

Developing World Crowdfunding

Prosperity through Crowdfunding



"Happy New Year 2013" by Prachanart Viriyarak is licensed under CC BY 2.0

Annual Report
January 2016

AlliedCrowds

Executive Summary

WHAT WE DO



DATA AND ANALYTICS:

We use proprietary methods to provide accurate insight on crowdfunding in the developing world.



ADVISORY:

We leverage our extensive industry knowledge to guide those interested in crowdfunding.



TECHNOLOGY SOLUTIONS:

We work with global organizations to develop crowdfunding platforms and provide other related services.

2015 was an important year for developing world crowdfunding; 2016 promises to be even bigger.

In total, platforms raised \$430m in 2015, with India (\$27.8m), the Philippines (\$26.9m), and Nepal (\$25.5m) coming in as the top nations in terms of money raised via crowdfunding.

We forecast that crowdfunding in emerging markets will raise \$660m in 2016, representing 53% growth over the previous year.

In this report, we look at some of the biggest developments in crowdfunding of 2015, emphasizing specifically the regulatory advancements made in countries like Malaysia and Thailand. We also look at one of the most impactful uses of crowdfunding in 2015 — disaster relief — which had a big impact on the victims of the Nepal earthquake, and many others, in time of need.

We also go into the numbers, showing how much was raised in and for each country, and the campaign categories that raised the most money.

“AlliedCrowds is thrilled with the progress crowdfunding is making across the developing world,” said founder and CEO Lars Kroijer. “The industry is showing strong growth, and 2016 promises to be another great year. When platforms in the developing world move further into debt and equity crowdfunding, the growth can be explosive. Crowdfunding has the potential to transform banks and credit institutions in the developing world.”

The report also looks at how crowdfunding fits with the UN’s recently-released Sustainable Development Goals, the global initiative to reduce poverty that goes into effect this year. The emphasis on sustainability fits well with another important global pledge: the Paris Agreement signed at COP21. Crowdfunding, both financial and non-financial, can play an important role in promoting the growth of the renewable energy industry in developing nations. Campaigns related to renewables [have already made an impact](#) on the ground in 2015, and the revived emphasis on clean energy following COP21 makes this space one to watch in the coming year.

With crowdfunding continuing to grow, and with more people applying the novel funding method to new causes, we are excited to share our latest developing world crowdfunding industry numbers. If you’d like to find out more about how your organization can leverage the power of crowdfunding, visit [business.alliedcrowds.com](#).

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Read our new blog

We’re excited to have [launched our blog](#) late last year! The blog features the latest analysis of global crowdfunding news, interviews with industry thought leaders, proprietary data on crowdfunding in the developing world, and lessons learned from successful campaigns. If you’d like to find out more about the blog, or to contribute a guest post, please contact us: info@alliedcrowds.com.

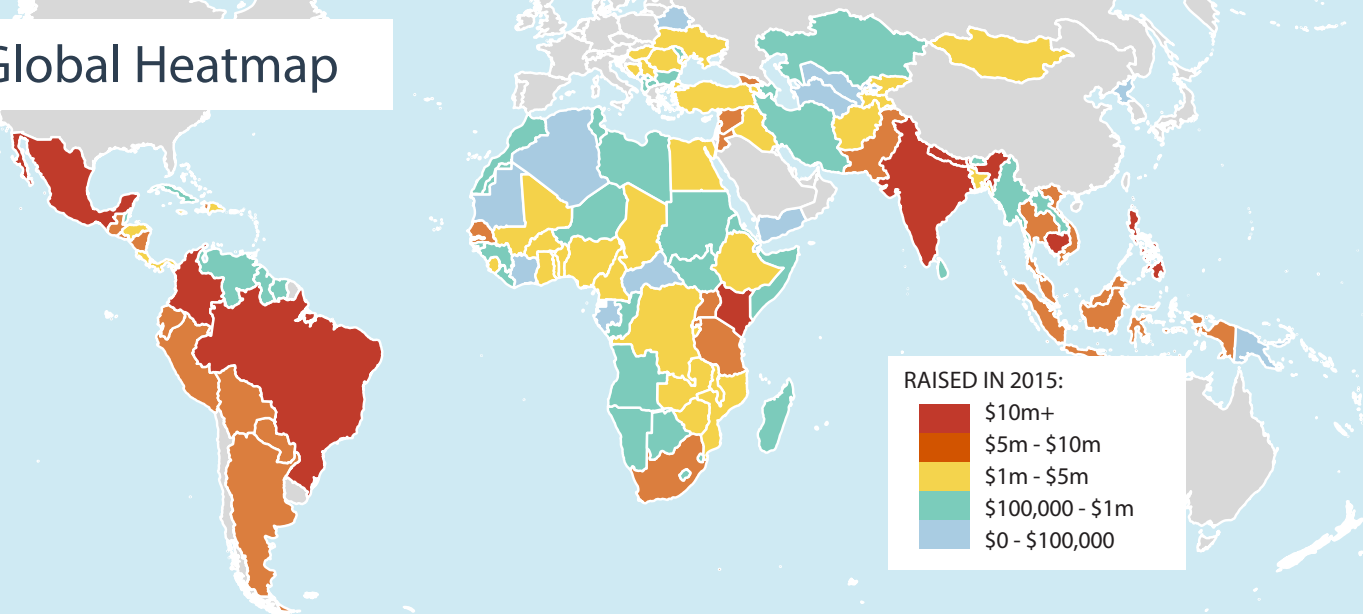
FIND OUT MORE

To find out more about how we can help you leverage the power of crowdfunding, visit [business.alliedcrowds.com](#).

We’re Hiring!

AlliedCrowds is growing fast and we’re looking for motivated individuals who are passionate about crowdfunding to fill multiple positions. Check out our openings at: alliedcrowds.com/careers

Global Heatmap



\$430m

TOTAL RAISED IN 2015

\$27.9m

RAISED BY TOP COUNTRY (INDIA)

\$42.6m

RAISED BY HEALTHCARE CAMPAIGNS

ANALYSIS

2015 was an important year for crowdfunding in emerging markets, continuing its growth in both the number of platforms formed and the amount of money raised for campaigns. More important than the numbers, however, is the fact that the successful campaigns are having a real impact on the ground.

Nowhere was this more apparent than in Nepal, where a devastating earthquake (and its aftershocks) killed over 8,500 and affected 5.6 million people in April. Hundreds of crowdfunding campaigns quickly sprung up on platforms like Indiegogo, CrowdRise, and GlobalGiving, allowing individuals to send money to their family members, diaspora groups to support their communities back home, and donors from around the world to pledge money to those affected by the disaster. International donors pledged millions of dollars to the cause, with early appraisals estimating over \$23 million raised.

The global community came together later in the year as the Syrian refugee crisis once again pushed people to give. The crowd raised millions of dollars for those affected, with Kickstarter notably dropping its policy of not fundraising for charitable causes to raise \$1.7 million

on its own. Against a backdrop of despair, crowdfunding offered a glimmer of hope, as evidenced by the story of Abdul Halim al-Attar, a single father who was photographed selling pens in Beirut while carrying his sleeping daughter on his shoulder. A campaign to help al-Attar raised over \$185,000, which he used to [start three businesses](#) that now employ 16 refugees.

With natural and manmade disasters unlikely to abate in the immediate future, we believe crowdfunding can be effective in helping those who are affected. As we have [written in a previous report](#), crowdfunding is well-suited for rapid response relief efforts as campaigns are highly localized and can be created in minutes. Crowdfunding also encourages more transparent evaluation methods, with campaign owners being accountable to the backers — the more the campaign creators update backers and show proof of the money's impact, the more other backers will be encouraged to donate. In 2015, we learned just how big of an impact crowdfunding can have on disaster relief.

2015 AT A GLANCE...

8 countries raised \$10m+
India, Philippines, Nepal, and Mexico raised \$20m+

The least active countries in 2015 were:
Sao Tome and Principe, North Korea, Kiribati, Turkmenistan, and Mauritania

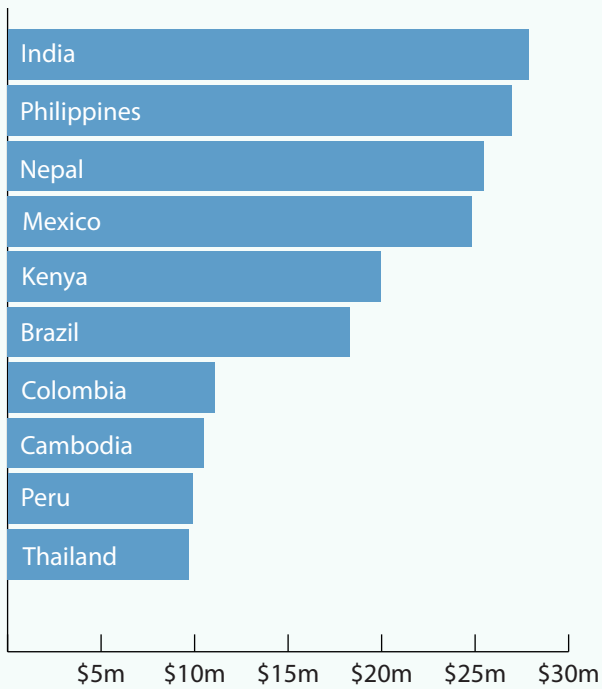
The average country raised \$3.1m
Turkey was closest to the mean at \$3.06m raised

The median country raised \$1.06m
The median countries were Bosnia and Herzegovina and Hungary

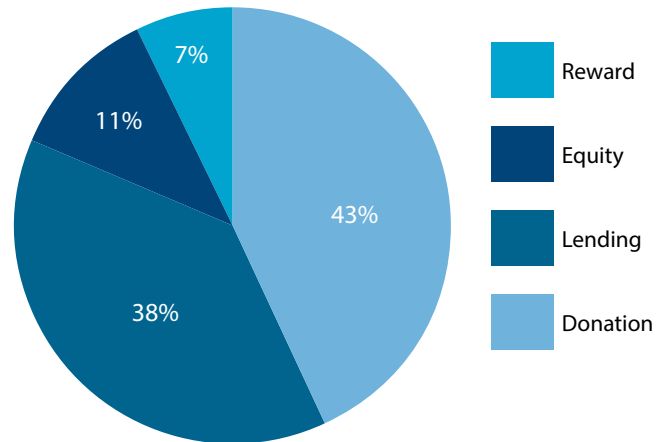
AlliedCrowds

2015 Recap

Top Countries



Crowdfunding Model Breakdown



Top Categories



ANALYSIS

2015 was a highly successful year for crowdfunding in the developing world. In this section, we take a closer look at the previous year.

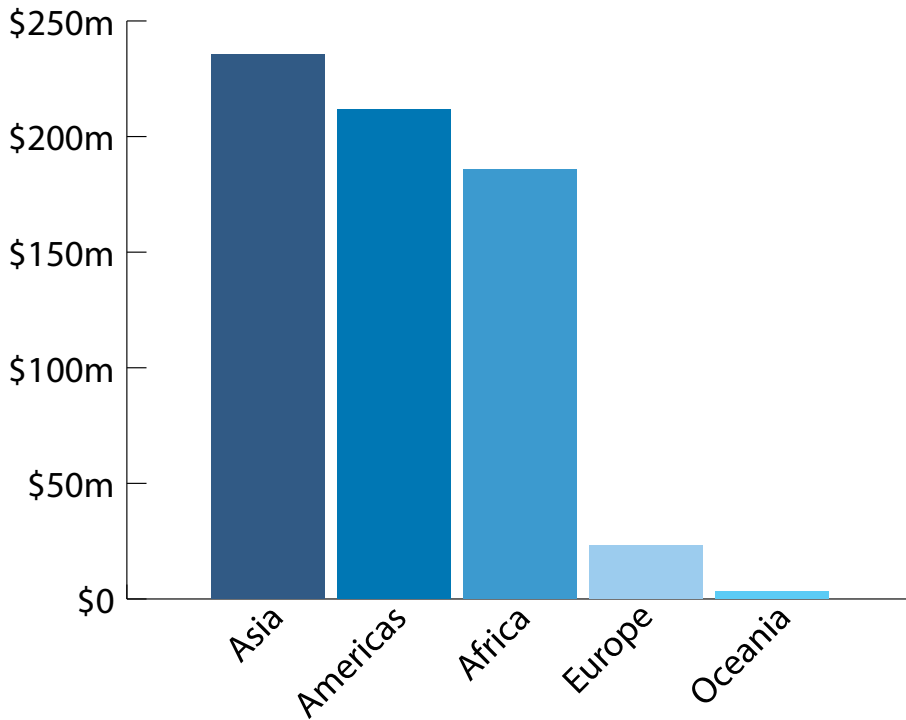
Those who have followed [our reports](#) in previous months will not be surprised to find India, Philippines, Nepal, Mexico, and Kenya occupying the top five spots in terms of the amount of money raised in 2015. India is an emerging leader in the crowdfunding world, and platforms there (especially in urban areas) have developed innovative solutions like cash pickups to accommodate the country's cash on delivery culture. With the India's regulators considering equity crowdfunding regulations, the nation's crowdfunding outlook is very bright going into 2016. The Philippines benefits from a well-connected diaspora community, who fund projects back home. Nepal's high amount raised reflects the global outpouring of support following the disastrous earthquake that devastated the country in the spring. Mexico, for its part, is a highly entrepreneurial country, whose innovators have embraced the novel funding mechanism. Kenya, a mobile money pioneer, benefits from the work done by Kiva, as well as other platforms, to channel funds to the country's entrepreneurs.

The top categories reflect some of the key trends in 2015. Health and housing campaigns, for example, are indicative of the crowdfunding dollars sent to campaigns aiming to help refugees. Agriculture campaigns, on the other hand, are popular on Kiva, one of the largest players in this space.

Given the needs of the disadvantaged and the entrepreneurs in the developing world that are turning to crowdfunding, it is hardly surprising that the top two models in 2015 were donation- and lending-based crowdfunding, accounting for over 80% of the amount raised. In 2016, we expect these models to continue to lead the way, with equity-based campaigns increasing their share as governments create appropriate regulations for the sector.

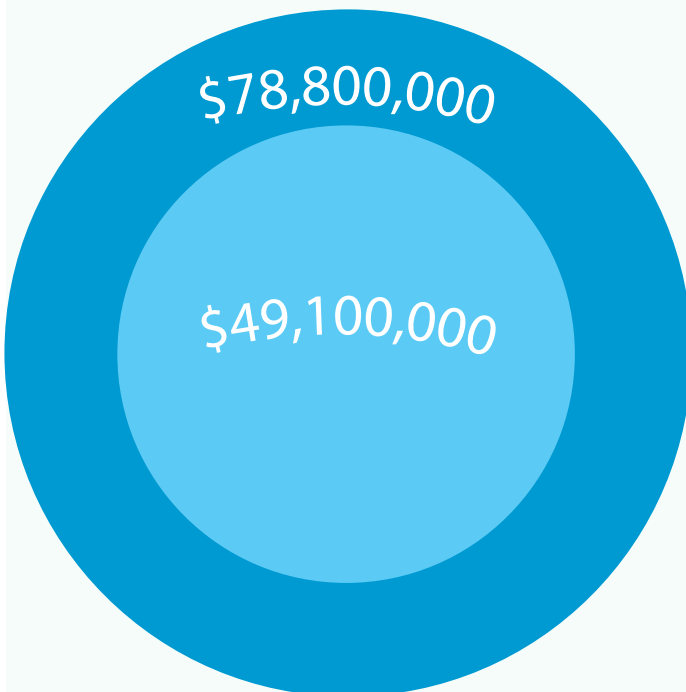
2016 Forecast

Top Regions in 2016



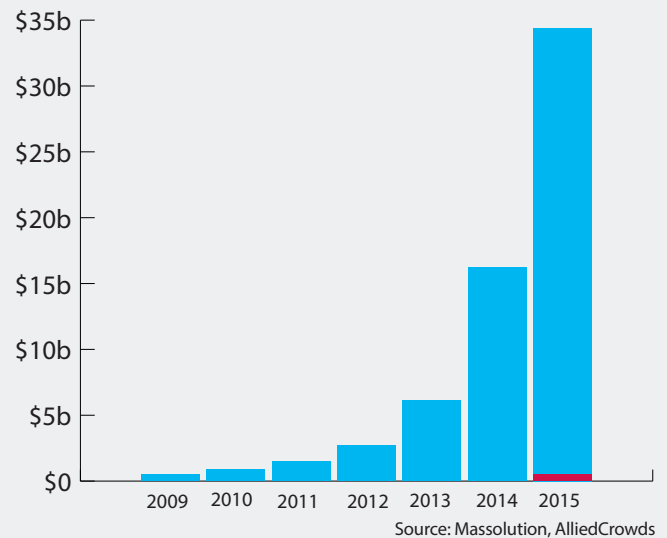
In 2016, we expect Asia to keep its slight lead over the Americas as the top developing world crowdfunding region. In addition to the equity crowdfunding regulations that are being passed within the region (see section below), Asia is home to one of the emerging global crowdfunding leaders: India. Characterized by a young and tech-savvy population, as well as a [growing middle class](#), Asia has truly tremendous crowdfunding potential. The Americas and Africa, however, are not far behind. With the continuing spread of crowdfunding campaigns, regulations, and entrepreneurs leading to mainstream awareness, crowdfunding is primed for a fruitful 2016 in emerging markets.

Equity Crowdfunding Growth 2015-16



As highlighted throughout this report, equity crowdfunding has tremendous growth potential in the new year. In 2016, we forecast equity crowdfunding campaigns to raise nearly \$80m, outpacing the growth of the wider crowdfunding industry (53% vs. 60%).

Global Crowdfunding Growth 2009-15



The global crowdfunding industry has come from humble beginnings to grow into a multi-billion industry in just a few years. Emerging markets are currently behind the rest of the world, making up just a fraction of the total amount raised in 2015 (shown by the red sliver on the chart). But we believe the developing world is poised to make strong gains in the coming years, mirroring the progress in the developed world.

The Year of Regulations



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In the equity crowdfunding history books, 2015 will go down as a year of regulatory implementation.

To date, only a small group of nations (most of them developed) has passed equity crowdfunding rules. In the past 12 months, however, there has been a noticeable uptick in the number of countries that have explored or enacted regulations.

The most impactful action came out of the US, where the Securities and Exchange Commission voted to enact Title III of the JOBS Act, opening equity crowdfunding to the nation's unaccredited investors. By creating a framework for other nations to adapt to their own local contexts, America's decision to go forward with equity crowdfunding is likely to inspire confidence among regulators in other nations.

Even before the US made the historic move to open up equity crowdfunding to the masses, however, there was considerable interest in equity crowdfunding, especially in Asia. Below, we take a look at the developments in two of the regulatory leaders in the developing world: Malaysia and Thailand.

Malaysia is recognized as the first [ASEAN country](#) to enact [equity crowdfunding regulations](#). That shouldn't come as a big surprise, as the country has made it a goal to advance its [financial services sector](#) and equity crowdfunding is seen as one of the ways to enable more firms to raise growth capital and unleash innovation.

Malaysia's Securities Commission (SC) had expressed interest in opening up equity crowdfunding to its citizens in previous years, and in early February, it [released guidelines](#) for appropriate industry regulations. Over the summer, the country's parliament decided to pass an amendment to the 2007 Capital Markets and Services Act that effectively paved the way for equity crowdfunding.

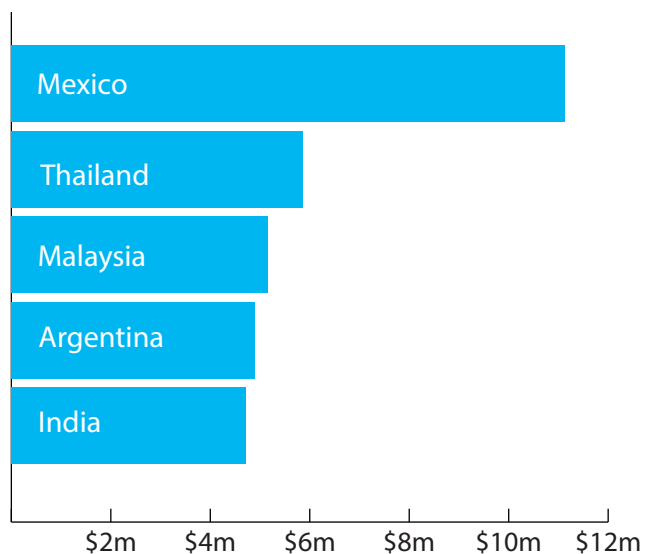
The regulations cap the amount raised to RM5 million (\$1.15 million) or RM3 million (\$690,000), depending on the size of the firm. Investors are able to invest no more than RM5,000 (\$1,150) in a company, and no more than RM50,000 (\$11,500) total, via crowdfunding.

The SC has also chosen the first six equity crowdfunding platforms in the country: Alix Global, Ata Plus, Crowdonomic, Eureeca, pitchIN, and Propellar Crowd+ (which has launched the [regional platform CrowdPlus.Asia](#)).

"For capital markets to be inclusive, small and medium enterprises (SMEs) and start-ups must also be able to obtain market-based financing. Hence, it is timely to further widen access through innovation in financial technologies such as [equity crowdfunding] platforms," said [SC chairman Datuk Ranjit Ajit Singh](#) in a statement.

Since then, the SC has also indicated interest in [regulating the P2P lending industry](#), with regulations expected out early next year.

Top 5 Equity Crowdfunding Nations (\$ raised, 2015)



In neighboring Thailand, the Securities and Exchange Commission (SEC) has also implemented equity crowdfunding regulations.

The regulations, which [went into effect in May](#), allow firms to raise up to 20 million baht (\$550,000) per year, up to 40 million baht total (\$1.1 million). Individuals can invest up to 50,000 baht per company (\$1400), up to 500,000 baht (\$14,000) in one year.

Since then, the SEC has already looked into fine-tuning the rules: in October, the regulator [solicited public comments](#) on its plans to authorize campaign oversubscription, and to increase the number of escrow services available to platforms. The country has also seen the launch of the first equity crowdfunding portal: [Dreamaker Equity](#).

Malaysia and Thailand are not the only countries in the region that are considering equity crowdfunding regulation. [Vietnam is also interested](#) in the novel method of capital raising, [as is India](#), already a major player in developing world crowdfunding (see our [September report](#) for more on the Indian crowdfunding scene). South Korea, in the meantime, has [passed its own set of regulations](#) for the industry. Further away, Brazil is [expected to pass its own set of regulations](#) by the end of 2016.

These early adopters should be commended as the trailblazers, but they're likely to be joined by others soon. 2015 may have been the beginning of the global equity crowdfunding regulation boom, but 2016 promises to be even busier.

Crowdfunding and the SDGs

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The UN's recently-adopted Sustainable Development Goals (SDGs) are a roadmap to reduce global poverty and improve the well-being of individuals around the world. With nine new goals added to the original eight Millennium Development Goals, there is a lot to be done before the 2030 deadline for achieving these targets. Crowdfunding can play a big role in helping to achieve the goals.

Access to "full and productive" employment is one of the stated goals, and it's especially important in the context of entrepreneurship. As a recent World Bank report found "small and medium enterprises are the largest contributors to total employment across developing countries." A major barrier for the creation of micro-, small-, and medium-sized enterprises in the developing world is the lack of access to finance. Here, crowdfunding is well positioned to have a positive effect.

With an estimated \$96 billion to be raised through crowdfunding in the developing world in the coming ten years, there are many opportunities for creating new business with money raised from the crowd. Reaching out to their social circles and diaspora networks with the help of crowdfunding allows entrepreneurs in the developing world to turn their social capital into financial capital. (For more on diaspora crowdfunding, read our special report on the topic.) Crowdfunding allows non-profits, entrepreneurs, and businesses in the developing world to widen their pool of investors, and (by tapping into the diaspora networks) mitigates some of the knowledge

lost due to brain drain.

Many of the issues raised by the SDGs are related to economic inequality, both within the developing world and between the global North and South. Funding is a critical issue, and one that was not sufficiently addressed in the period of the MDGs. It is estimated that currently there is a funding gap of \$2.5 trillion for the SDGs. Crowdfunding offers one way for the private sector and NGOs to bolster the SDGs independently. If this is done using equity- or lending-based crowdfunding, or via a crowdfunded financial instrument like a social impact bond, it can enable individuals from around the world to invest in a more sustainable and equitable planet.

Donation-based crowdfunding uses for the developing world are also critical to several other Sustainable Development Goals. The objectives related to education and gender equality are already being tackled by crowdfunding campaigns. In 2015, over \$32 million was raised to support campaigns aimed at women and girls, and \$21.5 million was crowdfunded for education. These amounts placed both categories in the top 10 of 2015, illustrating the high support for such projects.

Of the 17 new goals, it is hard to find one that crowdfunding cannot affect. The continued investment in the developing world through crowdfunding platforms will provide important resources for the success of the SDGs.




THE GOALS

The SDGs are an ambitious set of global development targets set out in September 2015, replacing the Millennium Development Goals. The goals are eclectic, ranging from poverty reduction to climate action, and there are many opportunities for crowdfunding to play an important role in financing the goals.



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