

## African entrepreneurs turning to crowdfunding

The banks wouldn't give him a loan, so Cameroonian Georges Badjang approached a crowdfunding platform. Although relatively unknown in Africa, this alternative source of finance is helping his firm grow.



Image by 123RF

Jacques Georges Badjang was never really interested in emigrating abroad. Even when he was a student, he was determined to show it was possible to create and achieve something in his native Cameroon.

As there were several beekeepers in his neighbourhood, he decided there was a future in honey. He gave up his history course and went to work.

"It all started at home, in my mother's kitchen," said Badjang. This was where he washed the glass jars, filled them with honey, and then went from house to house to sell them.

The one-man operation has since turned into a flourishing business, "Les Mielleries" which markets honey from more than 200 beekeepers.

The honey is filtered and then packaged in Douala, Cameroon's largest port city. While expanding his firm Badjang encountered a problem familiar to many small businesses in Africa. The banks would not lend him money because he couldn't convince them that he would be able to pay it back.

### Investors operating from a distance

Last year, Badjang found a new solution to this old problem. He heard about the newly established crowdfunding platform BlueBees. Based in France, it was just about to go online.

This form of financing in which entrepreneurs use internet platforms to ask the general public to invest in their businesses is already well established in Europe and the United States.

Online users decide whether they want to invest in a particular scheme, and how much they wish to contribute. These platforms are often used for art or social projects.

BlueBees specialises in entrepreneurs from developing countries, bringing them together with investors from Europe. "Jacques Georges is a really serious entrepreneur," said Emmanuelle Paillat, managing director of BlueBees. "He needs us, because he has no access to the banks. In Cameroon, they would ask him for surety and he can't provide it - despite the fact that his firm has been in existence for 10 years," she said.

"Les Mielleries" was BlueBees' very first project and was launched in the spring of 2013. Badjang borrowed 20,000 euros (\$26,900) for his honey business from more than 100 creditors.

It was a worthwhile investment for all involved. After just six months, Badjang had paid back the loan – plus 10% in interest. One percent went to the BlueBees platform.

## **Other platforms for Africa**

Meanwhile, the "crowd" - the BlueBees users - is now supporting other projects. They have invested in soybean cultivation in Burkina Faso, in a medicinal herb garden in Peru and in a leeches' cooperative in Madagascar, to name but a few.

In recent months, other platforms have begun to offer crowdfunding for African small business owners. They include Fudev (Fonds pour le développement Afrique) and Babyloan, which taps the African Diaspora as a source of potential investors.

Babyloan wants to collect 50,000 euros for 50 small business owners in Benin by 15 September, 2014. Other platforms, such as the London-based "AfrikStart" or "SliceBiz" in Ghana, are preparing for launch.

## **Many obstacles for African platforms**

Most crowdfunding sites for Africa operate out of Europe. It is no coincidence, said South African investor Patrick Schofield, because it is not easy to work directly out of Africa. Schofield is building a platform himself in South Africa. "Crowdfunding is very new here, a lot of people don't understand it, or trust it," he said. In addition, the payments system in Africa is not as well developed as it is in Europe.

Another challenge is the distance between the platforms and the entrepreneurs. It can be expensive to send money to Africa and there is also uncertainty as well. "Our bank cannot say in advance how much it will cost to make a transfer from Europe," said Emmanuelle Paillat.

Creditors often lack entrepreneurial expertise so the small teams on platforms act as advisors. They can assist with business plans, alert potential investors and online communities to the project, and even help the African entrepreneur recruit new clients.

## **More creditworthy**

Jacques Georges Badjang did not only succeed in arranging a loan, he has also boosted his own creditworthiness as an entrepreneur as well. "Our bank which previously would never listen to us now has a better understanding of what we do," he said. His company can now draw on an overdraft equivalent to about 7,500 euros.

But if Badjang needs money, it is still cheaper to turn to the "crowd". He recently received a second loan of

15,000 euros from "BlueBees". He intends to invest it in a new business: beeswax. This product requires more processing so he will have to employ more people.

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