



Crowdfunding: a Valuable Financing Opportunity for Service Enterprises

Linda Schmid,¹ February 26, 2014

Q1: How can small enterprises, from least developed, developing, and transition economies, access crowdfunding?

A1: Service enterprises can use the online clearinghouse Crowdsunite¹ to find crowdfunding sites that serve a particular country, interest, and financing preference such as debt, equity, or donation. For example, Crowdsunite identified Indiegogo² as the number one site for Belize. Indiegogo provides services in 193 countries in 26 currencies. Musicians are using the platform to finance recordings and tours. For technologically astute enterprises, the WPMU DEV Fundraising³ plug-in can expand the fundraising functionality of an entrepreneur's website. With adequate bandwidth, service providers can reach financial supporters.

Q2: What are the challenges of creating a successful crowdfunding campaign?

A2: There is a learning curve in establishing a successful campaign. Each crowdfunding website has a unique approach and requirements for starting a campaign. However, most have training videos to explain how to use their website. From an empirical standpoint, recent analysis⁴ of crowdfunding data indicates that donors prefer minimal funding requests, female borrowers, and short-term projects. A survey of crowdfunding campaigns, suggests that a concise narrative, exceptional photos, and high quality videos contribute to a successful campaign for supporters. Service entrepreneurs should plan to invest time in developing a concise and visually attractive campaign that appeals to potential donors.

Q3: Has crowdfunding replaced traditional micro-finance institutions?

A3: Not at all, in fact some crowdfunding sites work through local micro-finance institutions to reach clients. Service entrepreneurs can use the Micro-Finance Information Exchange (MIX) Market website⁵ to identify micro-finance institutions in their home country. As an example, the MIX Market website identifies 3 micro-finance institutions operating in Belize including the Belize Rural Finance Program,⁶ La Immaculada Credit Union Limited,⁷ and the Development

¹ <http://www.crowdsunite.com>

² <http://www.indiegogo.com>

³ <https://premium.wpmudev.org/project/fundraising/>

⁴ Source: Raj M. Desai, Homi Kharas, The Wisdom of Crowd-Funders: What Motivates Cross-Border Private Development Aid?, Global Economy & Development Brookings Institution, Working Paper 64, December 2013.

⁵ <http://www.mixmarket.org>

⁶ <http://www.brfp.org>

⁷ <http://www.licu.org>

Finance Corporation (DFC).⁸ The DFC extends loans to the services sector including creative industries according to its website. Service entrepreneurs can tap into online crowdfunding opportunities as well as traditional sources of micro-finance to raise capital.

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⁸ <http://dfcbelize.org>