Developing World Crowdfunding
Aid through Crowdfunding

Monthly Report
September 2015

AlliedCrowds
Crowdfunding continues to gain momentum in the developing world, with campaigns in six countries raising over $1 million from the crowd over the past month.

A lack of access to bank or mobile money accounts stands as a barrier to entry to crowdfunding for many in the developing world, as having an account is crucial to accept the crowd’s cash. In this issue of our report, we take a look at recent World Bank research that explores the prevalence of accounts among adults around the world, and examine how important account penetration is to crowdfunding.

This month, we put the spotlight on Asia, a continent with countries in different stages of development and with a diverse crowdfunding ecosystem. Despite the social, political, and economic differences of the nations, there are some emerging regional trends. Perhaps the most interesting of these is the growing regulatory interest in equity crowdfunding.

India, an archetype for crowdfunding success in Asia, is among the nations considering crowdfunding regulation. Due to the size and influence of India in the region, expect to see countries following the example of Indian crowdfunding regulation. As Indians continue to become more aware of the power of crowdfunding, the budding crowdfunding scene should rapidly absorb the influx of funding and projects to follow.

Crowdfunding is well-equipped to channel development aid to states in need, and we focus on how it can be used for disaster relief. Furthermore, our platform spotlight this month focuses on Watsi, which crowdfunds healthcare costs in developing nations. Watsi is unique in many ways, and its experiences hold important lessons for the crowdfunding industry.

Crowdfunding is growing rapidly in the developing world, and as a leader in the space, we are highly encouraged by this growth. In order to keep up with trends, every organization, company, and institution should explore how it can leverage crowdfunding as part of its strategy.
Access to financial services is an important step on the path to poverty eradication, so it’s little wonder that the World Bank has stated the goal of achieving universal financial access by 2020. Bank and mobile money accounts provide many benefits, including allowing individuals to receive money in a fast and secure manner, apply for loans, and pay for services like schooling.

To help track the numbers around financial inclusion, the World Bank recently released the second edition of its Global Findex report. These findings are especially relevant to crowdfunding.

Crowdfunding is an online method of raising money, and access to a bank or mobile money account is the first step in being able to send or receive payments via the web. The share of adults with access to accounts varies greatly among developing regions. In East Asia and Pacific, for example, the share is 69 percent; in the Middle East, the share is just 14 percent. Countries with high (absolute) numbers of adults who have access to a bank account tend to have more developed crowdfunding ecosystems.

Consider, for example, Brazil. With over 100 million adults (68 percent of the population) having access to bank accounts, it’s hardly surprising that the country leads South America in terms of money raised. But the correlation is not always straightforward due to the fact that many crowdfunding platforms in more developed regions send money to developing countries. That helps to explain how a country like the Philippines, with only 22 million adults (31 percent) having access to bank accounts, is able to raise more than Brazil.

The Findex report also looks at the lending sources across regions. In the Middle East, South Asia, and Sub-Saharan Africa regions, over 30 percent of loans were from friends and family. That’s a positive sign for crowdfunding, as campaigns typically find success by effectively reaching out to their friends and family.
August Recap

Breakdown by Crowdfunding Type

As we have expanded the number of sites we analyze to include a broader range of crowdfunding platforms, donation has overtaken lending as the most prominent form of funding.

36.1% Lending
40.5% Donation
16.7% Equity
6.7% Reward

Top Category Movers

We believe the increase in crowdfunding for Housing is due to the Syrian refugee crisis. It is a clear example of how crowdfunding can be used as a tool to respond quickly to global events.

Top 5 Countries

We have seen tremendous growth in crowdfunding in Brazil over the past few months, as it begins to position itself as the leader in developing world crowdfunding. India, however, is not far behind.

Three Unique Platforms

Yomken is an Egyptian platform that combines crowdfunding with open innovation. Business owners, mostly in low tech and informal manufacturing industries, can publish calls for ideas to make their products better. After the crowd's suggestions are implemented, the business owners are able to return to the platform to pre-sell the improved products online.

Farmable.me is a Ghanaian crowdfunding platform that solves a highly local need — the country's dependency on imported beef. The platform allows the crowd to lend money to farmers, who can grow and provide better care for their herd.

Crowdfunding platforms typically aim to attract a large number of investors who can fund projects with small amounts at a time. Artha takes a different approach, having built up a small 'crowd' of investors who use the platform to network and find potentially worthwhile deals to invest in, off the platform.
Given its sheer size and large population, Asia presents huge potential for crowdfunding. In some countries, that potential is already being realized; in others, there is still a ways to go yet. Last month, countries in the region raised $10,500,000 for over 14,000 campaigns.

Asia is home to many countries in different stages of development. Even among the developing countries, there is great diversity. India is an emerging economic power, while Malaysia is moving toward securing developed status; others, like Laos and Cambodia, have been on UN’s list of least developed countries for decades.

Despite the differences among countries, there are some unifying factors. One clear regional development is the increasing interest in equity crowdfunding. Last year, the Securities and Exchange Board of India (SEBI) released a consultation paper on the topic; earlier this summer, SEBI announced that it was working on appropriate regulations and that a decision may be taken soon. Vietnam is exploring ways to regulate the funding model. Thailand is looking to authorize its first equity crowdfunding platform by the end of the year, while Malaysia’s Securities Commission recently allowed six platforms to begin operating just this summer. If these platforms can show quick successes, more countries in the region will consider implementing their own regulations.

One notable omission in our analysis is China. The country already has more demand for peer-to-peer lending than the US, and the 2013 World Bank report on crowdfunding predicted the market for crowdfunding there to exceed $45 billion by 2025. These are impressive numbers, and we’re following the developments in China closely. Given the scope of the crowdfunding ecosystem in China, we have decided to focus on other developing countries in the near term — though we’re looking to introduce them soon.

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MISSING

MISSING is a public art installation and augmented reality app that aims to bring to light the issues of female trafficking and prostitution in India, where an estimated 1.2 million young girls are prostituted, according to the project’s creator Leena Kejriwal. Earlier this summer, Kejriwal took to crowdfunding in order to take her installation to cities across India.
India is a country that's just beginning to realize its crowdfunding potential — and that potential is huge. In the near future, India is likely to emerge as a crowdfunding powerhouse. Today, however, the country's demographic differences mean the crowdfunding landscape is highly dichotomous.

A country that is starting to transition to a consumer economy, India is experiencing fast growth in both internet penetration and e-commerce. Though only a minority of the country's population is online today, India's sheer size means that the country supports over 350 million users. By 2017, KPMG and the Internet and Mobile Association of India expect that number to reach 500 million, and the number of mobile internet users to hit 314 million.

In other words, while only a small percentage of the country's citizens have access to crowdfunding, in absolute terms, India makes up a large crowdfunding market. For some individuals, especially those in urban areas, the crowdfunding market is exploding. There are 19 homegrown platforms, which raised $1,800,000 in August.

There are signs that crowdfunding is starting to reach the broader mainstream. Last month, the Aam Aadmi Party raised over $15,000 via crowdfunding. In March, the Indian School of Business at Hyderabad hosted what was touted as the country's first crowdfunding conference. A crowdfunding bootcamp helped eight campaigns to get off the ground. Bollywood stars are lending their support to campaigns in an effort to raise awareness. In the meantime, the Indian government is exploring ways to implement regulations to support equity crowdfunding.

These developments will allow crowdfunding to grow at a rapid pace, and are tapping into the excitement over startups in India, said Ateet Bajaj of crowdfunding platform Start51. For much of the population, however, crowdfunding is still off limits.

A fifth of the country's citizens are under the poverty line, and few in rural areas have internet access. A 2014 government initiative to provide a bank account for every household underscores the structural problems facing many of the country's citizens. Bajaj says a further problem is around changing the mentality of online payments being seen as handouts, something that can hurt the rewards-based crowdfunding platforms.

India's sheer size, however, means that the growing number of platforms will still be able to develop and tap into economies of scale while the rest of the population continues to catch on.
Crowdfunding is very well suited to help channel funds for disaster relief efforts. Not only does it minimize some of the problems associated with more traditional ways of funding humanitarian aid, it also encourages new methods for funding underserved communities.

Despite the best intentions, aid has been a contentious subject for decades. The most potent argument against traditional forms of aid is that they are highly inefficient. Relatively large portions of funds are skimmed off the top for administration and overhead costs. Organizations tend to hire expatriate workers, who may have a difficult time understanding local contexts and do not stick around long enough to properly evaluate the projects’ impact. This leads to further squandering of donor money. The recent exposé of the American Red Cross’s inability to make a significant impact in the aftermath of the 2010 earthquake in Haiti underscores many of the problems facing global aid organizations.

Crowdfunding is a fundamentally different way of channeling aid, minimizing inefficiencies and bypassing layers of overhead costs. Because the money is channeled to people on the ground, donors can be certain that all of their money (minus any transparent fees) goes to the people and communities in need. As campaigns can be created in minutes, the funding can be rapidly deployed. With a stronger connection to specific individuals and causes (rather than a nondescript global aid agency) crowdfunding encourages funders to donate more than they would otherwise.

Crowdfunding campaigns spring up in the aftermath of nearly every tragedy, as relatives and community members across the world look to send funds to their loved ones. The biggest crowdfunded response to a disaster took place earlier this year, when thousands across the world gave over $23 million to the Nepal earthquake relief efforts. Similar initiatives have been created recently in the Philippines and Vanuatu.

As crowdfunding continues to gain popularity and mainstream awareness, the industry will deliver even more money to hard-hit areas.

In order to get a better understanding of disaster relief crowdfunding, we analyzed the most commonly used words across a sample of disaster relief crowdfunding projects. The results are shown above with larger words representing a higher frequency.
Crowdfunding is an excellent way to facilitate donations to people in developing countries. Arguably the two most compelling reasons are that it builds a connection between donors and beneficiaries, and that it promotes transparency.

Few crowdfunding platforms have been able to capitalize on these two benefits more than Watsi, a San Francisco-based platform that operates in developing nations around the world.

The company’s mission is straightforward: to fund healthcare by connecting people. That singular, focused vision has enabled the company to excel at what it does. Since launching three years ago, the platform has helped nearly 13,500 individuals donate $4.5 million to 4800 patients in 20 countries.

“*We’re living in a world where people expect to know where their money goes.*”

Grace Garey, Watsi Cofounder

Watsi has been able to achieve its success by streamlining the funding process and introducing innovative solutions.

The process works like this: Watsi finds trustworthy healthcare providers, and enables doctors and nurses working there to create profiles for patients in need of medical treatment. The focus for the doctors is to be able to identify a human story in their patients, which will help projects get funded.

Unlike on most platforms, Watsi campaigns stay up until they are funded. But that doesn’t mean patients need to wait for their treatment. Watsi guarantees the funding (like an insurer does), which allows the doctors to provide health care as soon as it is need.

Cofounder Grace Garey said a unique challenge for the platform is to balance the number of live campaigns on the platform with the donations going through the platform. To help ensure that the campaigns are all funded efficiently, Watsi has introduced several innovative features.

One of the most successful innovations, Garey said, has been the introduction of the Universal Fund, a monthly donation feature. To date, nearly 1500 people have signed up, and it amounts to 30 percent of the platform’s monthly donations. Importantly, those who sign up tend to follow through on their monthly commitments: “People sign up and they stick with it,” Garey said. Thanks to a partnership with Tencent, the first month’s donations are matched.

To help spur more funding, the platform is also working on features that will motivate donors to spread the campaigns with their friends and family (typically, the first people to donate to a crowdfunding campaign). One way to do that could be to allow donors to create teams and ask their peers to donate to a campaign.

Watsi has emphasizes transparency in everything it does. The company keeps an updated spreadsheet detailing where the money has gone and for what purpose; it even provides screenshots of the transfer receipts. Watsi also covers all payment processing fees, meaning 100 percent of the donations go directly to the patients. To help cover those and other overhead costs, the platform asks donors for tips. Garey says on average, these tips amount to seven percent of the donations.

While the transparency is a stark contrast to the more traditional aid agencies, Garey says she doesn’t see Watsi as a company that will one day overtake any of the big non-profits. Instead, she thinks the platform can apply what it has learned in working with the crowd to much larger institutions.

“We’re living in a world where people expect to know where their money goes,” she said. “Our dream is to divide the labor a little bit, in a way that allows organizations to focus on delivering a service on the ground, and [us to focus on our] core competency, which is raising money and deploying it as efficiently as possible.”

If it is able to work with global aid agencies, Watsi will have the chance to radically change the way health care aid is sent to patients in need.