

How Crowdfunding strengthens small businesses?

Crowdfunding is a way for individuals, businesses, and charities to raise funds from a large number of people to finance a new business venture. It is opposite to the mainstream approach to finance. It gives you a single platform to create, showcase, and share your pitch resources. Asia generates \$10.54 billion through crowdfunding per year.

There are three types of Crowdfunding :

- **Equity-based Crowdfunding**

It is a process where people invest in an early-stage of a company that is not listed on a stock market in exchange for shares of that company.

- **Reward-based Crowdfunding**

It allows the investors to contribute to the business in exchange for a product or service from the company.

- **Donation-based Crowdfunding**

It is a method of getting funds from a large number of contributors asking them to donate a small amount without a cause of return and done mainly for social causes.

Here are the great benefits of Crowdfunding ;

- **Provides access to capital**

Crowdfunding is one of the best alternatives to get funds from venture capitalists, without accumulating debt or giving up equity. Reward-based crowdfunding allows entrepreneurs to raise funds from the community in the exchange of their products or services.

- **Prevent risks**

Starting a business is full of risks and challenges. Besides acquiring sufficient funds, some expenses challenge getting market validation. Crowdfunding allows entrepreneurs to get market validation, and avoid to give up equity before taking a product concept to market.

- **Serves as a “Marketing Tool”**

As crowdfunding is free and easy to reach people, it is a good way to introduce the aim of your business to the market. It draws more traffic to your websites and social media pages using social media platforms like Instagram, Facebook, LinkedIn, etc.

This allows businesses to get thousands of visits from potential investors and customers. Your customers play a vital role in marketing as they share and spread the word to their connections.

- **It gives proof of concept**

The first question that any investor asks will be often regarding proof of concept, so informing them about crowdfunding platforms is a good way to gain their trust in your business.

- **Crowdsourcing at a brainstorm level**

One of the biggest challenges faced by a business is to gather the target audience. Crowdfunding campaigns engage the crowd and receive their opinions, comments, and feedback.

- **It introduces prospective loyal customers**

The feedback received through crowdfunding campaigns is very important as it covers many aspects of your business that were unknown before. In the long run, your potential buyers contribute to success. They care about the venture’s brand and

message and spread the initial word without asking for anything in return.

- **It's easier than traditional applications**

Entrepreneurs think that outside their network they can only pursue money applying traditionally to accredited investors, banks, or venture capitalists. Crowdfunding makes it easy to collect the investors requiring only a platform that is best suitable to share the core message of one's business, making a video, and offering some attractive rewards.

- **Gaining Popularity**

Crowdfunding attracts investments from traditional channels and attention from the media if you have successfully established the business with its help. Your investors will also be able to share your projects with their networks collecting the right people to work for it.

- **Opportunity of pre-selling**

Launching a crowdfunding campaign gives an entrepreneur the chance to pre-sell their product or concept that is new to the market. It is a good way to get user reactions to analyze whether they are interested before launching the product into the market

Crowdfunding charges you no fees and all the funds are returned to each contributor. If the fundraising is successful, everyone gets a chance to work for the project and in this case, platforms receive around 5% of the total funds raised.