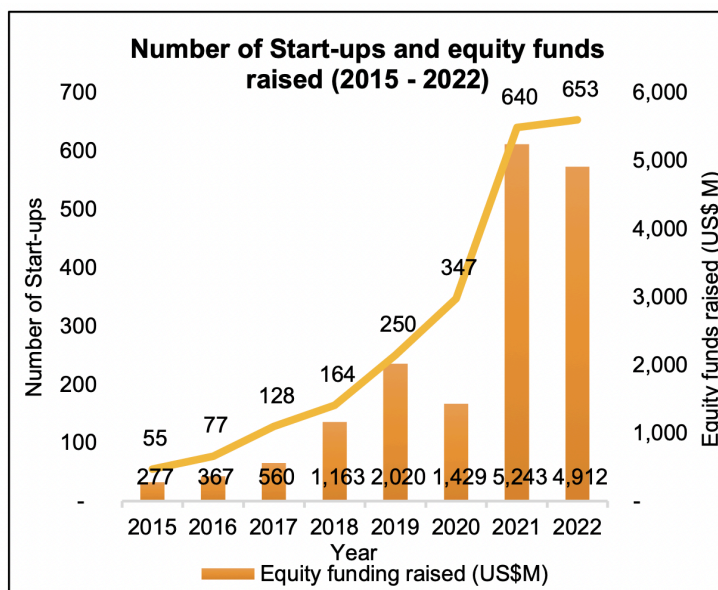
<sup>177</sup> AGRIVI (2024). Increasing farm Yields through Agtech Solutions. Accessed from: [Increasing Farm Yield Through AgTech Solutions - AGRIVI](#)

<sup>178</sup> [Winning in Africa's agricultural market](#)

<sup>179</sup> AU-DA (2023). Fertile Ground For Digitalization: Adopting Digital Technologies To Improve Farming And Food Security In Africa. Accessed from: [Fertile Ground For Digitalisation: Adopting Digital Technologies To Improve Farming And Food Security In Africa | AUDA-NEPAD](#)

- Digital Advisory:** By 2020, 390 digital advisory technologies had been launched across sub-Saharan Africa in a span of three years. Advisory platforms offer farmers extension services advising them on best farming practices to subsequently increase yield and income. One such organization estimates that an increase in farm income by 40%+ per year<sup>180</sup>. The report notes that **62.2% of TEF beneficiaries were profitable**, with social media and digital platforms being central to their customer outreach. This reflects technology's role in sustaining profitability, a key indicator for investment readiness, as businesses leverage digital tools to reduce costs and broaden market access

Significant growth has been experienced in Africa with the sectors growing in terms of players and investments funds being diverted into the sector. As of 2022, it was estimated that 653 start-ups across Africa raised \$5000+ Million in equity funds. Nigeria<sup>181</sup>, South Africa, Kenya, and Egypt received about 73% of the financing in Africa, with Nigeria taking the biggest share. The graphs below show the growth of startups in Africa and the opportunity for growth.



Source: PWC 2023 Report

Technological development is an important factor increasing the growth rate of the economy at macro level and profits and market shares of the firms at micro level. For example, in a study of a study of 120 nations, a 10-percentage point increase in broadband penetration was estimated to add up to 1.3% to the GDP and high-income country and 1.21% to that of low to middle income nations<sup>182</sup>. This growth is attributed to several factors such as increased job creation, increased productivity and efficient distribution<sup>183</sup>, efficient production<sup>184</sup> and financial inclusion<sup>185</sup> among others.

<sup>180</sup> One Acre Fund (2024). Impact Outlook. Accessed from: [Our impact | One Acre Fund](#)

<sup>181</sup> PWC (2023). Technology Ecosystem in Africa. Accessed from: [Growing the Nigerian Technology Ecosystem through the Capital Market](#)

<sup>182</sup> Christine Zhen-Wei Qiang, "Telecommunications and Economic Growth," Washington, D.C.: World Bank, unpublished paper. Accessed from: <https://documents1.worldbank.org/curated/en/154041468339016052/text/490970WP0Broad10Box338941B01PUBLIC1.txt>

<sup>183</sup> Calimanu, S(2023) How Technology is Changing The Landscape Of Economic Development. Accessed from: [How technology is changing the landscape of economic development - ResearchFDI](#)

<sup>184</sup> Çalkan (2015). Technological change and economic growth. Accessed from: 10.1016/j.sbspro.2015.06.174

<sup>185</sup> PWC (2023). Growing the Nigerian Technology Ecosystem through the Capital Market. Accessed from: [Growing the Nigerian Technology Ecosystem through the Capital Market](#)

#### 4.5.5 Areas of support and investment readiness

The insights shared in the challenges section from both the quantitative and qualitative data, are further supported by the areas in which MSMEs indicated they need more support in. Both Technical and financial support for MSMEs is critical in ensuring the success and longevity of the business. While this will be discussed further in the recommendations, we identified the main areas that business within each category would be interested in getting more support. The insights also speak to the need to segment MSMEs and design tailored solutions to each category depending on their needs<sup>186</sup>. **In all categories, the greatest need for support among the MSMEs is in Accessing capital. In the highly investment ready category, 68.70% of businesses mentioned access to capital as one of their greatest areas needing support. Within the moderately ready and almost ready category, 67.44% and 63.45% of businesses reported access to capital as the area where they need the most support respectively.**

Table 15; Areas where Business seek more support

AREAS WHERE BUSINESSES SEEK MORE SUPPORT			
Key Indicator	Response/Parameter	Frequency [n = 3549]	
		In #	In %
Moderately Investment Ready	Access To Capital (USD)	1589	67.44%
	Business Counseling	172	7.30%
	Education around legislation and impacts on your business	80	3.40%
	Employee/Management Training Support	123	5.22%
	Networking and Connections	319	13.54%
	Other	14	0.59%
	Workforce Recruitment	59	2.50%
	<b>Total</b>	<b>2356</b>	<b>100.00%</b>
Highly Investment Ready	Access To Capital (USD)	79	68.70%
	Business Counseling	5	4.35%
	Education around legislation and impacts on your business	3	2.61%
	Employee/Management Training Support	4	3.48%
	Networking and Connections	23	20.00%
	Workforce Recruitment	1	0.87%
	<b>Total</b>	<b>115</b>	<b>100.00%</b>
	Almost Investment Ready	Access To Capital (USD)	684
Business Counseling		112	10.39%
Education around legislation and impacts on your business		27	2.50%
Employee/Management Training Support		80	7.42%
Networking and Connections		120	11.13%
Other		16	1.48%
Workforce Recruitment		39	3.62%
<b>Total</b>		<b>1078</b>	<b>100.00%</b>

<sup>186</sup> FSD – K (2024). Why segment MSMEs? Insights from a multifaceted study by Safaricom and FSD Kenya. Accessed from: [Why segment MSMEs? Insights from a multifaceted study by Safaricom and FSD Kenya - Financial Sector Deepening Kenya](#)

## Beneficiary Experience within the TEF Programme

To determine the experience of TEF beneficiaries within the programme, the beneficiary journey was mapped out. We identified five notable stages with a number of activities. The framework below is only depicted from the user experience and does not take into consideration the activities of TEF within the process map.

Table 16 ; TEF beneficiaries experience with the programme

Call for Application and the application process	Interviews, shortlisting and confirmation	Programme Period	Post Programme Period
<ul style="list-style-type: none"> <li>•TEF puts out the call for businesses to apply for funding</li> <li>Business owners gather the required documents and submit application to TEF for consideration</li> </ul>	TEF reviews applications, selects promising business, interviews and shortlisted the successful business pitches	Beneficiaries receive the grant and participate in the programme activities	Beneficiaries continue running and sustain profitability of their business post the programme Period.

### •What worked and did not work for the beneficiaries along the Journey

<ul style="list-style-type: none"> <li>•<b>Social networks (Friends, previous TEF alumni) and social media (various online platforms)</b> are the main sources of information among TEF for the beneficiaries.</li> </ul>	<p>This was the <b>only stage where beneficiaries expressed dissatisfaction.</b> Beneficiaries mentioned trying a number of times before being accepted in the programme. While this is the norm with any grant applications, The TEF has further investigated on what happens next for unsuccessful applicants that applied to the programme<sup>187</sup>.</p>	<p><b>Beneficiaries perceived the learning experience to be all rounded</b> citing the modules covered all the various aspects of managing a business</p> <p><b>Funding received was largely used to increase capital availability, promote business development and purchase machinery/inventory.</b></p> <p><b>Mindset shifts and increased efficacy in project management as a result of increased confidence from the programme.</b></p> <p><b>Digitization of businesses and marketing channels</b> creating new markets through alternative channels.</p>	<p>The <b>Network of alumnus</b> created has been instrumental in keeping beneficiaries on Track post the programme</p> <p><b>Peer learning and mentoring.</b> Beneficiaries train other vulnerable populations through social enterprises and business skills.</p> <p><b>Community Impact</b> through creation of jobs, social responsibility and sustainable business.</p>
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<sup>187</sup><https://www.google.com/url?q=https://www.tonyelumelufoundation.org/downloads/cultivating-entrepreneurial-mindsets-v3/2tmstv%3D1724832177&sa=D&source=docs&ust=1732536728551480&usq=AOvVaw0m-l6toUeo0319B2Dqnc5A>

## SECTION 5: Conclusion and Recommendations

The TEF programme has had an impact on the beneficiaries' journey beyond the financial boost the seed funding. Beneficiaries recounted how the modules had a 360 impact on their businesses. From the qualitative interviews, beneficiaries expressed the benefits learnt from the programme as highlighted in Table 21, 22 and 23. However, aspects around financing and networking remain the biggest challenges for MSMEs as highlighted in Table 17 and 18. In this section of the report we discuss recommendations categorized into three broad categories: Technology, Access to financial and technical assistance in managing and scaling the business. These categories were informed by the outcome of the challenges TEF beneficiaries face and we believe that offering interventions in these areas could see most of the businesses moving into the investment ready category.

### Recommendations

1. Policy Recommendations for Government and Regulators
  - **Promote Formalization and Registration:** The data reveals that a majority of TEF beneficiaries operate as informal enterprises, limiting their access to capital and growth resources. Policies should encourage MSME formalization by simplifying registration processes and reducing associated costs, thus facilitating entry into the formal economy.
  - **Enhance Financial Accessibility for MSMEs:** With 68% of businesses indicating access to capital as a primary challenge, policymakers should collaborate with financial institutions to design low-interest financing products tailored for small businesses. Emphasis should be placed on bridging gaps for businesses in the "almost ready" investment category, where the lack of capital is a critical barrier to growth.
2. Programmatic Adjustments for Implementers (TEF and Partners)
  - **Expand Post-Programme Mentorship:** The report highlights that post-programme support could improve investment readiness for moderately and almost-ready businesses. TEF could extend its mentorship programme, focusing on specific needs like customer acquisition strategy, financial planning, and tech platform adoption.
  - **Tailored Support for Diverse Business Categories:** Given the variability in investment readiness scores, implementers should introduce tiered support programmes. For example, "almost ready" businesses may benefit from foundational support like product validation, while "moderately ready" businesses could require sector-specific networking opportunities.
3. Intervention Focused Realignment for Funders
  - **Funding for Technology Integration and Digital Platforms:** Since a significant portion of highly investment-ready businesses are leveraging technology, funders should prioritize grants or loans for digital adoption among lower-tier businesses to improve operational efficiency, marketing, and customer engagement.
  - **Sector-Specific Intervention Funds:** The report shows sectoral differences in investment readiness, with agriculture and agribusiness leading in representation but needing growth-enabling support. Funders could create sector-specific funds that address unique challenges, such as supply chain optimization for agribusiness or capital-intensive needs for ICT.

4. Enhanced Support for Women-Owned Businesses
  - **Gender-Focused Funding Initiatives:** Since women-owned businesses in the TEF programme tend to be smaller and less profitable, funders should consider creating dedicated funds for female entrepreneurs, with flexible terms that recognize gender-based barriers in business growth. This aligns with findings that indicate gender disparity, especially in agribusiness and ICT.
  - **Networking and Mentorship for Women Entrepreneurs:** Implementers should expand networking and mentorship opportunities tailored to female entrepreneurs to foster community support and bridge experience gaps that may limit their competitiveness.
5. Strengthening Supply Chain Access for “Almost Ready” Businesses
  - **Supply Chain Support Programmes:** For businesses that are “almost ready,” which report limited access to supply chain resources, implementers could develop partnerships with key industry players to improve access to suppliers, distributors, and logistics providers. This support would help reduce operational barriers and enhance market access.
  - **Sector-Specific Supply Chain Insights:** Policymakers could work with industry associations to provide sector-specific market intelligence, enabling entrepreneurs to make informed decisions when selecting supply chain partners.
6. Technology Adoption and Digital Transformation
  - **Digital Platform Grants and Training:** With highly investment-ready businesses benefiting from digital platforms, TEF and partners could offer grants specifically for digital transformation. Training programmes should emphasize digital tools for business management, customer engagement, and supply chain efficiency, particularly for businesses in the “almost ready” category where tech adoption is lower.
  - **Incentivize Technology-Driven Solutions:** Policymakers could incentivize technology integration among MSMEs by offering tax breaks or subsidies for digital infrastructure, such as e-commerce platforms, to encourage businesses to modernize operations.
7. Scaling Customer Acquisition and Retention Strategies
  - **Customer Acquisition Workshops:** The report highlights that investment-ready businesses often have clear customer acquisition strategies. Implementers should offer focused workshops on effective customer acquisition and retention strategies, especially for “moderately ready” businesses that may still be developing these plans.
  - **Subsidized Marketing Tools:** Funders could provide subsidies for digital marketing tools, helping businesses in the “almost ready” and “moderately ready” categories leverage cost-effective social media and online marketing channels, shown to be essential routes to market in the report.
8. Building Financial Management Capacity
  - **Financial Literacy Training:** TEF and its partners should integrate comprehensive financial literacy modules into their programmes, focusing on key metrics such as Lifetime Value to Customer Acquisition Cost (LTV) ratios, budgeting, and cash flow management. This would be particularly



beneficial for “almost ready” businesses, which often struggle with sustainable financial practices.

- **Access to Financial Planning Tools:** Funders could sponsor or provide access to simple financial planning software to help MSMEs improve record-keeping, forecasting, and decision-making accuracy.

9. Improved Governance and Formal Structures

- **Governance Training and Resources:** To address the lack of formal governance in many MSMEs, implementers should introduce governance workshops, focusing on establishing boards or advisory teams. Highly investment-ready businesses typically have more structured governance, which could benefit moderately ready or almost ready businesses.
- **Mentorship for Organizational Structure Development:** Funders and implementers could provide mentorship on organizational structuring, helping businesses set up clear roles and responsibilities, which enhances investor confidence and operational efficiency.

10. Public-Private Partnerships for Additional Funding and Scale

- **Top-Up Funding Mechanisms:** Recognizing the capital challenges across all categories, funders and policymakers could establish top-up funding programmes to supplement the TEF seed funds, especially for businesses that demonstrate significant progress post-programme.
- **Co-Investment Opportunities with Local Investors:** Funders could explore co-investment partnerships with local financial institutions, creating opportunities for larger funding rounds to help high-potential businesses scale up rapidly, particularly in capital-intensive sectors such as agribusiness and manufacturing.



**Appendix:**

**ANNEX 1: Investment Readiness Score Evaluation**

Investment Readiness Score Evaluation				
Chil Artificial Intelligence Lab				
	Analyst explanation	Scoring guideline	Startup Response (1st ev.)	Weighted evaluation
<b>Team, Talent &amp; Advisors</b>				<b>8.33</b>
<b>Founders &amp; C-Suite</b>				(Pick a number between 1 to 3)
1	Do you have all the c-suite/executive level positions you need?	1) No and not hiring within the next 12 months 2) Looking to hire within 12 months 3) Yes	1	0.2777777778
2	How committed is the founding team?	1) Slightly engaged, for now it's a part-time job 2) Partially engaged, my team is complete, some of us work part-time 3) Highly committed, my team is complete, we work full time and invest our own money	3	0.8333333333
3	Have you defined and legally documented the co-founder ownership split?	1) No 2) Currently in progress 3) Yes	3	0.8333333333
4	What percentage of ownership does the female shareholder/s have in the business?	1) 0 - 39% 2) 40 - 50% 3) 51- 100%	3	0.8333333333
<b>Employees</b>				(Pick a number between 1 to 3)
5	How many full-time employees do you have?	Definition of full time employee can be found in the glossary tab. Please include the number here. 1) Less than 20 full time employees 2) 20 - 30 3) More than 30	2	0.5555555556
6	What percentage of employees are part-time?	A part-time employee is someone who is working LESS THAN 20 hours/week for at least 26 weeks/year 1) More than 30% 2) 25% - 30% 3) Less than 25%	2	0.5555555556
7	What percentage of full time employees are youth?	A full-time employee is someone who is working AT LEAST 20 hours/week for at least 26 weeks/year 1) Less than 25% 2) 25% - 30% 3) More than 30%	3	0.8333333333



8	What percentage of full time employees are women?		1) Less than 25% 2) 25% - 50% 3) More than 50%	3	0.8333333333
9	How many full time employees did you have 12 months ago?		1) Less than 20 full time employees 2) 20 - 30 3) More than 30	3	0.8333333333
10	Are the number of employees in the business enough to grow the business over the next 6 months		1) No and we're not recruiting 2) No but actively recruiting 3) Yes	1	0.2777777778
11	What is the percentage of staff turnover over the last 12 months?	The measurement of the number of employees who leave an organization during a specified time period, typically one year.	1) More than 15% 2) Between 10 - 15% 3) Less than 10%	3	0.8333333333
	<b>Board of Directors</b>			(Pick a number between 1 to 3)	
12	Do you have Board of Directors		1) No; not required 2) No; actively recruiting 3) Yes	3	0.8333333333
<b>Product &amp; Market</b>				<b>2.86</b>	<b>23.81</b>
	<b>Market Need</b>			(Pick a number between 1 to 3)	
13	Have you validated your product/market fit/need?	Example includes: surveys, Sales through MVP, competitive landscape, etc. Post a brief summary of the results from the research.	1) No, I have not validated product/market fit 2) In the process of validating market fit 3) Yes, I have validated product/market fit	3	3.571428571
	<b>Product / Service</b>			(Pick a number between 1 to 3)	
14	Product / Service Development Stage (please pick one)	Explanation of the stages can be found in the glossary. Please pick one and explain how you know in a sentence.	1) Ideation stage 2) MVP/Startup stage 3) Growth and maturity stage	3	3.571428571
15	Do you have a business license to operate in your main country of operation?	If the answer is 1 or 2, can you provide a timeline for obtaining the license	1) No, I don't have a business license 2) In the process of obtaining it 3) Yes, I have a business license	3	3.571428571
16	Do you currently have licenses to operate in other countries beside your main country of operation?		1) No, I don't have a license 2) In the process of obtaining it 3) Yes, I have a license	3	3.571428571



17	Do you have access to ALL the right players in your supply chain?	For example: For a fashion business this could be designers, a production team, a factory, buyer/s?	1) No, I don't have access to any player in my supply chain 2) Somewhat, I have access to a few players in my supply chain 3) Yes, I have access to all the right players in my supply chain	2	2.380952381
<b>Market Size</b>				(Pick a number between 1 to 3)	
18	Total addressable market (TAM) in the primary target industry in AFRICA	Provide the number (population size) of Total addressable market			
19	Serviceable available market (SAM) in the primary target COUNTRY	Provide the number (population size) of SAM. Guidance can be found in the glossary tab.			
20	Serviceable obtainable market (% of market share do you currently have or are you targeting in your main operational country)?	Guidance can be found in the glossary tab.	1) Less than 5% 2) 5 - 10% 3) More than 10%	3	3.571428571
21	How many countries/cities are you targeting over the next 5 years?		1) 0 2) 2 - 5 3) More than 5	3	3.571428571
<b>Technology &amp; Operations</b>				<b>2.80</b>	<b>23.33</b>
<b>Tech Ownership</b>				(Pick a number between 1 to 3)	
22	Do you have a tech platform?	Yes/No , If no, state why.	1) No 2) No but in the process of implementing it 3) Yes	3	5
23	How challenging is it to scale your tech platform?		1) Very difficult 2) Can be scaled but haven't explored that 3) Highly scalable and has traction to prove it	3	5
24	Do you have the right resources to develop the tech platform?	Explain the stage the platform is in currently and the resources you need to develop it further	1) No, I do not have any resources 2) Partly, I have some resources 3) Yes, I have all the resources	2	3.333333333
25	Is there a business continuity plan in place?	Yes/No and explain the business contingency plan. For example, for a trade business, this could be a generator in case of power failure.	1) No 2) I am currently working on a continuity plan 3) Yes	3	5



Operations / Production				(Pick a number between 1 to 3)	
26	Do you have any operations or production steps that are driven by people (rather than tech)?		1) Yes, all my operations/production steps are driven by people (rather than tech) 2) A few, I still need to develop processes/automation to manage some of the operations 3) Our production steps has a good balance of automation (tech) and human capital	3	5
<b>Revenue &amp; Growth</b>				<b>2.00</b>	<b>11.00</b>
<b>Revenue</b>					
27	Average Monthly revenue	Provide figures in USD	(3) Revenue: > \$8K (2) Revenue: > \$2K < \$8K (1) Revenue: > \$2K	3	3
28	Primary Revenue Model	A few example of revenue model could be: Ad-Based Revenue Model, Affiliate Model, Subscription Model, Web Sales, Direct Sales, Premium...etc If other, please explain (50 words or less)			
<b>New Customer Acquisition</b>				(Pick a number between 1 to 3)	
29	Number of paying customers/users	Provide an average number of customer in a year	B2B only 1) Less than 10 2) 10 - 20 3) More than 20  B2C only 1) Less than 3000 2) 3000 - 10,000 3) More than 10,000	2	2
30	Do you have a customer acquisition strategy?	For example, customer acquisition strategies could include billboards, partnerships with brands, sell on instagram. Also add the most effective chanel e.g selling through amazon or selling through a physical store.	1) No, I do not have any acquisition strategy. My customers are acquired organically 2) I am currently building an acquisition strategy 3) Yes I have a customer acquisition strategy	3	3
<b>Churn rate</b>				(Pick a number between 1 to 3)	



31	What is your customer churn rate?	Provide the ratio using guidance from the glossary tab	1) Less than 5% 2) 5 - 10% 3) More than 10%	2	2
	<b>Unit Economics</b>			(Pick a number between 1 to 3)	
32	What is your average customer acquisition cost (CAC)?	Provide the value and currency in your response - guidance can be found in the glossary tab			
33	What is your customer lifetime value (LTV)?	Provide the value and currency in your response - guidance can be found in the glossary tab			
34	Estimated LTV:CAC ratio	Provide the ratio in your response-guidance can be found in the glossary tab	What is your estimated LTC:CAC ratio? 1) 1:1 - 2:1 2) 3:1 - 4:1 3) 5:1 or more	1	1
	<b>Financial &amp; Performance Management</b>			<b>3.00</b>	<b>15.00</b>
	<b>Performance Management</b>			(Pick a number between 1 to 3)	
35	Do you understand what your business KPI's are?	Guidance can be found in the glossary tab	1) No, I do not understand what my business' KPI's are 2) I know my KPIs but need help applying them to my business 3) Yes, I understand my business' KPIs	3	2.5
36	How is the data for your KPI's collected and added?				
37	Do you have a KPI dashboard?	Guidance can be found in the glossary tab	1) No, I do not have it 2) I am currently building one 3) Yes, I have a KPI dashboard	3	2.5
	<b>Financial Tools &amp; Services</b>			(Pick a number between 1 to 3)	
38	How do you manage your finances?		1) I do not have a specific method to manage my finances 2) I manage it myself using simple bookkeeping methods 3) I use an accounting software/have an accountant	3	2.5
39	Do you have a financial budget / forecast?	Answer should be Yes/No and explain How accurate your budget is, in a few words.			
	<b>Accounts Receivable</b>			(Pick a number between 1 to 3)	



40	How do the majority of your customers pay you for your products and/or services?		1) Pay solely by cash 2) Cash, cheque and credit card payment 3) All of the above and cardless payments such as mobile money and digital wallet	3	2.5
41	When do the majority of your customers pay you for your product/service?		How long do most customers take to pay for your product/service?  1) More than 30 days 2) Between 15 - 30 days 3) Less than 15 days	3	2.5
42	Do you have significant accounts receivable to manage?	Yes/No - please explain			
43	How do you manage your accounts receivable process?		1) None, I do not have any processes in place 2) I manage the process myself 3) Yes, we have a dedicated person/team to manage the process	3	2.5
44	What is the total value of all your assets?	List all the assets you have and write the value of each. Then provide the total sum	Total value of assets		
<b>Funding</b>					
45	How much cash is in the bank? (USD)	Include the value in USD			
46	How much do you spend each month? (USD)	Include the value in USD			
47	How long is your runway (months)?	Guidance can be found in the glossary			
<b>Equity</b>					
48	Total equity	Guidance can be found in the glossary			
<b>Legal &amp; Admin</b>					
<b>Structure</b>					
49	Under what legal structure is the business operating?	Example: Sole proprietorship, partnership, corporation, and Limited Liability Company, or LLC			
50	Do you have a holding company setup (ie. parent & subsidiary)?	Yes/No			
51	Does the parent company own 100% of each subsidiary?	Yes/No			
<b>Fundraising</b>				<b>2.00</b>	<b>5.00</b>
52	Funding raised to date	Provide the amount and the currency and who the benefactor/funder/s is/are	1) TEF Grant 2) TEF Grant/ bootstrapping/additional external grants/donations/ bank loans 3) Grants, equity/debt	1	1.66666667



			obtained from potential investors/interest from investors"		
53	Funding type to date	Debt,equity,asset finance,grant			
54	Current shareholders	List the name of individuals or institutions			
55	How confident are you with the quality of your pitch deck?		1) Not confident 2) Moderately confident 3) Highly confident	2	3.33333333
	<b>Total score</b>				86.4762

**Survey Tools**

<https://ee.kobotoolbox.org/x/biVH0cSI>

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