

# Crowdfunding a new way to finance small businesses

It is common for employees today to propose projects, close to their aspirations, that could be harmonised into their day-to-day job activities. Employees have become entrepreneurial.



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A report by the Association of Chartered Certified Accountants (ACCA) - Culture and Channelling Corporate Behaviour - suggests that employees are loyal to the following three factors: mastery of one's subject, autonomy and psychological relatedness of their values. The latter is evident in that a lot of employees wish to serve their community by relating their job activities with the needs in society.

The entrepreneurial approach has found fame in the corridors of business and more and more employees and businesses are enjoying the benefits of this approach. CFOs and team leaders that embrace such practice are, however, often faced with the challenge of financing these projects.

Crowdfunding has become a new way that SMEs around the globe are financing their projects. Crowdfunding is not only reserved for SMEs, but it can be utilised by CFOs that do not have the budget to finance all the projects that employees desire to engage in.

## Not a new phenomenon

Crowdfunding is by definition 'the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet'. This is not a new phenomenon; the only difference is that it is now web-based and the pool for investors is much greater than before when one had to approach individuals they hoped would invest in their cause.

There are web-based platforms that CFOs can go to or direct their employees to. Indiegogo, Kickstarter, Onevest are some of the well-known ones globally that project creators utilise; in South Africa the phenomenon is still at its young stages, but there are platforms that have been established to cater for this need, such as startme.co.za, thundafund.co.za, jumpstarter.co.za and findfund.co.za. Project creators can create a profile typically containing a short video, an introduction to their project, a list of rewards per donation, and some images to elaborate.

The idea is to create a compelling message that readers will be drawn towards. Crowd funding offers a lot of benefits to employees that seek to integrate their passion into their work and also to CFOs that want to avoid some risks associated with funding projects proposed by employees.

Charlotte Chung, senior policy adviser at ACCA, investigates the steady growth rate of peer to peer business lending and crowd finance in a report titled Peer to peer and crowd finance - from novelty to maturity. She offers an insight into receivables trading and crowdfunding platforms that promise to significantly disrupt the debt and equity SME financing sectors.

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