



March 2019

Crowdfunding in the GCC

*A New and Faster
Source of Funding*

Research Highlights:

Crowdfunding is revolutionizing seed funding for start-ups and venture financing activities.

The report analyses if such an alternate funding can be a new financing cycle for the fast growing entrepreneurial start up communities in the GCC.



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About Marmore



Organizational Background

Marmore MENA Intelligence provides research-based consulting solutions to help understand current market conditions, identify growth opportunities, assess supply/demand dynamics, and make informed business decisions.

Marmore is a fully-owned research subsidiary of Kuwait Financial Center 'Markaz'. Since 2006, Markaz Research has been at the forefront in disseminating thought-provoking, hard-data backed research reports. Marmore continues that legacy with a focused approach to providing actionable solutions for business leaders and policymakers.

Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please [click here](#))

With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these intellectually provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums. (To view our Policy & Regulatory research report, [click here](#))

Almost on a weekly basis, Marmore publishes thematic economic, industry, policy and capital market reports. Marmore has been recently conferred **"Research Provider of the Year - 2018" award by Global Investor, a Euromoney Group company.** To learn more, visit www.e-marmore.com

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Marmore is the only regional firm providing niche research based on strong analytics in areas that are less researched. Marmore provides full range of financial market, sector specific and economic and policy researches, as well. The different types of researches are availed based on the client's requirements. It is notable that Marmore research reports have regularly been used by various renowned institutions to better understand the MENA region.

Marmore's strengths can be summarized as follows:

- » Consistent track record of quality, in-depth research offerings;
- » Skilled team with extensive experience in advanced quantitative and qualitative analysis techniques;
- » Deep understanding of MENA market and access to wide-ranging database
- » Delivers high quality, client specific, insightful research reports; highlighting key client issues and uncovering key answers/opportunities for the clients.

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Executive Summary

Crowdfunding contrasts with traditional funding in the sense that while the latter involves large amounts from one, or a few sources, the former collates many small sums from a large group of individuals. The global crowdfunding market is expected to grow exponentially as several international vendors are facing stiff competition from regional platforms.

The global market is highly fragmented and only few players occupy majority of the market. In 2017, the global crowdfunding market was estimated to have grown by 17%¹. In many parts of the globe, it is becoming mainstream means of funding but haven't overtaken the traditional channels of funding. Crowdfunding platforms render it possible for individuals and firms, of any size, to harness social networks for raising start-up capital for projects, which may otherwise fail due to funding deficits.

Currently, crowdfunding is largely centered in North America and Asia, which emerged as the top destinations for Crowdfunding, followed by Europe. The most active crowdfunding category is business and entrepreneurship where the funder has an active role to play. Further it was found that campaigns that raise almost 30% of their requirements during the first week are more likely to succeed. Additionally, crowdfunding globally has raised US\$ 34 Bn for 2017, with almost half of the funding raised from US and almost 1/3 raised from Asian regions followed by Europe with little less than 1/4 proportion in the total funding raised globally in 2017².

UAE and Bahrain become the first two countries for announcing formal legislation for crowdfunding sector in the region. The regulation is expected to help the crowdfunding sector become formal by set out operational guidelines and standard procedures. This is expected to give a big push to the crowd funding mode of finance in the wider MENA region.

Furthermore, with the launch of laws relating to crowdfunding, UAE and Bahrain have sketched the outline for boosting Crowdfunding as a means for financing in the region. Until recently, Crowdfunding was not considered a formal means for financing and hence it was never streamlined with regulatory guidelines. This move is expected to float in other GCC countries, encourage entrepreneur activities and stand as a major support system for alternative finance domain. (Crowdfunding is part of alternative financing mode)

¹ Technavio 2017 Report

² Fundly Statistics, 2017

Moreover, the phenomenon cannot be divested from the wider MENA region, as crowdfunding, by nature, is immune not to borders. The internet has allowed investors and entrepreneurs seeking funds to come together in an environment of shared values and risk perceptions. Also, the concept of paying money into promising startups as a way of giving back to society is fast catching up in the GCC. Any regulations on crowdfunding have to pivot around vetting of platforms, profiles of individuals or entities asking for funds and the investors. The key principles of accountability, dependability, transparency and enforcement remain. Critics argue that existing legislation should acknowledge that crowdfunding is not in a defined form like a company shares or something, but rather a specific activity where most of the time the overall funding or crowdfunding revenues hardly hit above few millions dollars³.

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³Cooperative City Magazine 2018

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