

CROWDFUNDING!



Types of Crowdfunding!

There are 3 primary types of crowdfunding: donation-based, reward-based and equity crowdfunding. Donation-based crowdfunding is one where the investors receive no financial return, most likely for nonprofit and charitable initiatives, and include fundraising for disaster relief. Rewards-based one involves typically investors who contribute to your business in exchange of a reward. Equity crowdfunding is simply allowing investors to become part-owners of your business.

How effective is it?

The latest remarkable campaign was the one that raised HKD 350,000 goal within 15 minutes of being launched for the jailed activist Edward Leung's appeal. He was sentenced to 6 years in jail, in connection with 2016 rioting, and a total of 1,268 people donated to his cause. This is but just one example, the internet is flood with examples of crowdfunding for a good cause.

Now, the bad?

This being a relatively new concept, crowdfunding can be risky, given it has exposure on young businesses. The new business you're investing your money in, could go broke and you could lose all your money. There is no guarantee on the return and you may not receive any dividend. In cases of equity crowdfunding, it might be difficult to sell your shares. The crowdfunding platform could go bust and you could eventually lose all your investment.

Crowdfunding is accelerating by day, with a new market being created for investment. You can do your share by giving a boost to new business, but at your own risks. Alongside, higher risks give potential to higher returns. It's up to you to define your risk appetite!

The basics!

Unless you have been sleeping through the dawn of the Fintech era, you must have heard of crowdfunding or stories of people raising cash online. With hundreds of sites popping up on the internet, there are some real funding communities (even in Mauritius) that have had some meaningful funding success stories.

What is it?

The Oxford dictionary defines crowdfunding as "the practice of funding a project or venture by raising money from a large number of people who each contribute a relatively small amount, typically via the Internet." Put simply, it is a modern and internet-friendly way of that gives newfound ways of making money. At the same time, it is an alternative way for small businesses to raise funds when banks have closed their doors on them.

As opposed to the traditional ways of raising capital for a new business, crowdfunding platforms offer entrepreneurs, a single platform to showcase, build and share your resources.

The Benefits of Crowdfunding

It allows entrepreneurs to tap into a wider pool of investors with whom they can share their campaigns. From the launch of the funding, you can easily market the project through social media, and online tactics. One of the major advantages is also the refining of your concept and offering, when potential investors express their interest in your project.

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