

**Crowdfunding as a competitor to the traditional financing system -  
AltFin (CF) with reference to the global and Algerian market**  
**التمويل الجماعي كمنافس لنظام التمويل التقليدي – واقع التمويل البديل AltFin  
(CF) مع الإشارة إلى السوق العالمي والجزائري**

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**Abstract:**

Startups, in the stages of their life cycle, face several challenges, the most important of which is the problem of financing. Where crowdfunding platforms are part of the Fintech phenomenon due to the financial nature of their activity. Fintech refers to startups that provide financial services based on new technologies. These new services compete with the traditional banking sectors, where Algerian crowdfunding, as in other countries, plans to provide credit without going through banks but using platforms where borrowers looking for a loan get loans from investors willing to grow their capital other than banks. Therefore, this study aimed to shed light on the reality of one of the modern topics in the field of finance in the world, with reference to Algeria.

**Keywords:** Crowdfunding platforms; Crowdfunding; SMEs; Startups; Traditional funding.

**JEL Classification Codes:** B26, F30, F65

**ملخص:**

تواجه الشركات الناشئة في مراحل حياتها عدة تحديات ، أهمها مشكلة التمويل. حيث تعد منصات التمويل الجماعي جزءًا من ظاهرة *Fintech* نظرًا للطبيعة المالية لنشاطها. إذ يشير مصطلح *Fintech* إلى الشركات الناشئة التي تقدم خدمات مالية قائمة على التقنيات الجديدة. تتنافس هذه الخدمات الجديدة مع القطاعات المصرفية التقليدية ، حيث يخطط التمويل الجماعي الجزائري ، كما هو الحال في البلدان الأخرى ، لتوفير الائتمان دون المرور عبر البنوك ولكن باستخدام منصات أين يحصل

المقترضون الذين يبحثون عن قرض على قروض من المستثمرين الراغبين في تنمية رؤوس أموالهم بخلاف البنوك. لذلك هدفت هذه الدراسة إلى إلقاء الضوء على واقع أحد الموضوعات الحديثة في مجال التمويل في العالم ، مع الإشارة إلى الجزائر. **كلمات مفتاحية:** منصات التمويل الجماعي، التمويل الجماعي، الشركات الصغيرة والمتوسطة ، الشركات الناشئة، التمويل التقليدي.

تصنيفات JEL: B26 ، F30 ، F65

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## **1. INTRODUCTION**

A World Bank report indicates that crowdfunding could be a way for emerging countries to foster local entrepreneurship by avoiding the cumbersome and complex nature of traditional financing methods: "Developing economies have the potential to stimulate growth by employing crowdfunding to leapfrog traditional capital market structures and financial regulatory regimes... (...) Together they have the ability to deploy up to US\$96 billion per year by 2025 in crowdfunding investments crowdfunding." Crowdfunding could therefore become a factor major growth driver in emerging countries. Crowdfunding could turn things upside down completely in financial services around the world. and Algeria is not an exemption in that. The first Algerian crowdfunding entities in Algeria have emerged and we should expect significant success in a country where there is no shortage of start-ups and ideas but where the main obstacle remains project financing. This leads us to pose the following problem

### **How Crowdfunding Can Compete With Conventional Funding?**

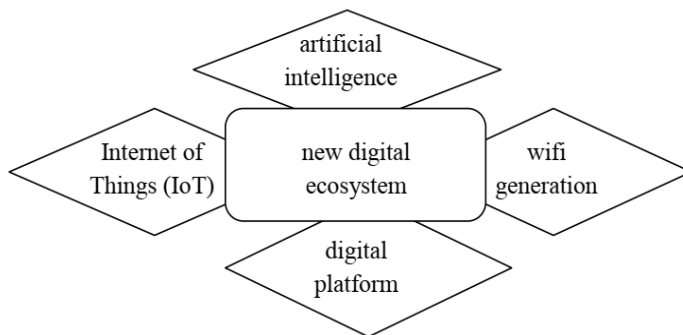
## **2. Theoretical framework**

### **2.1 The emergence of the digital ecosystem**

Initially, intelligent machines were programmed for the simple purpose of calculating and performing specific tasks; today, they can go so far as to use deep learning, a set of algorithms allowing data to be modeled with a high level of abstraction. As revealed in a BBC News article, a computer algorithm has been elected to the board of directors of Deep

Knowledge Ventures, a Hong Kong company: it is a robot that has voting rights on the board and provides a series of statistics on topics discussed by other members. In January 2016, Microsoft, Google, and Facebook all made their deep learning tools "open source", arguing that the move would allow artificial intelligence to develop much faster. Several private banking institutions are already using IBM's Watson artificial intelligence to predict the stock market. In the FinTech arena, artificial intelligence (AI) is already beginning to have a major impact on investments and consultant behaviors. In some cases, the AI itself acts as a consultant and interacts directly with the user, without the need for a human interface. The advent of the Internet of Things (IoT) has also caused a profound upheaval in the digital platform sector: "Innovations in IoT, which has its roots at MIT, are driving remarkable new technologies and enhancing existing platforms in almost every major industry» The environment that arises, therefore, constitutes nothing less than a new "digital ecosystem" resulting from the symbiosis of artificial intelligence and digital platforms and reinventing the rules of the game from top to bottom (see Figure 1).

**Fig.1.** Ingredients of a new digital ecosystem

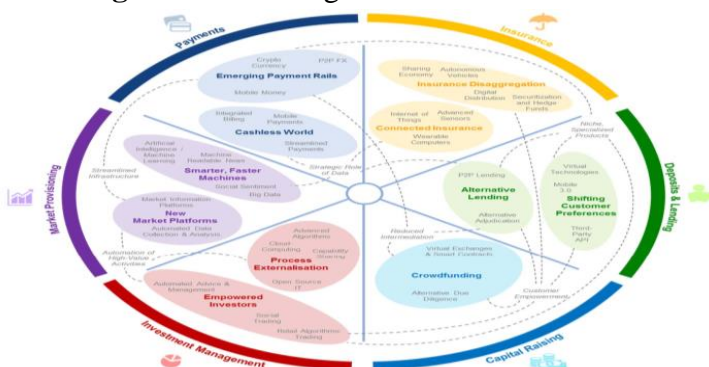


**Source:** Richard-Marc LACASSE, Berthe LAMBERT, Le financement participatif (crowdfunding) – Outil de développement local, Projet financé par le CEUDO, 31/10/2017, p 3

In the aftermath of this digital tsunami, geographical limitations become less and less significant; the information is transmitted in real-time; consumer habits are changing (millennials in particular). It follows that business models, in all industries, must be completely redesigned. For example, fax has been completely replaced by email; the music industry must come to terms with iTunes rules; Blockbuster was supplanted by Netflix; Kodak, by IPhoto; booksellers everywhere have to face the giant that Amazon has become. A research report from the World Economic Forum in Davos, in

collaboration with Deloitte (one of the Big Four), focusing on the future of financial services, has mapped out a taxonomy of disruptive innovation within them. The research team divided the ecosystem into six major niches: Payments, market provisioning, Wealth management (wealthtech), Insurance (insurtech), Savings and loans, and Funding.

**Fig.2.** Niches of digital financial solutions



**Source:** R. Jesse McWaters, World Economic Forum’s Final Report, The Future of Financial Services, June 2015, p 12.

Within these six niches, the authors identify eleven areas of disruptive innovation promoting the reinvention of traditional business models. In Figure2, crowdlending is in the Savings & Loans niche, while crowdfunding is in the Financing niche. According to the World Economic Forum in Davos, thousands of new entrepreneurs are disrupting the traditional financial services sector.

According to EY (Ernst & Young, one of the “Big Four”) studied the most advanced countries in the world in terms of FinTech; the risk of disruption to traditional institutions is greater than ever: “FinTechs are entering the landscape of traditional financial services and their products and services are gaining traction. For traditional service businesses, including banks, insurers, and wealth and asset management companies, the risk of disruption is real. ». However, there is also marked denial from some bankers. (Richard-Marc & Berthe, 2017, pp. 2-4)

## **2.2 definition of crowdfunding**

According to the authors Lambert and Schwienbacher (2010), it is an open call, essentially via the Internet, in order to obtain funding either in the form of a donation, in exchange for a reward, or in exchange for voting rights in order to contribute to the development of the initiative for specific projects. Burton al. (2015) argue that crowdfunding originates from the

broader concept of crowdsourcing. This uses the crowd to get ideas, feedback, and solutions in order to develop business within the company. Crowdfunding, on the other hand, uses the crowd to obtain funding via platforms. According to Lermeister (2012) crowdfunding is a phenomenon of web 2.0, he affirms that the success factor of this type of initiative is due to the digitalization of society with a growing presence of the Internet. (Rouxhet, 2016-2017, p. 15)

### **2.2.1 The origins of crowdfunding**

even if crowdfunding has become more democratic with the arrival Internet, the principle of appealing to the “crowd” has existed for a long time, via calls for contributions. We can cite the example of the construction of the Sagrada Familia, the work of Antoni Gaudí, in Barcelona, which was financed from the 19th century by alms. Donations from visitors continue to finance it to this day. Another emblematic example is that of the financing of the Statue of Liberty. In 1875, to raise the funds necessary to complete the construction of the work, the founder of the New York World, Joseph Pulitzer, launched a fundraiser which raised \$100,000 from 125,000 Americans. In return, the names of the donors were inscribed on the base of the statue. With the development of the internet, this method has found a new framework that has allowed it to take a new step. The tools offered by the development of the Internet have enabled crowdfunding to take on a new dimension. Indeed, the development and popularization of social networks as well as the improvement and securing of payment systems have created a favorable environment for meeting donors and project leaders seeking funding. From the end of the 1990s, the first fundraising via the Internet began to appear. In 1997 the music group Marillion revolutionized the music industry by financing the production of its album *Anoraknophobia* by mobilizing their fans through the internet. It was really in the mid-2000s that the crowdfunding phenomenon was consolidated. The first crowdfunding platforms as they exist today were created a little later, particularly in the United States, such as MyMajorCompagny in 2007, Indiegogo in 2008 or Kickstarter in 2009. The 2000s and early 2010s were a period of proliferation and specialization of crowdfunding platforms. In 2015, there were 141 crowdfunding platforms according to the site

basededonneesducrowdfunding.fr (Gauthier, 2016, p. 10)

### **2.2.2 The advantages of crowdfunding**

In addition to raising funds, crowdfunding has many advantages .

- Test the interest of the project and feed on the kinetic energy of the crowd:

Crowdfunding allows project leaders to rely directly on the crowd to assess the relevance of their projects: “Would you listen to this music? Would you buy this book? If so, invest in the project. According to the project leaders we interviewed, using a crowdfunding platform is seen as a way to test public interest in their project. They also underline the playful and stimulating nature of this type of financing. Indeed, each of the project leaders sets a financial objective beforehand. Therefore, crossing the "white line" is crucial for everyone: their taste for challenge, combined with the kinetic energy of the community of contributors, contributes to the success of the fundraising.

- Get suggestions from the crowd to improve the project:

The crowd has potential for knowledge and ideas that can be credited to the project. Indeed, the platforms offer contributors an interaction space where they can share their suggestions. The project leader can also choose to directly solicit the opinion of Internet users in order to be informed about their choices. Crowdfunding is part of logic according to which the wisdom, creativity, vote, and direct participation of the public in a project can be solicited. In this sense, it corresponds to the definition and implementation of the strategy of the organization carrying out the project.

- Make yourself known and strengthen your social capital with the crowd:

Fundraising from Internet users is like an accumulation process that can be broken down into three stages. Each of these stages involves different categories of contributors. The creator first mobilizes his immediate circle made up of his family, his friends, and his “fans”, in other words, his initial social capital. The relational networks of this first circle, if they are convinced of the interest in the project, form the second category of contributors. Finally, strangers constitute the third category.

- Extricate yourself from traditional financing and distribution

circuits... to sometimes return to them better:

Artists are often at the mercy of music labels or film studios in deciding which projects merit financial investment. This system would not only be undemocratic but also ineffective. The use of crowdfunding platforms would then allow creators to free themselves from the grip of major labels and deploy their creativity accordingly. The platforms also make it possible to get out of the usual distribution circuit by offering creators the possibility of selling their creations online. This formula is interesting in three respects. First of all, it provides access to a distribution circuit, which is not always easy. Then, it responds to the desire of certain creators not to succumb to the diktat of classic circuits. Finally, it allows you to go through a short circuit where the creator's margin is often more comfortable, which turns out to be more advantageous financially. Ultimately, by demonstrating that the project has been able to attract many investors, the project leader gains credibility with traditional financiers. If the latter did not wish to finance it at the start of its project, they will be more willing to support it in financing its growth. On the other hand, in the event of failure of his crowdfunding campaign, the creator may fear that his image will be damaged. (Stéphane & Sophie, 2013, pp. 59-60)

### **2.2.3 The Limits and Risks of Crowdfunding**

While crowdfunding appears to be a model with many advantages, our research also highlights several disadvantages that may hinder its development.

- Lack of awareness and distrust of crowdfunding:

Crowdfunding is still young and many creators are unaware of how it works. At the same time, many potential supporters are unaware of the existence of platforms or the way to bring their support. One of our interlocutors explained to us that the mere fact of paying online could have aroused apprehension of part of its target.

Education and training play a central role in the implementation of crowdfunding<sup>11</sup>. It, therefore, seems essential to provide entrepreneurs with information on how to make a successful campaign. Contributors also need to benefit from better insight into the challenges of their investment in a project. It is in this spirit that the Canada Media Fund created in 2013 a site

dedicated to crowdfunding. This site presents itself as “an online resource exploring the potential of crowdfunding in the media content production and distribution industries<sup>12</sup>”. In the same vein, in France, the Autorité des Marchés Financiers published in 2013 a crowdfunding guide intended for platforms and project leaders.

- The risk of fraud:

The risk of fraud is arguably one of the trickiest issues in crowdfunding. Thus, supporters may be afraid to invest in what could turn out to be a scam. Crowdfunding increases the risk of fraud because contributors do not always benefit from personal contact with the project leader. In addition, their knowledge of the project is limited to what the project leader has wanted to communicate on the platform.

While they remain the exception, examples of crowdfunding scams tarnish the image of the platforms that host them. In June 2013, for example, it was thanks to the sagacity of a group reporting on Kickstarter that a fraud could be ruled out. Indeed, a fake project, named Kobe Red, almost collected the \$120,000 entrusted by 3,252 donors.

Therefore, the prevention and detection of fraud are of paramount importance to the preservation, integrity, and development of the crowdfunding industry. Two main factors help detect and thwart fraud:

- The use of social media: potential supporters can conduct research on entrepreneurs and their projects before deciding to invest.
- The implementation by the platforms of detection mechanisms: these mechanisms constitute, in a competitive environment, a means of standing out.

- Needs in time, money, skills and support:

Managing a crowdfunding campaign requires a major investment on the part of the project leader. Developing the communication plan, interacting with supporters, updating project information, etc., are all costly and time-consuming actions. Depending on the sums requested and then collected, some project leaders legitimately wonder about the cost-benefit ratio of their approach.

A fortiori, many project leaders do not have the skills required to conduct a crowdfunding campaign and are forced to call on additional



resources that can be expensive. One of the project leaders interviewed explains that he has requested the services of a communication officer to carry out his campaign. In addition, several project leaders deplore limited support from their interlocutors on the platforms.

- The risk of plagiarism of the project:

Crowdfunding platforms raise issues related to the management of intellectual property rights. This is to protect the rights of creators before the official production of their creations, but also to ensure that the projects presented on the platform do not violate the basic rules of intellectual property. Thus, one of the pioneers of 3D printing, the American company 3D Systems, decided to file a lawsuit for infringement of the patent of the startup Formlabs, which requested funding on the Kickstarter15 platform. The complaint alleges that Formlabs infringed on a printing patent held by 3D Systems. In October 2012, 2,068 Internet users managed to raise \$2.9 million. Kickstarter received 5% of the proceeds, and 3D Systems deemed the platform complicit in the alleged patent infringement, and therefore also filed a complaint against it. (Stéphane & Sophie, 2013, pp. 60-62)

### **2.3 Main types of crowdfunding**

While there are four types of crowdfunding, each receives money from interested donors. Here's a breakdown of each one:

**Table 1.** types of crowdfunding

<b>financing model</b>	<b>mechanism of work</b>	<b>Funded Domains</b>
Rewards	Through which money is collected in the form of a contribution in exchange for rewards and gifts, after the success of the project financing process, the project owner provides a set of rewards to the donors, i.e. financiers	Art and music, design, technology, social institutions
Donation	Funds are collected by giving a person (the institution) cash without waiting for anything in return, usually, the	Charity and philanthropy, education and research, social institutions

	financiers in this case are the associations where the donors have a social incentive	
Debt	Loans granted to accepted project owners have some characteristics that distinguish them from traditional loans, so that project owners do not start paying off unless the projects begin to achieve sufficient revenues and profits.	Construction, real estate, investments in production, agriculture and services
Equity	The financiers receive compensation in the form of a share of the capital in the project, on a pro-rata basis in the form of ordinary shares	Technology, finance, internet, e-commerce

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**Source:** Abedi Lamiya. Maizza Massoud Amir, Crowdfunding is a new tool in Algeria for financing entrepreneurial projects (presenting some experiences of financing emerging institutions through successful crowdfunding globally with reference to the Algeria model)(written in arabic) , Journal of Excellence for Economics and Management Research, Volume 5, Numéro 2, p. 127

## **2. 4 The four main principles of crowdfunding**

. Transparency and trust: Via crowdfunding, the investor will be able to directly choose the destination of his money. Thanks to the internet, interaction emerges between the investor and the fundraiser. This interaction will, in many cases, form a community because the investor is kept regularly informed of the progress of the project, he can give his opinion, and make it evolve...

.Link Building: When the investor participates in a crowdfunding campaign, links are forged with the fundraiser but also with other investors. According to Rifikin (2014), this phenomenon is part of the collaborative economy and, more specifically, of the consumer's desire to become "consom'actors", he wants to be responsible for his investments.

. Collaboration and shared knowledge: According to Schwienbacher and Larralde (2012), interaction, communication and the exchange of skills

are essential in a crowdfunding process. For example, for high-risk projects, crowdfunding allows everyone to form their own opinion and decide whether or not to invest. According to Cialdini (1984), if the project achieves the desired funding, it is “social proof” that people have an interest. " Social proof" refers to this tendency to believe that if most people believe in something or act in a certain way, it is better to comply with it under the idea that so many people cannot all be wrong »

. Reduction of entrepreneurial uncertainty: Crowdfunding reduces entrepreneurial uncertainty because the investor will pre-order a product during the campaign. The entrepreneur can therefore ensure that his project is of interest and adapt his strategy according to the feedback he receives from the investors .(Rouxhet, 2016-2017, p. 16)

**2. 5 Structure and Process in Bank Financing versus AltFin (CF)**

Crowdfunding is considered an attractive method of financing and is praised for its quick and flexible operations, as opposed to cumbersome banking operations. In fact, there seems to be a more natural "compatibility" between the nature and personality of the online platform and its alignment with the startup culture of SMEs. This adjustment is arguably less pronounced in the case of banks. Elaborating on these relevant issues, the research findings point to clear differences between the structure, systems, processes, and culture of small startups and those of their banking counterparts. These differences are shown in more detail in the Figure below which shows how these differences play out in the context of conventional and alternative financing models.

**Table 2.** Comparing characteristics of Crowdfunding and Relationship Banking

<b>Traditional Bank Finance Characteristics</b>	<b>Finance through CF Characteristics</b>
• Formal and sequential in process	• Informal and organic in process
• Few decision makers/slow and deliberate	• Many decision makers (the Crowd)
• Higher loan amount	• Lower loan amount
• Admin/paper heavy	• Admin/paper light
• Predictive model	• Effectual model
• Rational over emotional	• Emotional over rational

**Source:** Mark Durkin, The SME – Bank Relationship: Exploring the Impact of Crowdfunding at Start-up, A research study by Ulster University Business School, Kent Business School and the London Institute of Banking and Finance, Autumn 2016,p26.

Emerging SMEs that are largely network-based have inherent openness and flexibility focused on opportunities and are also present in the virtual network of crowdfunding platforms but do not differentiate banking. The ability to connect quickly, present a business case for financing and take advantage of faster decision-making processes that are often driven by emotion are all attractive characteristics of an SME. The minimal paperwork related to bank approval processes provides additional advantages within the crowdfunding model, particularly in trying to secure smaller loan amounts at a startup. (Mark, 2016, p. 26)

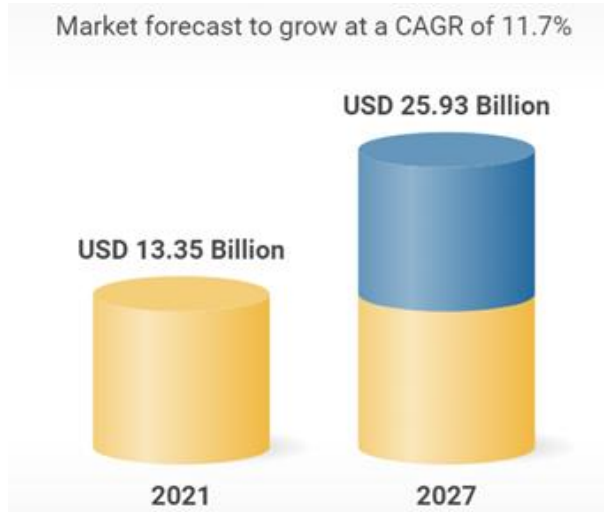
### **3. The global and Algerian market**

#### **3.1 Crowdfunding Platform: Market Overview**

Let's know some of the significant stats on the global crowdfunding market. It is challenging to estimate the overall size of the crowdfunding market accurately as it depends on various aspects like the worldwide volume of transactions, equities earned and their unstable value on the market, donations, indirect contributions, etc. (Ultimate Guide To Crowdfunding Platform Development In 2022, 2022).

According to research and markets, The global crowdfunding market size reached US\$13.35 billion in 2021. Looking ahead, it is expected for the market to reach US\$25.93 billion by 2027, with a compound annual growth rate of 11.7% in 2022-2027. Keeping in mind the uncertainties related to COVID-19, we are constantly monitoring and evaluating the direct and indirect impact of the pandemic on various end-use industries. This information is included in the report as a major contributor to the market.

**Fig.3.** The growth of crowdfunding in the world



**Source:** <https://www.researchandmarkets.com/reports/5562496/crowdfunding-market-global-industry-trends>

This growth is due to:

- the credibility of crowdfunding in the financing circuits of the economy;
- a real match between the demands of project promoters and the expectations of savers;
- the diversification of collection mechanisms (private placements, investment funds, etc.) resulted from the hybridization between crowdfunding and asset management. (le crowdfunding accélère encore sa croissance, 2022)

**Table 3.** Main actors in global Crowdfunding Market in 2022

Platforms	Founders	Headquarters	Platform Fee	Model	Successful campaign
Kickstarter	Perry Chen, Yancey Strickler, Charles Adler	Brooklyn, New York	5% of total funds raised	Reward-based	Four Secret Novels by Brandon Sanderson (2022) — \$22 Million; Ongoing.
GoFundMe	Brad Dampousse, Andrew Ballester	Redwood, California	5% of donations, and payment processors take 2.9%	Donation-based	Time’s Up Legal Defense Fund- \$22 million
Indiegogo	Slava Rubin,	San Francisco,	5% of	Reward-	MATE X:

	Danae Ringelmann, Eric Schell	California	total funds raised and 3% to 5% third-party processing fee.	based	Raised almost \$17.6 million
RocketHub	Brian Meece, Jed Cohen, Alon Hillel-Tuch, and Vladimir Vukicevic	New York City	4% of total funds raised and 4% transactio n fee	Donation -based	Clean the World- \$12,034

**Source:** Prepared by researchers based on

<https://www.sparxitsolutions.com/blog/crowdfunding-platform-development-guide/>

-Kickstarter : Kickstarter is a major crowdfunding platform. It is a rewards-based donation platform that has been helping businesses raise funds since April 28, 2009. A platform like Kickstarter is ideal for startups, SMEs, designers, techies, artists, musicians, filmmakers, etc.

According to the official Kickstarter website, they have raised over \$6.5 billion with over 220,083 projects successfully funded so far.

- GoFundMe: Founded on May 10, 2010, GoFundMe is a donation-based crowdfunding platform. It's perfect for charities, startups, service-based causes, artists, designers, and more. Moreover, companies can also take advantage of the platform. Since its inception, GoFundMe has been responsible for generating more than \$5 billion for various projects.

- Indiegogo: Established in January 2008, Indiegogo is a reward-based platform that delivers two kinds of funding.

Fixed funding authorizes you to set a goal for a specific amount of money, and if you do not reach your target, all funds are returned to donors.

Another one is flexible funding; it is when you are searching for any amount of monetary help, all of which you can keep whether you hit your goal or not. It is ideal for small-scale businesses, service-based causes, techies, startups, and service-based causes.

- RocketHub: Launched in January 2012, RocketHub is a global crowdfunding platform for startups. This business crowdfunding platform is ideal for SMEs, scientists, startups, artists, social projects, etc. (Ultimate Guide To Crowdfunding Platform Development In 2022, 2022)

### **3.2 Regulation of investment-based crowdfunding over time**

As its presented in Appendices, some governments have already achieved full regulation while others are still in the process:

In December 2012, Italy became the first country in Europe to introduce regulations for investment-based crowdfunding. Decreto Crescita 2.0 has made it possible for innovative startups and small and medium-sized companies (SMEs) to raise funds by placing securities online. Six months later, in June 2013, the National Stock Exchange (CONSOB), which is responsible for regulating the financial market, began keeping a national registry of investment-based crowdfunding platforms.

The United Kingdom regulated investment-based crowdfunding, both equity and debt, in April 2014 (FCA's Policy Statement PS14/4). The Financial Conduct Authority (FCA) supervises investment-based crowdfunding platforms. Investment-based crowdfunding regulation in France has been supervised by the Autorité des Marchés Financiers (AMF) with the support of the Autorité de Contrôle Prudentiel et de Résolution (ACPR) since September 2014, allowing both equity shares and fixed rate bonds. Platforms must be registered in the Registre unique des Intermédiaires en Assurance, Banque et Finance (ORIAS) as a Conseiller en Investissement Participatifs (CIP). Other European countries have recently adopted similar regulations for investment-based crowdfunding. In April 2015, the Spanish government gave full regulation to investment-based crowdfunding with the Ley de Fomento a la Financiación Empresarial. The Portuguese government adopted an investment-based crowdfunding regulation in August 2015 through the Crowdfunding Law. Regulation was passed in Austria and Switzerland in 2015 and in Finland and the Netherlands in 2016. Belgium and Lithuania are currently discussing introducing a regulation shortly. In the United States, a first regulation of investment-based crowdfunding was set in April 2012 with the JOBS (Jumpstart Our Business Startups) Act. Title III of this Act—Regulation Crowdfunding—was implemented in May 2016, opening the investment-based crowdfunding market in the US. The Canadian regulation framework is built on a province-based structure. The first province to adopt a legal regulation was Saskatchewan in December 2013 through the

General Order 45-925 Saskatchewan Equity Crowdfunding Exemption. A big step forward was made in 2015 when six provinces adopted the regulation through the Start-up Crowdfunding Registration and Prospectus Exemptions document. In China, a draft regulatory framework of equity crowdfunding was provided by the State Assets Commission (SAC) in 2015. In Japan, the 2014 Financial Instruments and Exchange Act was approved in May 2015, allowing equity securities to be traded on investment-based crowdfunding portals. South Korea's Financial Investment Services and Capital Markets Act, which went into effect in January 2016, regulates both equity and debt crowdfunding. New Zealand adopted a regulation tailored for investment-based crowdfunding when the Reform of the Financial Market Conduct Regulation was issued in March 2014. In Australia, investment-based crowdfunding has been operating for professional investors since 2007. Recent developments occurred in March 2016 when the government introduced the Crowd-Sourced Equity Funding regulation to the Corporation Act, making the trade of full-paid ordinary shares possible through crowdfunding platforms for retail investors. (Alice & Silvio, 2017, p. 04)

### **3.3 Crowdfunding in Algeria**

The status of participatory investment adviser (CIP) is instituted in the 2020 supplementary finance bill, under article 45. This status is conferred on commercial companies created and dedicated exclusively to this activity, on intermediaries in Stock Exchange (IOB) as well as investment fund management companies (SGFI). Algeria is in the lead when it comes to Crowdfunding in Africa, according to the minister delegate in charge of startups. (Le Crowdfunding : catalyseur de l'entrepreneuriat en Algérie ?, 2021) The practice of this activity is very modest in Algeria, and in the following we will refer to some reality of local crowdfunding:

Twiiiza: Where the first digital platform was co-founded in July 2013 by Karim Mansoura and Nadir Allam, Twiza.com, appeared to support the ideas of young people who carry new and innovative projects on the one hand, and on the public (individuals, associations, businessmen) on the other,

The term twiiiza was chosen to take up the term which was widely used at a



certain time in Algeria. “This strong term alone represents the spirit and values of our grandparents: mutual aid, solidarity, humanism, and courage. It continues to be used in some areas. and according to Karim Mansoura, the co-founders wanted to give it an international and broader dimension (“twiiza” 2.0)”, explains the co-founder of the platform in question. (lancement de la première plateforme de «crowdfunding», 2013)

but this platform stopped due to the lack of a legislative and regulatory framework for the crowdfunding method, such as the delay in implementing the crowdfunding method. Electronic payment system. (Bourouba, 2017/2018, p. 146)

- Ckriky: In September 2014, a group of young people launched a digital platform called "Ckriky" which means partnership or company. (Bourouba, 2017/2018, p. 146)

- Ninvesti: A new site has been launched on the Algerian web. Called Ninvesti, a Start-up created in 2019 in the midst of a global health crisis caused by the COVID-19 pandemic. aims to be a modern crowdfunding platform.

Launched by the entrepreneurs Nazim SINI, Faouzi LAYACHI, Karim CHAIB, the site aims to be a platform connecting project leaders and people wishing to finance them. Intended in particular for Algerians residing abroad, Ninvesti remains open to all contributors. (ECONOMIE NUMÉRIQUE Lancement de la plateforme de crowdfunding Ninvesti, 2020)

### **3.3.1 reasons for the Algerian economy to adopt crowdfunding**

- Crowdfunding is a new economic concept so there is no catching up for Algeria The Algerian economy has only recently, and very timidly, opened up to the market economy.

- After 60 years of dirigisme and socialism, it is very difficult for a country to catch up in terms of freedom of enterprise and the fluidity of the economic fabric.

- Algeria can use crowdfunding as an innovative economic tool to be explored and provided with an intelligent legal environment with the objective (in about ten years) of making Algeria a world leader in participatory finance.

- Crowdfunding would contribute, little by little, to ridding the Algerian economy of the tutelage of the State Almost half of the employees in Algeria are civil servants.

- a modern State is an inspiration but the State cannot be everywhere and the proof is the failure of the Algerian State to energize the economic activity of Algeria. (Pourquoi l'économie algérienne devrait adopter vite le crowdfunding, 2015)

#### **4. CONCLUSION**

This sharing economy promotes human values that help build a cooperative economy away from banking and stock market speculation. Given its global success, it is entirely legitimate to believe that crowdfunding has a bright future ahead in the world, as well as in Algeria. The development of crowdfunding will certainly have an economic impact in a country like Algeria where there is a huge pool of projects and the main obstacle to their realization is funding. Faced with this difficulty, crowdfunding is a solid alternative for entrepreneurs looking for funds. It will boost entrepreneurship and the entrepreneurial spirit. And this, is by encouraging young entrepreneurs to realize their projects. These will give birth to new companies, mainly SMEs, and we all know that this category of a company is the main source of job creation, a source of dynamism, innovation, and responsiveness as well.

Through the foregoing, the recommendations that can be presented are:

- the need to strengthen electronic payment to boost crowdfunding in Algeria.

- Building a high-tech infrastructure spread across the country that can accommodate the trend towards crowdfunding for start-ups

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## 6. Appendices

### Regulations over time

