

An Autopsy of Entrepreneurial Environment Driving Poverty in Selected African Countries

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ABSTRACT Indubitably, African countries face a confounding entrepreneurial environment, which informs their low growth rates. This paper, through a literature review methodology, discusses pertinent factors that confound entrepreneurial environment of many African countries. These include unfair and skewed trade practices between developing countries and the western world, failure for African countries to process their goods, poor policy environment on entrepreneurship, high interest rates by the financial institutions, slowed border clearance of goods, cumbersome trade restrictions and control, and visa requirements to enter into some neighbouring countries such as South Africa. The paper calls for adoption of modern information technology, visa imposition to be done away with, governments to initiate policies to train potential business entrants, countries to ensure they process their primary products, lending rates to be lowered, ensure businesses operate through visible business plans, improving transport networks, and inclusion of business education in the curriculums of all the learning institutions.

INTRODUCTION

Indubitably, one of the cornerstone reasons that explain the developing countries' unrelenting states of poverty is the poor state of entrepreneurial environment (Brixiova and Ncube 2013). Unequivocally, many entrepreneurs face a state of entrepreneurial myopia, a state that is entrepreneurial retrogressive, bereft of vision and hence driving them to a position devoid of research and innovation to possibly come up with globally competitive products (Natalia 2015). This has further confounded the countries from positioning themselves against competition in the market and therefore failing to secure sustainable competitive advantage. This phenomenon has been exacerbated by other external factors such as the developed countries' imperialistic and capitalistic tendencies of controlling the global trade environment (Arowolo 2010; Kang'ethe 2014). Specifically, most of the global trade arrangements that are facilitated by the General Agreement on Trade and Tariffs (GATT) seem to be skewed in favour of the developed countries at the detriment of the developing countries.

Apparently, most of the global decision-making machinery especially controlled by GATT appears to be predominated by members from the developed countries, with developing coun-

tries paltry represented, or being passive and therefore contributing minutely to the major trade decision-making process (Kang'ethe 2014). This has seen some products' market allotted some global quota, with the largest quota leaning on the developed countries at the expense of trade dividends of the developing countries (Kang'ethe 2014). Other factors confounding the developing countries' entrepreneurial success include poor management of business enterprises. This, among other barrage of factors, points to the developing countries' low productivities (Bloom et al. 2010; Sonobe et al. 2011). The phenomenon of limited opportunity to business funds perhaps due to unfavourable policy environment and poverty of many countries constitute other crucial factors that have kept the entrepreneurial position weak in terms of global competitiveness. This means that developing countries are not able to position themselves against the wind of competition against developed countries. It remains puzzling why the banks in many developing countries continue to charge very high interest rates than the international average to those eager and motivated to do business. The phenomenon has made business prospects both daunting and arduous (Lopes 2014).

The fact that developing countries are poverty-laden means that many entrepreneurs op-

erate on a shoestring budget (Mafa 2017). This is because of low capital outlay to carry out meaningful business undertakings. This has seen many entrepreneurs being involved in relatively smaller businesses whose returns are low. Such businesses have attracted derogatory and demeaning names such as *jua kali* (hot sun) in Kenya (Kang'ethe and Serima 2014). Etiologically, the word *jua kali* was coined, as some of these smaller businesses were usually carried in the open with no roof under them. Those are businesses, which may also not follow the protocols of a valid business venture such as license application, or having to remit any annual tax returns. This denies the country a lot of taxable income (Kajiita 2018). These small businesses are usually done on ad hoc basis and are at the mercy of weather and other external factors. Sometimes, the entrepreneurs have to temporarily close during the heavy rains or severe weather conditions (Kang'ethe and Serima 2014). This is because of the owners' inability to make or lease a decent shelter to operate from (Kang'ethe and Serima 2014). Other factors that confound the entrepreneurial environment of many African countries include and are not restricted to a lack of capital to invest modestly in business, the culture of the countries predominantly trading off with unprocessed goods, reliance on availability of rainfall to produce agricultural products, state of poor infrastructure such as having only a few roads being all weather proof, poor or no business training, education institutions' curriculum not being entrepreneurial friendly, having many entrepreneurs still using backward technology, and lack of adequate electricity supply to facilitate uninterrupted state of mechanisation (Manitra et al. 2011; Tedla 2012). These factors will be discussed below.

Problem Statement

Irrefutably, many developing countries with African countries leading the pack face some pernicious and confounding environments that make entrepreneurship daunting or achieve progression only at a snail's pace, or at an unacceptably appalling momentum. These include but not restricted to meagre use of modern information and communication technology (ICT), failure to process most of its produce, mainly agri-

cultural products, meagre or no training at all among the traders on the trade they pursue, lack or low capital outlay for most businesses, amid high interest rates by the financial institutions, poor planning and poor business management, retrogressive and cumbersome border restrictions, and management that lead to slowed border clearance of goods. The researcher thinks that the above confounding factors need to be discussed with the hope of coming with pragmatic and plausible recommendations that will turn around the status quo towards ameliorating the economies of most African countries.

METHODOLOGY

The article is a desktop research undertaking involving vigorous literature review from journals and books on entrepreneurship in various African countries. This is to assess the global and regional diversity of the problem. The discussion aims at making an autopsy as well as evaluating the pernicious and confounding entrepreneurial environments that lead to business failure and the subsequent concomitant poverty among the entrepreneurs of many developing countries. The discussion hopes to come up with a barrage of recommendations to turn around the poor entrepreneurial environments that will make African countries' goods in the market as competitive as their western world counterparts.

OBSERVATIONS AND DISCUSSION

Pernicious and Confounding Entrepreneurial Environments in Selected African Countries

Meagre Use of Modern Information and Communication Technology (ICT)

While many countries especially from Asia, Europe and America have largely taken advantage of using ICT as a driver of industrialisation and growth, and therefore managed to be globally competitive, and hence raise their production process in tandem with widening their market horizons and returns, it is ironical that most African countries are moving at a snail's pace to embrace information technology (Houghton 2009) and hence dampening their chances of

closing the digital divide (Flanagan 2016). Conceptually, ICT or "Information and Communication Technologies" (ICTs) includes a host of technologies used to convey, manipulate and store data by electronic means. This can include the use of email services, SMS text messaging, video chatting (for example, Skype), and online social media, and use of different computing devices such as laptops, desktops and smart phones to carry out a wide range of communication and information functions (Alshawabkeh et al. 2018). Undeniably, ICT expedites the internal communication, which is believed to create an environment facilitating organisations to achieve their goals and objectives with ease. This is because the strategic managers engage their employees with ease. This is critical to make the employees feel appreciated and therefore raise their morale and motivation (Alshawabkeh et al. 2018).

The phenomenon of developing countries' failure to adequately embrace ICT has been informed by many confounding factors such as a lack of electricity to drive most of the globally driven technologies such as the use of Internet. For example, entrepreneurs who position themselves in a number of African countries to largely rely on the Internet to carry out most of the globally driven business are likely to be frustrated due to constant power outage, load shedding and low operating internet servers (Goldberg 2015).

ICT adoption may also be hindered by heavy capital outlay to institute the requisite modern infrastructure (Ghavifekr and Rosdy 2015). On the other hand, the phenomenon of a large population being technologically illiterate makes them to approach and embrace the modern information technology only at a snail's pace, with many opting to stick to the traditional form or backward technology such as doing physical search for markets, and physically doing banking (Tedla 2012). This is time consuming and embracing efficiency deficit. On the contrary, entrepreneurs who adopt and support an information technology environment can use either telephone or mobile phone banking that promises an efficient form of production. Perhaps, this is why the digital divide between the developed and developing countries poignantly continues to enlarge (International Telecommunication

Union 2001). If organisations are to achieve greater efficiency and effectiveness, Alshawabkeh et al. (2018) advise organisations to consider the use of ICT to adopt enterprise social networking for internal communication. It is a tool, which has been tested to bring efficiency.

Poor State of Road Networks

Hugely, carrying out a business entails moving from one place to another, and importantly, transportation of goods and services from point A to point B. The fact that many developing countries suffer poor transportation due to poor roads that are not tarmacked has meant that transportation of goods especially to the rural areas has been an arduous and a daunting task (Tedla 2012). Due to poor road networks, the cost and tear of the vehicles increases and the final consumers have to bear the brunt of the phenomenon through the entrepreneurs having to charge more to cover their increased costs (Arethun and Bhatta 2012). With low capital at the people's disposal especially in the rural areas, higher prices of the commodities mean low consumption and hence a lowered market for the entrepreneur. Perhaps, this researcher needs to challenge South Africa for making very good national roads, but ironically failed to service most rural roads serving the villages. This usually means that roads become impassable during the rainy seasons (O'Neill 2011). This is usually due to a lack of proper planning and poor execution of the already planned activities. This has had a result that some provincial governments are returning unexpended money at the end of the financial year. This is unacceptable in African countries that are in dire need of resources to turn around their low growth rates (Nicolson 2015). Perhaps this, in a number of African countries, such as South Africa, points to a possibility that poor implementation of government policy could be one of the hugest challenges besetting the expansion of road networks in the rural areas where the bulk of the people live (Cash and Swatuk 2011; Komma 2012).

Financial Exclusion

Irrefutably, financial endowment is a critical factor in driving businesses in any environment.

This is because starting a business usually requires a substantial capital outlay in order to put in place the requisite business infrastructure (Sharafeddine 2016). Money to meet operational costs and salaries before the business take off is also central (Sharafeddine 2016). However, besides multinational companies that inject a lot of money into businesses, most African businesses operate on shoestring budgets (Mafa 2017). This does not guarantee higher returns. With some households having to feed on the returns, amid poor management, sometimes, small businesses fail to raise enough to plough back adequate resources to ensure growth. This has often led to business failure (Mahembe 2011; Schaefer 2017).

Moreover, many entrepreneurs in developing countries lack reliable funding organisations (Mahembe 2011; Turner et al. 2008: 15). This is usually driven by the fact that most business enterprises are informal. For example, in the South African setting, almost half of the small medium enterprises (SMEs) are not registered and hence are operating informally. This makes them suffer financial exclusion (Kajiita 2018). Since, due to the dwindling capacities of the formal sector to employ people, it is the informal sector that is potentially creating jobs for most people in Africa. It is critical, then, that the governments strengthen the sector. Unfortunately, this is taking a snail's pace and many informal business enterprises fail to pass the litmus test of rigorous funding conditions from funding organisations (World Bank 2009). Perhaps a critical phenomenon is the fact that even for the formal enterprises that qualify for funding, the funders charge interest rates of above twenty percent plus many other miscellaneous costs (Evans and Adjei 2014). This, perhaps, calls for the government regulation of fiscal and monetary policies pertaining to banking lending rates so that it can be lowered and make potential businesspeople to be motivated to borrow for business. However, such a move could obstruct the rule of demand and supply.

Perhaps of utmost disappointment is the phenomenon of many banks not giving the borrower some grace period before starting to expect premium payment. This has had pernicious or perfidious outcomes, with many borrowers having had their collaterals sold or even their

businesses sold off in order to pay the loans (Evan and Adjei 2014). This researcher blames most governments for not being proactive to come up with easier funding options for its entrepreneurs, especially those operating on shoestring budgets (Mafa 2017). Perhaps the Kenyan government needs to be commended after the government in 2016 instituted a policy for all the financial institutions to cap their lending rates to a maximum of fourteen percent (Simiyu 2016). This has been received by the business community with gusto and the phenomenon has motivated more entrepreneurs to take the risk of borrowing. It has also demonstrated the government policy commitment to ameliorate the business environment in the country (Misati et al. 2011). On the other hand, many countries of either developed or developing nature need to be challenged for not making lending institutions gender friendly. This follows some research undertakings bringing evidence that gender discrimination by the lending institutions is a norm across many countries (African Development Bank 2011). For example, in Botswana, gender mainstreaming in the banking sector, with the result of women suffering substantial exclusion, is still weak. Evidence abounds that, sometimes back, a woman when applying for a loan needed to have it signed by her husband. Even today, a woman who is applying for a credit card needs the signature of her husband. With the bulk of small informal businesses run by women, the lending institutions need to be gender blind, or apply affirmative principles to lower the lending rates for women entrepreneurs (African Development Bank 2011).

Trading with Unprocessed Products

Perhaps this is the hugest demon that has perennially confronted and made trade returns for centuries of most developing countries too meagre to make any significant strides in the countries' Gross Domestic Production (GDP) compared with the countries of the industrialised world (Koryak et al. 2015). Many reasons abound, a dire lack of appropriate infrastructural environment to process these goods, with a lack of requisite capital outlay, presents a big possibility (Sharafeddine 2016). Countries trading with unprocessed goods might also be

suffering from entrepreneurial myopia where the leadership does not see the economic danger of just selling raw products and getting low returns (Koryak et al. 2015). A lack of leadership charisma and quality citizenship can be behind such a stalemate. Largely also, the entrepreneurial leadership may also have relaxed and normalised the culture of always selling unprocessed goods (Koryak et al. 2015). This has seen the same products processed in the industrialised countries in the market shelves of the countries they were produced, but fetching lucrative prices, that the citizens of the producing countries strain to afford. It is ironical that the producers of coffee in Kenya cannot afford some brands of coffee from Britain, such as Nescafe in the Kenyan market, but imported from Britain (Koryak et al. 2015). This culture cannot be excused and some people may not stop thinking that some African leadership may have been corrupted to maintain the same status quo by the beneficiaries from the western world. It is leaders that need to strategise their countries' market to the advantage of their countries. Perhaps this is why the less corrupt leaders such as the former Kenyan President, Mwai Kibaki, upon taking the Kenyan reins of leadership, had to stop the country from buying Land Rovers from Britain and shopped for other equally competitive, but relatively less expensive ones from the Asian countries. This perhaps may explain why many developed countries continue to swim in a sea of wealth. They have exploited the ignorance, entrepreneurial myopia and a lack of vision of African leadership (Koryak et al. 2015).

Poor Planning and Poor Business Management

Generally speaking, many entrepreneurs suffer the challenge of poor business management (Mahembe 2011). Usually, new business owners frequently lack relevant business and management expertise in areas such as finance, purchasing, selling, production, and hiring and managing employees. These are factors that are likely to bring the business down and is a major characteristic of smaller businesses in Africa and hence possibilities of crippling them to a state of poverty (Addae-Korankye 2014). Planning is usually a serious challenge and this could be because of poor business culture. Usually, most

businesses are characterised by ad hoc planning or no planning at all, lack of careful, methodical, strategic planning, and a lack of a business plan (Schaefer 2017).

Perhaps poor planning and unpreparedness can be explained by the motivation leading people to venture into business. One of the reasons is that many people enter into business unprepared, usually after failing to secure employment (Schaefer 2017). Perhaps the new entrants into the business would be saved if the governments are prepared to have publicly sponsored free institutions that can prepare new entrants into the business. Many small entrepreneurs, therefore, suffer the problem of failure (Schaefer 2017). This researcher thinks that since most countries' rate of unemployment continues to rise to unfathomable levels, it is high time that business skills are learnt and are made a part of the curriculum for all the learning institutions. This is because engaging in business, however small it may be, has in many developing countries become a panacea to put food on the table (Karnani 2017).

Perhaps communities also need to change their mind-set and start socialising their children to be business minded from the elementary stages of their schooling. They need to borrow a leaf from some countries such as India where family members are socialised from childhood to take business as their lifetime career. This ensures that business motivation and inspiration are adequately entrenched in the child's mind. This socialisation would provide the young minds the much lacking business interest and preparedness. Business motivation has to start early in life (Karnani 2017).

Cumbersome Trade Restrictions and Management of Borders

Indubitably, trade between African countries is usually thwarted by both tariff and non-tariff barriers. This includes visa embargoes (Okumu and Nyankori 2010). This environment dissuades entrepreneurs to venture into countries where one has to apply for a visa. The irony is that most of these countries rarely impose visa to many countries of the western world. Perhaps

this phenomenon is driven by a colonial mentality that made African countries to prefer trading with their colonial masters and not their neighbours. Research continues to indicate, for example, that despite African countries theoretically advocating the reduction of both tariffs and non-tariff barriers, this is not the situation on the ground. Largely in many border points in African countries, the following are noticeable characteristics, that is, a long list of customs documentation requirements, cumbersome formalities, limited testing and certification arrangements, un-standardised weighbridges, several road blocks, a lack of recognition of individual country's standards, and the existence of several un-harmonised standards (Okumu and Nyankori 2010). These factors encourage enormous corruption with the owners of the goods desiring to be allowed to proceed to their points of destination. These barriers result in the loss of so many man-hours and unquantifiable monetary loss. Unequivocally, it is only when these barriers are gone among the African countries that their competitiveness can be promised.

CONCLUSION

Africa, if it is to change and turn around its poverty situation, must have leaders who have the goodwill to change around their countries' entrepreneurial environment. Governments have a cardinal responsibility to enact policies that will make the business environment conducive. It would be important for countries to consider instituting business training programmes especially for both the budding and potential businesspeople, and even students who have finished their degrees. Moreover, the leaders should be bold to borrow a leaf from the countries that have positively changed their economies through a strong entrepreneurial environment, like those from the Asian continent, the Asian Tigers. With unfathomable unemployment levels among African countries, venturing into businesses, however small they may be, could offer a leeway to better the lives of the masses that are especially living below the poverty datum line. The governments and business oriented NGOs should synergise and collaborate to make requisite and meaningful inroads into the matter.

RECOMMENDATIONS

Engagement in Market Research and Adopting Modern Information Technology Is Central

To ensure one is ahead or competitive enough, one has to engage in research about a particular business. Research may inform many aspects of business processes such as identification of a better market, packaging of commodities, branding and even consumer change of taste, etc.

Financial Lending Institutions Need to Be Gender Blind

Men and women need to be treated the same when it comes to lending. This is because, today, women are involved in businesses in the same measure as their male counterparts. This is crucial because poverty appears to affect women more than men, as they shoulder most of their households' tasks of nurturance than men.

Adopt Enterprise Social Networking

This is a tested tool to achieve efficiency and effectiveness in the internal communication of an organisation. This is believed to motivate the employees, as they would be in constant interaction with the management through efficient ICT driven platforms. When employees feel they are getting information that is timely, accurate and relevant, they are likely to feel motivated, and this raises their job morale and motivation.

Instituting a Business Plan

It is critical that a business operate through an organised business plan. The plan must be realistic and based on accurate, current information and educated projections for the future. A good business plan may contain the following components:

- ◆ Description of the business, vision, goals, and keys to success
- ◆ Workforce needs
- ◆ Potential problems and solutions
- ◆ Financial, capital equipment and supply list, balance sheet, income statement and cash flow analysis, sales and expense forecast
- ◆ Analysis of competition

- ♦ Marketing, advertising and promotional activities
- ♦ Budgeting and managing company growth

Institute a Policy to Lower Funding Institutions' Lending Interest Rate

African governments need to come up with a policy to force the lending institutions to lower the lending rates. A number of countries with higher lending rates perhaps need to borrow a leaf from the Kenyan government that made a policy in 2016 that saw the banking institutions' lending rate drop to fourteen percent from around twenty percent. This has increased a lot of especially smaller business owners to consider borrowing to the advantage of economic development.

A Policy to Make Curriculum Entrepreneurial Friendly

Importantly, all the learning institutions should have entrepreneurial content in their curriculums. This will ensure that students from early classes are inculcated with a business interest and motivation.

Government to Institute Public Institutions to Train and Prepare New Business Entrants

The governments need to have free public training institutions to offer various kinds of business trainings. Although Kenya had village polytechnics for training the school leavers on different trades, they were abandoned during President Daniel Arap Moi's era (1978-2002). They need to be reinstituted. Perhaps South Africans needed not amalgamate and upgrade technicians with the universities. They should have remained as institutions training middle level technicians. This is to raise school leavers' probability of being self-employed, and sooner becoming employers.

Process All the Primary Goods

A policy needs to be enacted to ensure that all the goods produced are processed. This is to raise their market value. The government should aid especially the small entrepreneurs produc-

ing raw goods to have them processed. Facilitating the initiation of cooperatives to help pool the resources together to endeavour to undertake the processing of raw goods is critical.

Improving Transport Networks

Governments need to challenge and prioritise improving the road networks in order to facilitate transportation of goods and services with ease, and open up new markets in the rural areas.

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