

Equity crowdfunding: a game changer for investors and African business

By [Jeff Miller](#)

24 Oct 2022

The concept of crowdfunding to kickstart a company or raise money for a needy cause is familiar to many South Africans. While crowdfunding is a billion-dollar global industry, equity crowdfunding is in its infancy in Africa and is an exciting alternative investment that is disrupting the funding landscape. It offers investors a share in a particular business in exchange for capital to be used for growth.



Jeff Miller, founder of Grovest and GoGetta | image supplied

Raising capital is difficult for entrepreneurs worldwide but it is particularly tough for African entrepreneurs who try to fundraise unsuccessfully using traditional financiers such as banks, as they often don't have the security required. Yet, there are many examples of brilliant businesses on the continent - they are not only resilient but innovative to harness potential in various sectors.

I am particularly passionate about entrepreneurship and developing quality entrepreneurs. I am just as keen on the importance of alternative investments for more balanced investment portfolios. I was a pioneer in the Section 12J space in this country and saw the enthusiasm which South Africans embraced this alternative investment.



#StartupStory: Ubuntu - a crowdfunding app for startups in SA

Evan-Lee Courie 21 Oct 2021



After Treasury ended this option to invest in alternative assets, I saw the gap for an equity crowdfunding platform focused exclusively on African businesses. This mechanism is simple and quick to market. If the crowd likes it, they'll fund the business, and entrepreneurs get some validation up-front for their concepts and have a chance to achieve their goals.

With R3,5bn under management at Grovest and a deep understanding of licensing requirements, I was keen to create a way for retail investors to invest in an asset class that offers potentially better returns than the stock market.

Global equity crowdfunding markets

The worldwide crowdfunding market was estimated to be over \$17bn in 2020, with an annual growth rate of 16% - 17% projected from 2021 - 2026. By 2028, it is forecast to reach \$43bn.

Equity crowdfunding in the US, Europe and the Orient continues to gain traction, but the concept is quite new in Africa.

Crowdfunding volumes in Africa have grown 118% since 2015, with almost 90% of capital being raised through foreign-based platforms headquartered in Europe and the United States. Between 2013 and 2016, over 78% of annual African crowdfunding occurred in South Africa, Nigeria and Kenya.

Benefits for entrepreneurs

Entrepreneurs have a solution to raise funds other than from traditional sources and the platform is sector agnostic. However, crowdfunding is about more than just raising capital. The need to pass the muster of the investment committee provides two opportunities to test the business concept - first with the investment committee and once listed, potential equity investors.

Entrepreneurs retain their ideas and control over their businesses, but they are guided and mentored by strong business development professionals to carefully manage costs, timing, marketing and delivery. Post the fundraise, entrepreneurs will be assisted with reporting to investors.

Eyes on Africa

By 2050, Africa is expected to be the continent with the largest population and consumer base. Although historically, connectivity and other issues were barriers to growth, we are seeing massive adoption as infrastructure improves and mobile and internet penetration continues to rise.

SMMs are the key to prosperity and growth throughout Africa; they need as many opportunities for sustainable investment as possible. There are unique African problems and subscribing for equity in the businesses that solve these issues should be available to global investors. Africa is a magnificent sleeping giant, and we are ready to awaken her.

ABOUT THE AUTHOR

Jeff Miller is the founder of Grovest and GoGetta.

For more, visit: <https://www.bizcommunity.com>