Crowdfunding preparation
- A self-assessment tool - potential and success factor in Morocco

KORCHI Mohamed Amine¹
¹Professor researcher
Research team LARGESS,
Faculty of Economic and Social Legal Sciences ELJADIDA,
National road N° 1 El haouziya, PO Box n° 356
24000 El-Jadida, MOROCCO,
¹Korchi.m@ucd.ac.ma
Korchi.amine@gmail.com

Abstract:
This article includes a high-level self-assessment tool that can help assess a country's readiness for crowdfunding. It is a possible tool for assessing the cultural perception of individuals about the key factors identified as important for the applicability of crowdfunding within a culture or country. This tool is currently in the validation phase and will be updated as data becomes available. While individuals can complete the self-assessment to assess their own perceptions, it is suggested that more than 20 participants / market participants, including policy makers, NGOs, investors and entrepreneurs, complete the self-assessment. to get a wider range of opinions.

Keywords: crowdfunding, highlights, Weaknesses, Constraints and threats, opportunities.
Introduction:

This article aims to promote the mobilization of investments of the Moroccan ethnicity in the field of innovative entrepreneurship to serve the sustainable and inclusive development of their territories of origin through crowdfunding or "solidarity financing".

The objective of this article is broken down into several complementary points:
- Analysis of the evolution of crowdfunding and its institutional framework in Morocco.
- Identification of obstacles and opportunities for developing crowdfunding:
- Case study of projects in the field of the social and solidarity economy in connection with crowdfunding.

The expected results will be presented in the form of an opportunity and feasibility study on the implementation of crowdfunding in Morocco and its potential in terms of mobilizing ethnic funding.

• Research methodology:

As already presented in the introduction on the methodology of prospective research we will demonstrate how to use it for a field study.

A prospective study aims at defining the different possible evolutions of a given system (which could be an institution, a phenomenon, a particular domain, etc.) starting from a present state. It is natural then to define three moments (the chronological order will be discussed later) for the study:
- The present.
- The future.
- Paths from the Present to the Future.

The study of the present is important to know the initial situation and to define the actions to be undertaken in order to reach the possible future. This study is also very important in determining the elements of the dynamics that could shape the future.

It is also important to study the present to grasp what is essential that justifies the exploration of the future. Because, even if the prospective offers the possibility of embracing several problems at once, there will always be a problem to privilege. The study of the present implies that one seeks to know what are the stakes, the challenges, the opportunities, etc. facing the system or phenomenon studied. It is also necessary to be able to have the elements of dynamics, of the motricity of the system. To better understand the present, we must identify the factors that are important for the future. It is also necessary to know how these factors will play on each other and in which directions. Of course, one can get help from specialists on the subject. However, it is often necessary to use the past of the system to know its dynamics and to learn
lessons about the future. In this way, we add to the three preceding moments a dimension of retrospective study.

In addition to the elements of internal dynamics, the analysis of the present should take into account the system environment that could influence its future. It is thus a set of factors of changes and parameters that should not only be identified but also in determining the possible evolution and the interactions. It is only from here that one can make visions about the future of the whole system or phenomenon and that scenarios can be defined. Once the scenarios are well identified, they should be evaluated and a strategy defined that achieves what is desirable and avoids what is undesirable. We have just added to the previous moments, two other components: evaluation and strategy.

The conduct of a prospective study will then be composed of the following clusters:

- Retrospective.
- Present (study of the issues, internal and external factors of the dynamics of the system)
- Future.
- Evaluation and choice.
- Paths
- Strategy.

The diagram above provides a representation of these different moments of a prospective study.

**Figure 1: Conducting a prospective study**

Source: Developed by the author using a thorough reading of the prospective method

**Instructions**
1. Each question should be scored from 1 to 10, where 1 indicates "the least / least" and 10 the highest / most.

2. Sum the scores of the individual categories and the grand total and calculate the ranking of the state in preparation.

3. Write the scores on the four-quadrant graph model (see Figures 1 and 2).

4. Compare the results with third-party data sources, local market experts and subject matter experts to begin identifying gaps and opportunities to improve the potential success of crowdfunding. This can be particularly useful for developing countries to understand the opportunities and potential avenues for crowdfunding success.

1. Self-Assessment:

We will see in this section the method used, classification and self-evaluation for the case of Morocco.

1.1 Method used

a. Technology: Technology and education are necessary elements.

1. What is the level of Internet penetration and / or mobile smartphones in your country? (1 = low, 10 = high)

2. What is the fastest mobile connectivity speed available in urban areas of your country? (1 = no connectivity, 4 = 2G connectivity, 7 = 3G connectivity, 10 = 4G connectivity)

3. How engaged are the people via social media, including LinkedIn, Facebook, Twitter and other local social networks? (1 = very low usage, 10 = very high usage)

4. What is the average level of education in the country? (1 = less than 4 years, 10 = more than 12 years of study)

5. Are business skills (accounting, marketing, etc.) acquired? (1 = on the job, 10 = in training or training)

6. Does the banking system use and support electronic money transfers, or are there other services enabled for transactions via the Internet or mobile transactions? (1 = not common, 10 = very common)
b. Culture: Is there a culture of entrepreneurship? Is entrepreneurship considered a reputable career path?

7. As a career path, how much do people perceive entrepreneurship in your country? (1 = not very favorably, 10 = very favorably)

8. In your investments, how tolerant are the inhabitants of your country? (1 = people do not take risks with their investments, 10 = people understand risks and include a small portion of high risk investments as part of their investment strategy / portfolio)

9. To what extent do people in your country tolerate the risks of changing jobs? (1 = people do not take risks in their career, 10 = people understand the risks and include job changes in their career development strategy)

10. In general, are actions more motivated by more individualistic goals or group goals? (1 = people act individually, 10 = decisions are based on group dynamics)

11. How would you describe the general level of trust between individuals in society / culture? (1 = building a relationship of trust between individuals takes a lot of time and experience, 10 = trusting relationships are formed quickly)

12. How much do people trust in the companies with which they have relationships? (1 = it is unusual for companies to build a relationship of trust with their customers, 10 = brands / companies can build strong trust relationships)

13. What is the degree of trust between individuals and their government? (1 = low levels of trust, 10 = high levels of trust)

14. In my country, incubators / accelerators actively teach entrepreneurship? (1 = incubators / accelerators are physical spaces without an educational program, 10 = incubators / accelerators are physical spaces with an active training program on how to start and develop a business successfully.

15. In my country, entrepreneurship is encouraged by the government and / or NGOs. (1 = not at all, 10 = a lot)

16. Are people used to buying and selling goods and services online? (1 = buy and sell online is not common, 10 = buy and sell online is very common)
17. To what extent do people use online ranking mechanisms (e.g., button such as comments, star rating, etc.) on websites? (1 = not comfortable with online scoring systems, 10 = very comfortable with online scoring systems)

c. Regulation: Regulation can both allow or discourage entrepreneurship and crowdfunding depending on its structure and scope.

18. What is the level of complexity of the regulation/process involved in starting a business today? (1 = very heavy, 10 = very easy)

19. What is the level of regulation/process/expense related to hiring and firing employees? (1 = very heavy, 10 = very easy)

20. What is the level of regulation for closing or closing a business? (1 = very heavy, 10 = very easy)

21. In assessing financial regulation, to what extent does investor protection take precedence over the ability of firms to raise funds for start-up or growth? (1 = the government focuses primarily on investor protection, 10 = the government focuses primarily on access to corporate capital)

d. Capital: The availability of capital is usually one of the most important missing elements when trying to create a successful entrepreneurial ecosystem.

22. The financing of business creation is mainly provided by (1 = governments/banks, 10 = friends and family)

23. Small business financing is mainly provided by (1 = governments/banks, 10 = friends and family)

24. Banks provide loans to small businesses and start-ups (1 = yes, 10 = no)

25. Angel investors are actively investing in start-ups in my country (1 = no, 10 = yes)

26. Early-stage venture capital funds are actively investing in start-ups and small businesses in my country. (1 = no, 10 = yes)

1.2. Classification of readiness
Add the total number of evaluation points and divide by 26 to determine the overall ranking of the state in preparation:

Table 1: Overall ranking of the state in preparation

<table>
<thead>
<tr>
<th>Rank</th>
<th>Meaning</th>
<th>Countries in this category ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>Not ready for CFI</td>
<td>Miss the key variables required for a robust crowdfunding ecosystem. They need to address key variables starting with technology and then focusing on culture and regulation.</td>
</tr>
<tr>
<td>2-4</td>
<td>Need to address specific issues before being ready for CFI</td>
<td>Some or all of the variables may limit a country's overall ability to succeed. Stakeholders should review the recommendations in each category below to find ways to increase the score.</td>
</tr>
<tr>
<td>4-6</td>
<td>Good opportunity for the success of CFI</td>
<td>There is a good chance that crowdfunding can be successfully implemented. Reward-based crowdfunding should be encouraged as a first step towards investing in crowdfunding.</td>
</tr>
<tr>
<td>6</td>
<td>Well placed for CFI</td>
<td>Once the enabling policy is in place, market players can consider acquiring, building or laying down technology platforms that enable them to deploy a credible crowdfunding ecosystem. The government should engage in crowdfunding of awareness raising, training and organizing crowdfunding events.</td>
</tr>
</tbody>
</table>

Individual category recommendations:

For each section, add the number of points and divide by 6 (for technology), 11 (for culture), 4 (for settlement) and 5 (for capital) to determine the readiness ranking for each category:

a. Technology : (table 2)
### Rank | Meaning | Countries in this category ...
--- | --- | ---
0-2 | Missing any infrastructure | Perhaps first work on the activation / expansion of mobile Internet / web access and promoting the adoption of social media.
2-4 | Need to put more emphasis on infrastructure | Promote education as a way to help citizens understand the benefits of technology and social media.
4-6 | Web / mobile technology is perceived by many citizens as a mechanism for communication, collaboration, etc. | They could start using these tools to create entrepreneurial communities and committed investors, so that the industry begins to grow and connect.
6 | The technology is readily available and used. | Participate in events and use technology and social media to promote crowdfunding and crowdfunding investment as a mechanism to promote entrepreneurship, innovation and jobs.

### b. Culture : (table 3)

| Rank | Meaning | Countries in this category ...
--- | --- | ---
0-2 | The country has a strong risk aversion and has no general understanding of entrepreneurship or risk. | Should focus on building a cultural understanding of these issues through education, demonstrations and marketing.
2-4 | Limited understanding of venture capital and entrepreneurship | Create / find success stories and build programs around them. Build capacity through mentoring and training.
4-6 | Moderately developed entrepreneurial capacity and some investment risk tolerance - may include ethnic investors | Continue training and mentoring programs, launch broader initiatives that involve early successes in active ecosystem building, build external linkages to build capacity.
6 | This country has a deep corporate culture and a certain tolerance for financial risk | This county is ready to invest in crowdfunding as well as in the crowdfunding based on the rewards.
c. Regulation: (table 4)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Meaning</th>
<th>Countries in this category ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>Bureaucracy and regulation dominate the game</td>
<td>The country needs to determine if their regulations impede entrepreneurship.</td>
</tr>
<tr>
<td>2-4</td>
<td>There is a lot of regulation</td>
<td>The government could analyze securities laws to find ways to promote business and capital formation.</td>
</tr>
<tr>
<td>4-6</td>
<td>There is a regulation to encourage investment</td>
<td>Governments should encourage the use of grant-based and benefit-based crowdfunding and promote a crowdfunding investment framework.</td>
</tr>
<tr>
<td>6</td>
<td>The country has a good mix of regulations to promote capital formation while protecting investors</td>
<td>The country is ready to invest in crowdfunding. Governments and the private sector should consider buying, building or white label options for participatory investment platforms.</td>
</tr>
</tbody>
</table>

d. Capital: (table 5)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Meaning</th>
<th>Countries in this category ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>Private capital markets are nonexistent</td>
<td>Governments should consider ways in which private capital markets can foster entrepreneurship and innovation in their territories.</td>
</tr>
<tr>
<td>2-4</td>
<td>Private capital markets exist but are not robust</td>
<td>Governments should ask why private capital markets are not bigger. Is there too much regulation, bureaucracy, costs?</td>
</tr>
<tr>
<td>4-6</td>
<td>Private capital markets are growing</td>
<td>Governments should understand what changes have been made to encourage capital formation in the private sector and continue to promote it.</td>
</tr>
<tr>
<td>6</td>
<td>Capital flows efficiently in private capital markets</td>
<td>The country is ready to invest in crowdfunding. Governments and the private sector should consider buying, building or white label options for participatory investment platforms.</td>
</tr>
</tbody>
</table>
For ease of visualization, using the four-quadrant chart model shown in the following figure, plot the scores for the four categories.

A complete example is presented in the following figure.

For each category, draw one point on each axis in the center.

The following represents a perfect score.

**Figure 2: Self-Assessment Visualization Template**

![Figure 2: Self-Assessment Visualization Template](image)

1.3. Realization of the self-evaluation: case of Morocco

The realization of the self-evaluation required the meeting of several actors and the participation in COP22 Marrakech and Hub Africa in Casablanca.

**Presentation of the actors met:**

- COP22
- HUB AFRICA
- MCMREAM
This figure shows the scores calculated for the case of Morocco (see detail annex). In this case, attention should be paid to the regulation of culture and capital.

2. Internal and External Crowdfunding Review:
In light of the definition of the concept of crowdfunding in all its forms and the reality that it covers the world has allowed us an internal and external examination of crowdfunding.

The analysis is divided into 2 groups:

- **Strengths and weaknesses:** These are the positive and negative factors of internal crowdfunding. These are the attributes of the crowdfunding elements on which the sector can, in theory, act and regulate to achieve change.

- **Strengths / benefits and threats:** These are the positive and negative factors of external crowdfunding. This is the environment in which crowdfunding is taking place, the context on which the sector can theoretically not have any means of action regardless of the decisions taken by the sector.

A brief presentation of the main strengths and weaknesses as well as the opportunities and weaknesses of crowdfunding. In appendix, a table will resume in more detail these different aspects.

### 2.1 Highlights of crowdfunding

Crowdfunding has undeniable strengths for both project promoters and contributors.

Among its main strengths, crowdfunding allows the project leader to raise funds, to publicize and test his project and / or product to a wide audience and to benefit from expertise thanks to feedback about the project. project or product.

It is an alternative or complementary financing tool for porters who find it difficult to raise the funds needed to realize their projects. When the project is overwhelmingly supported, it creates the confidence of investors and financial organizations that are more inclined to support a successful entrepreneur.

The fundraising is faster than in a traditional financing mode and the realization of a crowdfunding campaign is an excellent preparation exercise for the project leader who must convince the public of the potential of his idea, the viability of his project. activity or favorable prospect of profitability that it provides.

With the exception of participatory capital investment, it is a system that allows project owners to maintain control of their project, unlike traditional financing, which exposes them to the acceptance of new investors. prove very restrictive in making strategic decisions.

For contributors, this mechanism makes it possible to engage in a tangible project in contrast to opaque financial investments. It is also an optimal option for pooling risk between investors.
Crowdfunding also helps to develop social ties based on common interests or values. The contributor can also benefit from an original counterpart.

2.2 Weaknesses of crowdfunding

A number of weaknesses inherent in crowdfunding include the lack of protection of contributors to fraudulent projects and the risk of misappropriation of funds collected. Securing payment methods is also a weakness of the system, especially for Morocco.

In the case of equity, the investor places his savings without knowing the entrepreneur and conversely, while it is an operation that commits them to a long-term relationship, not to mention the risk of total or partial loss of capital invested. The entrepreneur is also exposed to a dilution of his shares and therefore to a partial reduction of his decision-making power. It must also manage the new constraints related to information obligations to which companies are subject (right to legal information for shareholders or bondholders.

By presenting his project to the public, the project promoter exposes himself to the risk of the theft of ideas and the non-respect of the intellectual property. For Morocco this mechanism is in its infancy and is therefore not structured in a professional association, which does not allow to have a code of ethics of the sector and the development of a quality-of-service label. The lack of transparency of financial transactions, the uncertain security of payments, the low protection and the lack of investor support are weaknesses and challenges for the crowdfunding sector.

Finally, the use of crowdfunding has a financial cost for the project leader who will often have to pay a commission proportional to the amount of the collection, which represents as much money for his project. The moral damage, as small as it may be, must not be neglected since the entrepreneur is also exposed to the risk of tarnishing his reputation or his credibility in case of total failure of the campaign.

2.3 Constraints and threats of crowdfunding

The main threat or constraint concerns the unfavorable legal and regulatory framework for Crowdfunding in Morocco. Most countries that have experienced a flourishing development of crowdfunding have adopted legislation specific to this new player that makes the link between digital economy and real economy. The exercise of platforms as a financial intermediary fall
under several legal frameworks that deserve adaptations to efficiently regulate this emerging sector.

Start-up companies have a higher risk of failure compared to other companies, and it is for these statistics that banks only finance new businesses very little. As a result, the investment is risky in nature.

2.4 Crowdfunding opportunities

Crowdfunding is a global phenomenon. It has emerged and is developing in a favorable context because we are in an information society where social networks make it possible to connect to the "crowd" to solicit its financing. Beyond financing, a good "exploitation" of the information society makes it possible to evaluate an idea, to have a valuable feedback on the strengths or improvement of a project. The technological development, in particular that of electronic banking combined with a wide coverage of the internet are factors in favor of the development of crowdfunding. The global financial crisis with the excesses that have marked international finance has shed light on the opaque practices of the financial sector. This awareness has allowed the development of sectors, including the social economy and solidarity, which is booming and propose the emergence of a new collaborative economy. As part of this global dynamic, crowdfunding is a real opportunity for this sector. The development of the economy linked to new technologies, with innovative startups is creative faces the lack of funding of the conventional banking sector which considers the risk too high. Crowdfunding can find in the development of this economy of technology a real pool of projects to finance, it is in this sense that it constitutes a real opportunity.

2.5 Launch of a crowdfunding initiative:

Launching a crowdfunding initiative in a developing country requires careful engagement with relevant stakeholders and a process to identify the necessary steps.

A working group could follow a process such as the one described below to launch a crowdfunding initiative:

a. Identification of key stakeholders:

Identify key stakeholders in the country and organize preliminary roundtables focusing on initial capital formation, entrepreneurship, innovation and employment. At these events, the conversation could be built around the IFC as a strategy to fill the financing gap. Promote the technological solution that could enable the country to move beyond other countries and discuss
how it could foster innovation and flexible financing despite current regulatory frameworks. The facilitator may suggest that the group should assume that the IFC is or will be authorized and that it is up to the group to think about how it will be implemented.

This approach could challenge common assumptions about what can and can not be done, and allow participants to think differently.

b. Ecosystem education:

Provide a demonstration of current participatory investment and crowdfunding platforms and ecosystems to understand how they work. Lead a discussion about gaps that may exist between the components of crowdfunding platforms and current ecosystems and what exists in the target country. Identify the country's readiness for CFI and what new capacities, regulations and cultural changes might be needed to create supportive environments.

c. Analysis of the country's crowdfunding potential:

Working with key stakeholders and development organizations, take into account the country's capacity:

- Securities reform and processes.
- Technological capacity.
- Social media engagement.
- Entrepreneurial ecosystem development by creating co-working spaces and incubator crowdfunding spaces as well as education and training programs, and by setting up a peer mentoring system that strengthens collaboration.
- Creation of a supervisory, regulatory and accountability framework for this new capital market.
- Identify the main players in global crowdfunding with technology that can be easily deployed. Preview the key technologies, platforms, and ecosystem players to determine potential paths to follow, for example, to buy, build, or partner with platforms.
- Creating programs to address context-specific ways of cultivating a culture that can support risk, entrepreneurship and honorable failure, and to build strategies to create a path forward.
- Encouraging the creation of a regional crowdfunding association or professional group that would be associated with one of the world's crowdfunding organizations, such as the Professional Crowdfunding Association (CfPA), in order to benefit from shared knowledge.
d. Framework for a pilot program

- Identify two to five business opportunities that would qualify for simple benefit-based debt, or crowdfunding of common stocks. Consider supplying them in partnership with accelerators, Startup Weekends or other programs.

- Carry out due diligence on business opportunities and entrepreneurs to eliminate bad ideas / actors. Target manageable funding goals. For the pilot project, use target amounts of less than US $ 50,000 in local currency.

- Identify crowdfunding platforms based on benefits, debt and equity, which comply with local regulations.

- Launch campaigns on platforms, organizing the process alongside the entrepreneur to identify problems and bottlenecks.

- After the campaign, provide a written description of the events and a summary of the recommendations.

- Provide co-investment opportunities from development organizations and / or other third parties to reward success.

Conclusion:

The meeting of the various actors allowed us to have a global vision on the possibility of integration of crowdfunding in Morocco.

Carrying out a self-evaluation using Table : overall ranking of the state in preparation we have given a scoring that has been schematized Figure 3 : Full visualization of self-evaluation case of Morocco.

According to this observation we can say that Morocco has unfavorable regulations to integrate crowdfunding and a weak culture, access to technology that is favorable since the platform uses social networks against the capital is average with a score of 4.

Bibliographie:

- Doctoral theses, Korchi Mohamed Amine, march 15, 2019, FSJES Kenitra Morocco.