

International Relations Conference on India and Development Partnerships in Asia and Africa:  
Towards a New Paradigm (IRC-2013)

## Africa 2020: An Indian Perspective

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### Abstract

The African consumer market is expected to grow to more than US\$ 400 billion by 2020. Another big driver in this market is Africa is the world's fastest growing population that would account for more than 40% of the population growth by 2030 as per the UN studies. This market is going to have the world's youngest population that is emerging as an optimistic consuming class with an estimated 45 million households being added in the group having discretionary income by 2020. Global investors are also seeing Africa as the next opportunity horizon as six of the world's fastest growing economies in the last decade were from Africa. Entrepreneurs have several incubators all over the African continent. Added to this is the fact that Africa has embraced a lot of technologies quite readily and quickly. This will hasten international business opportunities in this continent. The mega cities like Cairo, Johannesburg and Lagos are now giving way to the faster growing middleweight cities like Abidjan, Khartoum and Rabat. India's bilateral trade with Africa touched US\$ 60 billion that is a 20 fold increase in little over a decade. India has always had a stakeholder interest in Africa's sustained prosperity as seen in the trade that provides a lifeline to African societies. This paper looks at how Indian companies are translating the growth opportunity into action.

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Peer-review under responsibility of Symbiosis International University (SIU).

**Keywords:** Consumer market; Growth opportunities; MNC; Trade

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### 1. African Business

Frost & Sullivan Africa project identified the main trends that are relevant to business in the African continent. These are: (a) Urbanization in Africa: By 2020, Africa will have 15 per cent of the world's urban population. 43% of

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Africa's population will live in urban areas by 2020. That would create an opportunity in "enabling" infrastructure that efficiently utilizes resource leading to regional economic growth. (b) Regional Integration: Within Africa, regional integration looks at three major areas electricity, transportation (road and rail infrastructure) and trade through a unified African free trade zone. By 2020, integration in these areas would garner \$140.00 billion in infrastructure investment generating \$216.00 billion trade value from Intra-Trade. (c) Connecting the Unconnected: Connectivity for both consumers and businesses is expected to be 90 per cent mobile penetration level and Internet penetration of 60% by 2020 ensures growth in e-commerce and IT services (mobile banking and e- education). Additional investment of \$70.00 billion by 2020 in the remote metering of electricity, health care ICT, intelligent traffic management, and TV broadcasting would also strengthen the communication infrastructure in the region. (d) Innovation to Beneficiation: Developing value adding industry like oil & gas refining, identifying the raw material like gold, platinum, copper, titanium, cobalt, and other metals markets with competitive advantage in mining. (e) Renewable Energy: Funding renewable energy projects, and creating an attractive environment for developing projects in the African market. North Africa, the dominant partner, along with South Africa and East Africa, are keenly interested in incorporation of renewable power into the smart grid. (f) Changing Business Models: To tap the growing African population and emerging middle class with increased discretionary income by catering to mega consumption by offering affordable products and services. Mobile penetration will help customers interact. (g) The Responsible Agriculture Revolution: Agriculture accounts for a sizeable portion of GDP of African economies. A revolution in the production of staple foods, sustainable agriculture (farming), and improved access to food and markets to meet the increased demand. (h) Future Infrastructure: Significant investments in power, water, communication, and transport, would open up access to healthcare, logistics, education, and trade within Africa and globally (Carolyn A.K, 2012)

There are seven main reasons why Africa's time is now -

- a) With 52 cities of one million or more or population it is equal to Western Europe has. Africa's middle class is bigger than India's, and by the year 2020 half of African households will have discretionary spending power thereby making Africa a big user for infrastructure, education, health care, consumer goods, and retail.
- b) Debt and inflation has decreased over the past decade mainly due to the wide aligning with market economics. Also the number of political coups declined drastically due to political reform
- c) The workforce will be 163 million in this decade; by 2035 it will be bigger than China's and by 2050, Africa will account for 25% of the world's workers with fewer dependents than their peers elsewhere. There will be a need for deep investments in productivity improvements for ensuring broad-based growth.
- d) The mobile penetration, that was 2% in 2000, is 78% today and expected to reach 84% by 2015. Mobile internet traffic in sub-Saharan Africa will increase 25 fold in the next four years. Smartphones are only 3% of the African market today and is expected to be just 15% in 2015.
- e) Just 11% of Africa's trade is intra trade within its own borders, the lowest of any region due to constraints in resources and politics. A new group of competitive pan-African companies and leaders along with skilled trade ministers and corporate executives are promoting free trade across and within Africa's five major trade blocs.
- f) Twenty percent of government spend is on education. The achievement levels take some time however this will impact the presence of a rapidly expanding workforce.
- g) Africa is the world's most uncultivated arable land, with 60% of the world's potential farmland, Africa is an agricultural powerhouse. This along with the minerals, oil and gas attracts foreign investment that can be sustained by building the supply chain and hiring local people thereby sustaining a healthy local market. (Berman, J. 2013).

## 2. Africa – Growth Story

Africa is one of the fastest-growing regions in the world. An analysis by *The Economist* show that in the last decade up to 2010, six of the world's ten fastest-growing economies were from sub-Saharan Africa. (Table 1)

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