

Africa's Crowdfunding Potential

Africa has caught the attention of those in the ever-evolving crowdfunding sector. A recent report published by the University of Cambridge Judge Business School analyses the current position of Africa on the world's alternative finance stage.

Crowdfunding on a Global Scale

The United Kingdom has long led the way in the crowdfunding sphere. The public's dissatisfaction with the banks and the increase in the number of new crowdfunding and peer-to-peer lending platforms have combined to offer the British people an alternative to traditional finance.

An inspiring technological revolution has been supported by laws, tax breaks and government initiatives, all supporting the proverbial underdogs. The industry has catapulted, leaping from an estimated valuation of \$880 million in 2010, to \$34 billion just five years later in 2015.

Other countries are beginning to follow the UK's lead and, if the trajectory of the UK is anything to go by, the crowdfunding scene will soon be coming to life all over the world.

Africa

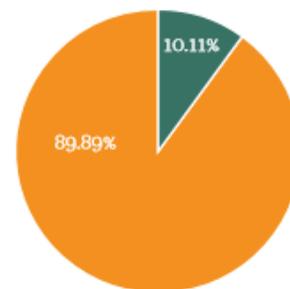
The [Africa and Middle East Alternative Finance Benchmarking Report](#) published in February is the first comprehensive study of the size and growth of crowdfunding and P2P lending markets in Africa and the Middle East. The report includes additional chapters on the regulatory landscapes in Africa.

Here in Africa, crowdfunding is just beginning to gain publicity and garner attention. As detailed in the report, the third-largest model in Africa is peer-to-peer business lending, which totalled \$16 million in volume over a two-year period between 2014 to 2015. This model experienced rapid growth, starting at a modest \$2 million, and reaching a sizable \$14 million in 2015.

Some 90% of online alternative finance originated from platforms headquartered outside Africa, evidencing the potential for home-grown platforms.

Kenya and South Africa are the market leaders, raising \$16.7m and \$15m respectively from online channels in 2015. Peer-to-peer business lending had a lower average deal size, of \$41,000, with an average of 24 lenders each.

The market is relatively evenly distributed across 10 core countries. South Africa had the largest number of online alternative finance platforms, with eight surveyed respondents, with Egypt and Morocco following with three domestically-based platforms each, and Ghana and Nigeria with two per country. Senegal, Uganda, and Zimbabwe had one surveyed platform each.



■ Transaction Volume Originated from Platforms Headquartered Within Africa
■ Transaction Volume Originated from Platforms Headquartered Outside Africa

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The East Africa region has the largest market share of the alternative finance market. In 2015, East Africa accounted for 41% of total African market share, while West Africa accounted for 24% and Southern Africa accounted for 19%.

The make-up of the South African market differs markedly from the rest of Africa. In 2015, the vast majority of market activity – \$13.8m – came from peer-to-peer consumer and business lending, with the remaining \$1.2 million spread across microfinance, donation-based and reward-based crowdfunding.

The rapid growth and emergence of online peer-to-peer lending models in South Africa suggests that this model will likely dominate the national market, and could potentially propel South Africa’s position as the emerging market leader for both online consumer and business peer-to-peer lending in Africa.

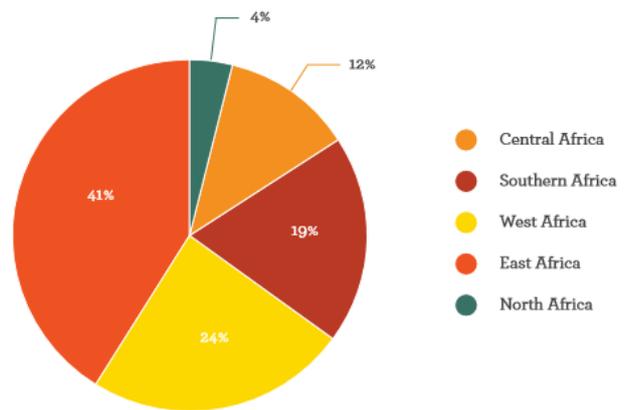


Figure 22a. Market Share by Alternative Finance Model in Africa, 2015

Regulation and policy for alternative finance are at the very earliest of stages of development for many financial regulators globally, and this is the case in Africa. Nevertheless, there have been several positive steps towards developing a specific regulatory response to this emergent industry that provides additional and vital channels of financing for individuals, start-ups and SMEs. What is clear is that there is no customised, tailor-made alternative finance regulation regime that has been enacted in Africa, as has been the case in other more established markets, such as the UK, Italy, the USA or Malaysia. Existing, generic financial services regulation are still likely to apply to firms seeking to provide services that fall within the remit of these existing laws.

Many risk-adverse corporates will wait for the implementation of the regulatory framework before acting on this opportunity; however, we have repeatedly witnessed that the regulatory risks are lower than many expect.

Having recently partnered with the local Value Added Reseller Khonology, we are prepared to collaborate with the founders of new African platforms and are keen to support the shaping of the market. If you would like more information or have any questions, please do get in touch with our South Africa team at hello@whitelabelcrowd.fund or call us on +27 218 139 101.

About White Label Crowdfunding

White Label Crowdfunding provides peer-to-peer lending Software as a Service. They have tailor-made technology and first-hand experience, gained through the efficient construction and subsequent success of the various platforms they establish, such as rebuildingsociety.com.

WLCF primarily works with P2P and P2B lending; equity funding; and reward and donation platforms. The FinTech solutions proposed range from incorporating a crowdfunding option into an existing organisation, to launching a custom platform according to a specific business model. This is complimented with bespoke development, efficient project management, post-launch support and expert consultancy.

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