

СЕКЦИЯ «ЭЛЕКТРОННЫЙ БИЗНЕС И ЦИФРОВЫЕ ИННОВАЦИИ»

UDC 336.64

1. NONPROFIT CROWDFUNDING: GLANCE FROM SIERRA LEONE

Kallon F.H.¹, student gr. 173911

*Belarusian State University of Informatics and Radioelectronics¹,
Minsk, Republic of Belarus*

Knyazkova V.S. – PhD in Economics

Annotation. The main approaches to the definition of the concept of crowdfunding are considered, the main features of crowdfunding for nonprofit organisations (NPOs) are analyzed. The study of world statistics led to the conclusion that crowdfunding in the world is most developed in North America, and the least developed in Africa. It is proved that African countries, Sierra Leone in particular, have great potential for the development of all types of crowdfunding, including crowdfunding for nonprofit organisations. Examples of crowdfunding for NPOs in Sierra Leone are shown.

Keywords. Crowdfunding, nonprofit crowdfunding, digitalization.

Crowdfunding is a relatively new phenomenon that has gained popularity in the recent past. It involves funding projects, businesses, or initiatives through small amounts of money from a large group of people. The commonly accepted definition of crowdfunding is the raising of capital from a large and diverse pool of donors via online platforms. Crowdfunding is used by various organizations, including nonprofit organisations (NPOs), to raise funds for various projects [1].

There are several types of crowdfunding that NPOs can use to raise funds for their projects. These include:

- donation-based crowdfunding. This is the most common type of crowdfunding for NPOs. It involves individuals or organizations donating money to a cause or project. In return, donors may receive a thank you note, a certificate, or other forms of recognition. The donations are usually made through online platforms such as GoFundMe, Kickstarter, or Crowdfunder;

- reward-based crowdfunding. This type of crowdfunding involves individuals or organizations donating money to a cause or project in exchange for a reward or product. The reward could be a product or service related to the project, such as a T-shirt or a ticket to an event. Reward-based crowdfunding is common among creative projects such as music albums or films;

- equity-based crowdfunding. Equity-based crowdfunding involves individuals or organizations investing money in a project or business in exchange for equity or ownership. The investors receive a share of the profits or equity in the project or business. This type of crowdfunding is common among startups or businesses that need funding to grow;

- debt-based crowdfunding. Debt-based crowdfunding involves individuals or organizations lending money to a project or business in exchange for a return on investment. The borrower pays back the loan with interest. This type of crowdfunding is common among small businesses or entrepreneurs that need funding to start or expand their businesses.

Features of crowdfunding for NPOs. Crowdfunding has several features that make it an attractive fundraising method for NPOs. These include:

- wide reach: crowdfunding allows NPOs to reach a wider audience beyond their local community. They can use social media platforms, email, and other online channels to promote their projects and reach donors from different parts of the world;

- cost-effective: crowdfunding is a cost-effective way of fundraising for NPOs. They can use online platforms to create and promote their projects without incurring the costs associated with traditional fundraising methods such as printing flyers or organizing fundraising events;

- transparency: crowdfunding promotes transparency as NPOs are required to provide regular updates to their donors about the progress of their projects. This helps to build trust with donors and fosters long-term relationships;

- engagement: crowdfunding allows NPOs to engage with their donors on a personal level. They can communicate with donors, respond to their questions and concerns, and provide them with regular updates on their projects;

- flexibility: crowdfunding provides NPOs with flexibility in terms of the amount of funding they need to raise and the timeframe for their projects. They can set fundraising targets and deadlines that are achievable and realistic.

There is an interesting fundraising statistics:

- 31% of worldwide donors give to organizations located outside of their country of residence;

- 67% of worldwide donors also choose to volunteer locally in their communities, and 56% regularly attend fundraising events;
- female donors are more likely to make a donation because of social media marketing, while male donors are more likely to give because of email messages;
- generational differences between donors can have considerable impacts, as well, as evidenced in the findings to the right [2].

According to Donorbox [3], today the most popular crowdfunding platforms for non-profit fundraising are: Donorbox, Fundly, Classy, CauseVox, Donately, Chuffed, Salsalabs, GoFundMe Charity.

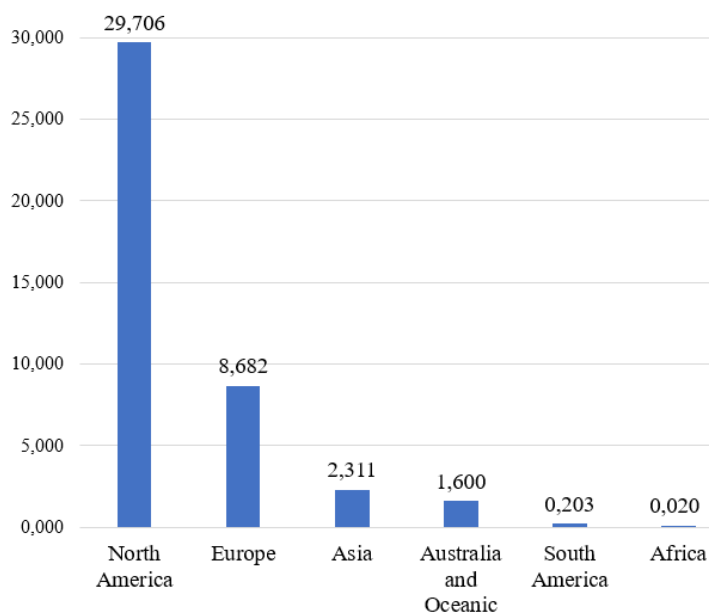
Examples of Crowdfunding for NPOs in the World:

1) UNICEF: UNICEF is a global non-government and non-profit organisation that provides humanitarian aid and assistance to children around the world. UNICEF has used crowdfunding to raise funds for various projects, including providing clean water and sanitation, education, and healthcare to children in developing countries. UNICEF has partnered with crowdfunding platforms such as Indiegogo, Crowdrise, and Omaze to raise funds for their projects.

2) Oxfam: Oxfam is an international confederation of NGOs that work to alleviate poverty and injustice around the world. Oxfam has used crowdfunding to raise funds for various projects, including providing emergency relief, supporting women's rights, and promoting sustainable development. Oxfam has partnered with crowdfunding platforms such as Crowdfunder, GlobalGiving, and Fundly to raise funds for their projects.

3) Save the Children: Save the Children is a global NGO that provides education, healthcare, and protection to children in need around the world. Save the Children has used crowdfunding to raise funds for various projects, including providing emergency relief, supporting child refugees, and promoting child rights. Save the Children has partnered with crowdfunding platforms such as Crowdfunder, Indiegogo, and DonorsChoose to raise funds for their projects.

The most popular crowdfunding is in North America – in 2020 North American crowdfunding revenue reached \$17,2 bln. The results of author's investigation based on statistics from Fundly [4] and World Bank is shown on the picture 1 that depicts crowdfunding revenue per mln people by region.



Picture 1 – Crowdfunding revenue per mln people by region

One can easily see that crowdfunding potential is underestimated in Africa – it is somewhat lagging other regions and is still at its infancy. Despite the relatively slow adoption of crowdfunding in Africa, it is often regarded as a mechanism with great potential for increasing access to finance for entrepreneurs in developing economies in general and Africa in particular. According to Cambridge Centre for Alternative Finance (CCAF), as of 2016 the African crowdfunding market was worth \$182 million. Nigeria, South Africa and Kenya were the three leading markets identified in the CCAF report. Forecasts now show that crowdfunding in sub-Saharan Africa could potentially reach \$2.5 billion by 2025. Yet the continent's underdeveloped but rapidly growing market represents just 0.1 per cent of the global market [5].

Although Africa represents the smallest region in the world in terms of volume of crowdfunding campaigns, it shows one of the biggest potential for crowdfunding growth. This potential is based on Africa's great results in terms of digital finance and mobile money adoption, the relatively low penetration of traditional financial institutions, and the cultural alignment of crowdfunding with traditional funding methods.

Evidence shows that digital financial solutions increase access and affordability for consumers, especially those who are unbanked and underbanked, while significantly reducing the cost of such services and allowing the people who have difficult financial situation to be serviced in a more profitable way. In addition, mobile money has become an important component of the financial services landscape in Africa, with more than 140 mobile money companies serving one in 10 African adults.

Today the most popular crowdfunding platforms in Africa are Crowdsifts, GiveSendGo, Patreon, EquityNet, RealtyMogul, NationBuilder, fundstakPRO, Vurke, Mightycause..These platforms support projects from Sierra Leone too.

Examples of Crowdfunding for NPOs in Sierra Leone. Sierra Leone is a West African country that has been affected by civil war, Ebola virus, and poverty. Despite these factors Sierra Leone tries to provide digitalization. There are several factors requiring attention to accelerate digitalization in this country. These factors range from relatively higher cost of the internet, low quality of service, legal and regulatory challenges, low private sector participation, lack of adequate IT skills, and lack of supportive infrastructure gaps. Notwithstanding some challenges, adoption of digitalization has picked-up in government operations, providing a solid platform for efficient, transparent and effective management and improved service delivery in priority sectors such as health, education and agriculture. A wider adoption of Digital Financial Services (DFS) could increase the ease and speed of payments as well as enhancing financial inclusion in Sierra Leone. Internet penetration increased to about 30 percent of total population. The latest data shows Sierra Leone's continued expansion in the number of internet users (2.4 million persons in 2021), the number of persons using social media platforms (850,000 people), and the number of mobile connections (100 percent of the population) and increasing number of secure internet servers per one million persons. The adoption rates of digital financial services is estimated at 30 percent of adult population. Sierra Leone has one of the fastest growing technology adoption trends in DFS, expanding from about 9 percent of adults using a DFS account in 2017 to about 30 percent in 2019. While Sierra Leone has made great strides with its digitalization strategy, several barriers limit the pace of progress. Coverage is limited, with 15 percent of the population having no mobile phone signal. Affordability and quality of service remains relatively poor. Although 60 percent of the country has at least a 3G network coverage, only 20 percent have active mobile broadband subscriptions. One GB of internet data costs US\$3.26 in 2021, which ranks Sierra Leone 152nd out of 230 countries for cost of mobile data. In addition, network quality is relatively weak, with Sierra Leone ranking 168 out of 173 countries for quality and speed [6]. All these factors create some difficulties for crowdfunding. But there is a great potential for crowdfunding in this country. And below there are some examples from NPOs in Sierra Leone which have used crowdfunding to raise funds for various projects related to education, healthcare, and child protection. Some of the examples of crowdfunding for NGOs in Sierra Leone are:

– Child Rescue Center. The Child Rescue Center is an NPO based in Sierra Leone that provides shelter, education, and healthcare to vulnerable children in the country. The NPO has used crowdfunding to raise funds for various projects, including building a new school and providing healthcare to children affected by the Ebola virus. The Child Rescue Center has raised over \$30,000 from more than 500 donors on various crowdfunding platforms.

– Pikin Bizness. Pikin Bizness is an NPO based in Sierra Leone that provides support to children affected by poverty, HIV/AIDS, and other health issues. The NPO has used crowdfunding to raise funds for various projects, including providing education and healthcare to vulnerable children in the country. Pikin Bizness has raised over \$15,000 from more than 200 donors on various crowdfunding platforms.

– Street Child. Street Child is an NPO based in Sierra Leone that provides education and support to children affected by poverty and conflict in the country. The NPO has used crowdfunding to raise funds for various projects, including building schools, providing education to girls, and supporting street children. Street Child has raised over \$150,000 from more than 3,000 donors on various crowdfunding platforms.

In conclusion, crowdfunding has become a popular method of fundraising for NPOs around the world. NPOs such as UNICEF, Oxfam, and Save the Children have used crowdfunding to raise funds for various projects related to humanitarian aid, development, and child protection. In Sierra Leone, NPOs such as Child Rescue Center, Pikin Bizness, and Street Child have used crowdfunding to raise funds for various projects related to education, healthcare, and child protection. Crowdfunding provides NPOs with a powerful tool to engage with their donors, reach a wider audience, and be transparent about their projects.

References:

1. Charitable crowdfunding: who gives, to what, and why? [Electronic resource]. – Mode of access: <https://scholarworks.iupui.edu/bitstream/handle/1805/25515/crowdfunding210331-1.pdf>. – Date of access: 19.03.2023.
2. Nonprofit Fundraising Statistics [Electronic resource]. – Mode of access: <https://doublethedonation.com/nonprofit-fundraising-statistics/>. – Date of access: 19.03.2023.
3. Crowdfunding for Nonprofits [Electronic resource]. – Mode of access: <https://donorbox.org/nonprofit-blog/crowdfunding-for-nonprofits>. – Date of access: 19.03.2023.
4. Crowdfunding Statistics [Electronic resource]. – Mode of access: <https://blog.fundly.com/crowdfunding-statistics/> h. – Date of access: 19.03.2023.

59-я Научная Конференция Аспирантов, Магистрантов и Студентов БГУИР, Минск, 2023

5. Crowdfunding emerging as financing source for African entrepreneurs [Electronic resource]. – Mode of access: <https://www.un.org/africarenewal/magazine/july-2022/crowdfunding-emerging-financing-source-african-entrepreneurs>. – Date of access: 19.03.2023.

6. Sierra Leone: Selected Issues [Electronic resource]. – Mode of access: <https://www.elibrary.imf.org/view/journals/002/2022/260/article-A004-en.xml?rskey=vrhMZJ&result=4>. – Date of access: 19.03.2023.

7. Beliatskaya, T. Modeling e-Economy systems / T. Beliatskaya // E-gospodarka w Europie Srodkowej i Wschodniej. Terazniejszosc i perspektywy rozwoju / pod red. R. Sobieckiego. – Lublin, 2015. – S. 11–16.

8. Beliatskaya, T. N. The methodology of e-economy infrastructure research / T. N. Beliatskaya, V. S. Knyazkova // Managing service, education and knowledge management in the knowledge economic era : proc. of the Annu. Intern. conf. On management a. technology in knowledge, service, tourism & hospitality 2016