Crowdfunding and innovation: Case of Morocco

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ABSTRACT
Crowdfunding is defined as the practice of funding a small project or idea through internet platforms. It can be considered as a real push for startup companies that do not have enough investment money to start their operations or can’t opt for the traditional method of financing such as Banks or investment institutions. Created in the 2000s, crowdfunding is a diverse financial activity which draws its success for the successful projects realized in the arts, music, cinema,... but also by loans to individuals and fundraising dedicated to financing innovative start up projects. crowdfunding, which is booming in developed countries, is still in its initial stage in Morocco but seems to adapt to the challenges of human, social and economic development. Despite a slow start in Morocco, crowdfunding practices are leaded into a better future in Morocco. This type of financing is important in order to support the starts-ups and the Moroccan economy in general. The main obstacle to the development of crowdfunding in Morocco is the absence of a regulatory framework governing its activities. Aside from the legislative aspect that is still under development, all the other aspects are favorable to the development of the Moroccan crowfunding platforms.

KEYWORDS
Crowdfunding, Start-up, investors, financing, platforms, internet, project, money collection, Morocco

1. Introduction
The Crowdfunding is defined as the collection of money using the crowd. It is used by the individuals and the start up to collect money in order to finance their projects. Crowdfunding has existed for several year but has become more widely use because of the Internet. The purpose of the article is to better understand the history of Crowdfunding, the types of platforms and financing that we can have in crowdfunding projects. We are specially investigating the case of crowdfunding in Morocco, where the concept in very new and the rules and regulation is being put in place by the relevant authorities to have regulated laws and regulation in Morocco when in come to using the crowdfunding platforms.

In France, numerous crowdfunding platforms have been emerging in the past years. By the end of 2015, there were around 160 platforms in France. The crowdfunding platforms can be categorized as the below:

- The types of financing offered: the donation with or without counterpart, the interest or interest-free loan, and the capital investment, bonds, or royalties,
- The types of actors to which they are addressed (entrepreneurs, SMEs, associations, individuals, etc.),
- The types of projects that they are financing (artistic, cultural, humanitarian, healthcare sector, environment sector, trade, real estate, etc.).
Crowdfunding has a set of internet platforms; these platforms provide various advices to entrepreneurs and allow them to raise money. Crowdfunding also bypasses traditional donors such as banks, credit organizations and investment funds; it offers an innovative alternative to the classic financing circuit.

2. Methodology

Thought this article, we will be investigating on the evolution of the crowdfunding concept in Morocco. We will start with a brief overview of crowdfunding by analyzing the history of the crowdfunding concept. The second part of the article will cover the forms of crowd financing which are the crowdsourcing, the Crowdfunding which is the subject of our study, and finally the crowd investing. The third and fourth parts of the article will define the different actors that are governing over the crowdfunding business, as well as the stages needed to put in place a crowdfunding operation. The final part of the article will elaborate on the crowdfunding concept in Morocco, investigation the barriers to the development of the crowdfunding concept and the benefits will result by implementing crowdfunding practices and developing further this concept in Morocco.

3. History of the crowdfunding concept

Using a large audience to finance an activity is not a event that appeared overnight. In fact, crowdfunding is similar in many ways to the ancient phenomenon of public subscription; the principle of crowdfunding therefore has existed for a long time.

One of the well-known examples of public subscription is the statue of liberty in New York. In 1884, the Americans realized that they no longer have the necessary funds to continue the construction of the pedestal on which the statue will stand, so an article was posted in the newspaper "New York World" to ask Americans to financially contribute to finalize the project. As a result, the newspaper arranged to raise more than $100,000. Other examples of public subscriptions are the Telethon (charitable crowdfunding) and the construction of the HASSAN II mosque in Casablanca.

Recently Barak Obama, former president of the United States, had launched a private fundraiser to finance his electoral campaign and collect enough money to raise his campaign.

Born in the United States, this new mode of public offering has allowed financing of numerous projects for both private and public sectors. In 2014, the American platform Kick Starter announced that it had just exceeded the billion dollars of cumulative collection since its launch in 2009 (les echos, actualités -20014).

The difference between the crowdfunding and the public subscription lies in the use of internet platforms to collect money. Therefore, it has become easier to reach a larger number of people worldwide with no further constraints. Even if the crowdfunding concept is not recent, it has experienced considerable growth in the past years.

Created in the 2000s, crowdfunding is a diverse financial activity which draws its success for the successful projects realized in the arts, music, cinema,... but also by loans to individuals and fundraising dedicated to financing innovative start up projects. Since its initial launch in 2009, the American market platform Kickstarter has raised more than 1 billion dollars, for a total of nearly 58,000 funded projects. In the United States, when the legal framework was defined in April 2012, the forecasts for the total funds that will be raised in 2013 exceeded five billion Euros.
In France, crowdfunding platforms collected 78 million Euros in 2013 (27 million in 2012) and participated in the financing of nearly 32,329 projects with more than 651,000 contributors (320,000 in 2012). The crowdfunding is today, as Agrawal et al. (2011) stated an emerging industry on a global scale in search of structuring and legitimacy carried by media advertising power. A generic definition considers crowdfunding as "an open call, essentially through internet, for the provision of financial resources either in form of donation or in exchange for some form of reward in order to support initiatives for specific purposes" (Schwienbacher & Larralde, 2012).

The crowdfunding exists in diverse forms. The crowdfunding platforms differ according to the nature of the contribution and the expected remuneration (donation, interest, dividends, etc.). Crowdfunding has been the subject of little research. The publications are part of exploratory approaches given the diversity of practices. (Mollick, 2013).

Ahlers et al. (2013) propose the following definition of crowdfunding: "a method of financing whereby an entrepreneur sells equity or equity-like shares in a company to a group of (small) investors through an open call for funding on Internet-based platforms". The originality of the ECF (equity crowdfunding) comes from the integration of the crowd in the decision to invest in a business creation project. A new partner thus enters the capital of the start-up. The role of this partner is to question the classic problems of entrepreneurial finance, especially those dealing with questions of agency problems and asymmetric information. The behaviors and objectives of venture capital professionals are not necessarily identical to those of the crowd, which is moreover potentially heterogeneous. In addition, the equity crowdfunding platform is also a new player whose role must be clarified. One of its essential functions is to set the price of the share that will be offered to the subscription of the crowd, and therefore to evaluate the project and the relevance of its economic model.

In France, the amounts collected in crowdfunding doubles every year, going from 78.3 million Euros in collected in 2013 to 152 million Euros in 2014 and 297 million Euros in 2015. This development testifies to the response that crowdfunding provides to project that are not relevant to traditional actors (reluctance of banks to finance the intangible, lower subsidies ...) and, on the other hand, the desire of the French to give new meaning to their savings and control their investment.

This is a real revolution taking place. While individuals used to trust their bank, they are aware of the possibilities offered by short circuits and they want to decide where their money will finally go.

4. Crowd financing culture:

Using the crowd to finance projects can be categorized in three main forms which are the Crowdsourcing, the Crowdfunding (subject of our study) and the Crowd investing.

4-1 The Crowdsourcing

It was in 2006, under the signature of James Howe that the concept of crowdsourcing was born. Composed of two words "crowd" and "sourcing", this neologism indicates a mode of outsourcing to the crowd. According to Lebraty (2009, p. 151), crowdsourcing can be defined as "the outsourcing by an organization, via a website, of an activity to a large number of individuals whose identity is most often anonymous".

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An organization (qualified as crowdsourcing) has the ability to outsource to the crowd activities traditionally entrusted to previously identified individuals or entities. The crowd then constitutes a substantial pool of skills and physical, social, cultural and financial resources that can be mobilized to help create value for an organization. According to Howe (2008), crowdsourcing revolves around four main forms:

- Crowd voting: It’s an organization that relies on the advice of the crowd. This crowdsourcing mode covers a wide range of activities. We can cite the example of DANONE Company that took into consideration the crowd opinion in order to determine the new flavor of the "Danette" brand.
- Crowd wisdom: Crowd wisdom is a concept popularized by James Surowiecki based on the assumption that the aggregation of information in groups results in much better results than those based on a single member of the crowd based on (Surowiecki, 2004), and (Warr, 2008). The example of the IBM Jam, an online brainstorming formula, illustrates how an organization can rely on the wisdom of individuals to respond to societal or managerial issues (Renault & Boutigny, 2013).
- Crowd creation: the work of the crowd, in a creative form or not, is requested. In this regard, the eYeka platform puts the crowd in competition in order to obtain an original creative response to a challenge posed by an organization (Renault, 2013). At the end of 2013, the Aides association launched a challenge calling on the creativity of the eYeka community to create a video highlighting the positive aspects of the female condom.
- Crowdfunding: this involves using the collective portfolio, allowing a wide range of individuals to replace banks and other institutions as a source of funding. For instance, MyMajorCompany in France or Kickstarter in the United States illustrate the concept perfectly.

According to Howe (2008), these forms are not independent and can be completely combined. Thus, an organization could solicit digital communities by using simultaneously or not simultaneously their intelligence, their creativity, their opinion and their funding capacity. In this sense, the crowdfunding can be seen as a branch of crowdsourcing benefiting from a capacity for hybridization with one or more other branches.

4-2 The Crowd funding

As previously described, the Crowdfunding is defined as the collection of money using the crowd. It is used by the individuals and the start up to collect money in order to finance their projects. In fact, with Internet becoming accessible to the crowd in the early 20’s, the crowdfunding is slowly progressing and is becoming nowadays a well-know mode of financing that is frequently used by interpreters that are looking for new financing techniques.

This financing mode depends on the people investing their money to spread the word to their friend and colleagues in order to collect more money for a certain project.

In fact, the crowdfunding model relies on first a project to Finance, then a community that wants to invest in this project, and finally a platform that will gather the two parties.
4-3 The Crowdinvesting
Ahless et Al (2013) define the Crowdinvesting as « the financing method where the project holder sells shared to a group of people that are willing to finance his/her project through an internet platform.

Crowdinvesting is a new phenomenon that is highly development in the USA and UK, Crowdinvesting is a branch of Crowdfunding that constitute a financing source for start-up and new rising companies.

The Crowdinvesting is an interesting option for people that want to invest their money in a diversified portfolio; sometimes multiple entrepreneurs invest in the same project in order to reach the amount needed to realize the crowdfunding project.

Those three types of financing are being collected through the crowd funding platforms on the internet.

These three forms of crowdfunding have one very important point in common, which is the use of internet platforms, but differ in the following points:

For Crowdfunding, investing is associated with charitable action such as donation and loan without interest.

For Crowdinvesting, there is a consideration which is the acquisition of part of the company shares.

For Crowdsourcing, this is when a company outsources tasks specific to the manufacturing or sale of its product to the public and pushes them to contribute to the process for free.

Crowdfunding does not arise exclusively from the digitization of the economy; digital technology and more precisely the internet only participate in the development of a financing method that is crowdfunding by bringing it to the reach of all and by stimulating direct relationships between network users.

5- Dynamics of Crowdfunding:
In recent years, researchers have focused on the success factors that determine a good fundraising. Here we have decided to classify them into different categories in line with previous articles on the same subject; certain factors influencing success are linked to the project, as well as to its representation or even to the project leader. These three types are determinants therefore relate to the internal environment of the project. The external environment also influences the outcome of a collection, which includes the geography, information and the economic context.

On a crowdfunding platform, all projects don’t have equal chances in terms of the success related to fund collection. Initially, crowdfunding was mainly targeting cultural projects (music, videos, live shows, art...). Indeed, these are products for which it is impossible to know the quality of the work and project before it is being showed to the audience. It is therefore necessary to find online funding from people who value and trust the project before they have even see it. Crowdfunding then evolved and is now integrated to other fields (humanitarian, cooking, sport, etc.), but a large part of the projects submitted remain cultural projects and these are also the most successful. On the giant Kickstarter platform in the United States, the “films and videos” category represents 24.5% of all projects submitted, 40% of which are successfully funded, “music” 20.3% (55.26 % of success) and 12% are in “books and publishing ».

Crowdfunding allows project leaders (artists, startups, NGOs, etc.) to finance themselves by calling on capital from the “crowd”, often via specialized platforms. For project leaders, crowdfunding is therefore an alternative (or a complement) to
traditional financing methods (banks, venture capital, business angels, etc.), mainly for “small” projects (<100,000 Euros) and startups. But in addition to funding, crowdfunding allows different project promoters to promote their ideas / products and test them "live" in order to better identify the needs of potential consumers.

But what exactly are the "rewards" offered to the crowd in exchange for this money? It is possible to separate this into four main categories: philanthropy, where the investor gives money without waiting for anything in return, the loan, where the investor hopes to recover his money after a certain period, with an interest rate, the "reward-based", where the investor receives in exchange a product or a service which depends on the amount of his contribution, and finally the capital financing, where the investor then becomes a shareholder in the company and may therefore receive dividends in the future. Currently, the “reward-based” model is the most widespread, but recent advances in legislation and regulation in the United States (Obama’s Jumpstart Our Business Startups Act in 2012) and in France (2014 crowdfunding ordinance) should play a major role in the development of equity-crowdfunding and debt-based crowdfunding.

Individuals choosing to donate / invest / invest their money in a crowdfunding project do not do so solely for the purpose of maximizing return (in any case not always). In addition to potential yield / interest / product, investing via crowdfunding brings some personal satisfaction and / or external prestige. To put it simply, either it brings you happiness directly (or pure altruism / desire for a better world), or it allows you to tell it to yourself in social dinners: "yes, I participate in the financing of a small project of organic producers in Peru”.

What are the factors that explain the success of certain crowdfunding projects? Or if you have a project, how can you maximize your chances of finding funding via crowdfunding platforms? Well to answer this, a magnificent academic study was published in early 2014 in the famous Journal of Business Venturing: "The dynamics of crowdfunding: An exploratory study". By analyzing data from more than 48,500 projects proposed on the Kickstarter platform between 2009 (creation of the platform) and July 2012, Ethan Mollick, researcher at the University of Pennsylvania, tried to understand the variables having an impact on the success of funding of a project. From an econometric point of view, nothing very complicated: a dependent variable (= what we want to explain) which is equal to 1 if the project has reached its funding objective and to 0 otherwise, and a list of explanatory variables, ranging from the category of the project, to the goal in $ of funding, through the number of Facebook friends of the project owner or the presence of spelling errors in the description of the project. A logistic regression (because the dependent variable is a binary variable) and hop we look at what it gives.

In interesting / surprising things, the subscription period is negatively correlated with the success response. To put it more simply, a project proposed to invest for a period of 60 days will, all other things being equal, have a lesser question of success than a project limited to 10 days. One possible interpretation made by the author is that an extended subscription period can be a sign of uncertainty on the part of the promoter, and therefore can send a negative signal to potential investors. Quite logically, the presence of video, the absence of misspellings and frequent updating are associated with a stronger success
response. As expected, the number of Facebook friends has a positive and significant impact on the success of a project’s funding responses: the more FB friends the project owner has, the stronger the success responses.

6- Crowdfunding in Practice:

6-1 Crowdfunding actors:

• The Company (issuer):
A company owner has an idea, but he needs the funds to make it happen. He must prepare an offer documenting basic information about the company and the project, the intended use of the funds and the risks of the project. He must specify the minimum amount to raise to reach the goal and use a crowdfunding website called a funding portal to raise the funds.

Crowdfunding website (funding portal)
The funding portal posts crowdfunding projects on its website. In particular, it has the following responsibilities:
- Explain the risks of the investment to potential investors;
- Hold all investors’ funds in trust until the issuer has reached its minimum funding target;
- Reimburse investors, without deduction, if the issuer does not meet this target.

There are three types of funding using the online portals:
- Registered broker funding portals. These portals should provide you with advice and check whether the placement is right for you. Any portal registered in the investment broker or exempt market broker category is a registered broker financing portal.
- Restricted brokerage finance portals. These portals must perform a basic review of the documents provided by the issuer and its principals. They cannot give you advice: you need to decide if the investment is right for you.
- Funding portals not registered. These portals can only display crowdfunding offers from start-up companies in certain territories. They don’t have to examine the transmitter and its principals. They cannot give you advice: you need to decide if the investment is right for you.

The funding portal should specify which type of portal it is. When you access a funding portal, a pop-up window will appear on the screen to let you know whether the portal is operated by a registered broker or not and whether you will receive investment advice.

• The investor (you)
As an investor, you can find an interesting business on the crowdfunding websites. After reading about the project proposed and researching it, you can decide to invest a maximum of $1,500 or $2,500, depending on your place of residence and the crowdfunding plan used by the company. Before investing, the financing portal will ask you to confirm that you understand the risks and that you have read and understood the offer documents. You will have 48 hours after making your investment to change your mind and get a refund.

To make the right decision, you need to understand the risks of crowdfunding which includes the following:
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Investing in a start-up is risky. Statistics show that a high percentage of start-up businesses fail. You could lose the entire amount you invested.

What do you know about the people who run the business? Do they have the knowledge and experience to lead it? Some companies are run by inexperienced people. Before investing, find out who is running the business.

Can you afford to be patient? If you think you should sell your shares in the short term, this type of investment may not be suitable for you. You may have to wait for an indefinite period of time to resell your shares or even be unable to do so.

While the flow of information and analysis on large companies is available to the public, it is not the case for small businesses. You may face the scenario of receiving little information before or after your investment from the company you have invested in. Small businesses are usually under-publicized.

**6-2 Different stages of crowdfunding operation:**
Before analyzing the different stages, MANTHE (2014) identified two types of organizational models:
- There is the historical model where the platform organizes the selection of projects but also other stages of financing; it is registered as an alternative to other modes of financing.
- Then the triangulation model where one or more investors must already have invested in the project for the platform to be able to put it on their platform.

The project leader must prepare a solid file before submitting it to the platform. Indeed, having a good project is not enough for a successful crowdfunding operation.

The specificity of the internet and crowdfunding implies taking into account the project's communication and its presentation on the platform in order to make the project as attractive as possible.

At the strategic level, three main axes have been identified which are the following:

- **The pace of communication:**
  A Crowdfunding campaign usually starts very strongly, because of the support of people close to the entrepreneur and the public already familiar with the project, a hollow will follow during which the project leader and the Crowdfunding platform will have to promote once again the project, to end with a resumption of momentum shortly before the end of the campaign if the communication to the public was adequate. The entrepreneur will have to adapt his communication according to this pattern in order to reduce the period of time during which the campaign will experience a low point by intensifying the advertising of his project.

- **The targeted audience:**
  The audience to which the entrepreneur appeals during his Crowdfunding campaign can be broken down into three degrees depending on the proximity of people to the project leader. First, there is the circle of relatives including family and friends, then come those who can be described as first circle network (friends of friends) and finally the general public. Depending on the targets, the entrepreneur will have to adapt his communication to only commit his time and promotional resources to the relevant public.
The Communication network
The entrepreneur must be active on social media and social networks, adopting appropriate communication according to each medium of communication used (eg videos on YouTube). The use of these social networks will allow the entrepreneur to benefit from feedback on his communication. The entrepreneur must define the Crowdfunding campaign which involves the Internet platform and the public. Five fundamental steps can be identified during this campaign.

1: Submission of the project and its selection by the platform
The formality of the project submission varies according to the platform chosen by the entrepreneur, however all platforms have these selection factors in common. The platform will first of all pay attention to the quality of the file submitted, the preliminary information work carried out by the project holder and the admissibility of the project. The originality of the project is very crucial selection factor along with its consistency with regard to the desired funding and the ability of the project to interest the widest possible audience.

2: Acceptance of the project by the platform
Once the project is submitted, the platform will study it according to certain acceptance criteria; if the project meets the platform expectations, the team will negotiate with the project holder the various logistical services it can offer in order to bring the project to fruition. Among these services we can find a support and advice service for the presentation of the project on the platform, communication advice (social networks ...), help in choosing a counterpart to offer to investors (loan or equity....) and an evaluation of the project. There are also specific partnerships for certain platforms to financially support projects. As soon as the contract is signed, the platform will provide the entrepreneur with a clean web page on which he will advertise his project and on which you will find the following information:

- A video presentation of the project
- A draft business plan
- The C.V. members of the entrepreneurial team
- The plan for the future use of the fundraised
- The list of graduated rewards according to the funds provided

The web page, being the main source of communication and the reference of the project, must be well done and carefully presented. The name and description of the project must be clear to the target audience; and the project must above all appear attractive to the audience.

3: The communication phase and possible financial participation
This is the heart of the crowdfunding campaign and the public fundraising phase itself. During this period, the public will be able to register for the project led by the entrepreneur via the crowdfunding platform. It has an average duration of 60 days but it can vary according to the type of financing sought and according to the platforms. According to Bessière and Stephanie, the project holder need to focus on the communication part as "for the project leader, it is an intense period of
communication and discussion with the members of his future crowd”. It is during this period that the work carried out prior to launching the project on the platform will have all its importance. The evolution of the project being represented on the platform by an indicator allowing visualizing the amount of funds collected, the target amount to be reached and the time remaining to achieve this, the project holder must be very active on the social networks and the Internet. The entrepreneur's family and friend circle therefore has a key role to play in advertising the project from the start to the end of the campaign.

4: Sends collected funds to the project leader
At the end of the funding period, two scenarios are recorded. Either the amount of financing desired by the entrepreneur has been reached, or the project has not been attractive enough and the targeted amount was not raised on the crowdfunding platform.

If the amount has been reached then the platform transfers the money to the entrepreneur so he can carry out his project in accordance with what had been planned during the launch of the fundraising campaign, the platform will deduct a percentage of the funding obtained as payment of the service offered.

If, however, the desired amount of funding has not been obtained, the money collected is in principle returned to the various members of the public who have invested in the project. The crowdfunding is following the rule of all or nothing, which indicates that in case the targeted amount is not reached, the money is redistributed to those who had advanced it.

5: Compensation of the crowd
When releasing the fundraised to the entrepreneur under the crowdfunding campaign, the platform also communicates the list of all investors as well as their respective contributions to the financing of the project. It is therefore the entrepreneur who will be responsible for remunerating investors according to the type of consideration chosen when launching the fundraising campaign. In the case of the creation of a business it will be the payment of interest or dividends initially before repaying the capital financed by each investor.

The entrepreneur is also responsible for carrying out the project he has exposed and for which people have invested. The platform therefore bears no responsibility for both the completion of the project and the remuneration of the investors.

6 - 3 Crowdfunding platforms: crowdfunding types and operations:
There are four types of platforms; each one corresponds to a form of transaction:

- Donation platforms:
The user provides financial support to the project without receiving any compensation. The project owner retains all of their intellectual property.

- Rewards-based crowd funding
In return for their financial support, the user receives a consideration. For example, in the case of a film production, he may receive a DVD or an invitation to the opening show. The project holder retains all of their intellectual property.

- Debt-securities crowd funding
It is a loan, with or without interest, granted by a user to an individual or an organization (without going through a bank). The project holder retains all of their intellectual property.

- **Profit-sharing crowd funding**

The “investor” Internet user acquires a stake in the project or becomes a co-producer and has the right in exchange to financial counterparties in the event of the success of the project. The project leader may have to transfer part of its intellectual property.

Crowdfunding platforms mainly use the same mechanism:

The projects are characterized by the platforms according to their different criteria: (categories, maturity, etc.)

Funds are being collected during a limited time: during which the participations accumulate the funds in order to reach or exceed the minimum objective necessary to accomplish the project.

The "all or nothing" rule applies when raising the funds related to crowd funding projects. As long as the objective is not reached, contributions are recorded and put on hold, without any real bank debit. If the objective is not reached, contributors are not debited and the project owner does not receive any funding. The platforms collect a commission on the total amount collected (generally 5 to 8 percent).

**6 - 4 Factor that would enable the success of a crowdfunding operation:**

A successful crowdfunding campaign involves a lot of preparation and work. You have to be ready to invest and devote your time to running the campaign as well as to discussions and convoque the contributors on the feasibility of the project. Crowdfunding involves the establishment of a real relationship of trust between the contributors and the author of the project.

A crowdfunding campaign requires a lot of energy and time; at least you need to be able to devote an average of 2 hours per day for it. Knowledge of social media, web communication and customer acquisition techniques is a prerequisite.

The project submitted to a crowdfunding campaign must have a very specific purpose and lead to a concrete realization (a show - a social project - a documentary - an application etc.), personal projects (vacation - wedding - a loan etc. …) are not taken into consideration by the crowd funding platforms.

Based on several studies, there is usually a list of rules to adopt in order to be successful in your crowdfunding campaign. These rules or keys to success are as follows:

- **The project**

When you present your project, you think that people will collaborate because they like the idea or because the reward interests them, but the truth is that they invest in you, in your enthusiasm to develop this project. Obviously, people invest in a specific project, but they are won over by you, it is the heart and soul of a partner that makes it effective.

The project is a showcase, you have to do the maximum to create sympathy and highlight the skills of the entrepreneur, you have to carefully write the project and be direct in saying why you are collecting money and explaining the nature of the project and support with link that refers to the website answering some common questions that investors are asking.
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- **Mobilization of the entourage**
  You have to appeal to your relatives to take an interest in what you are doing, this is an important step to make your project more popular and let as many people as possible to know what is going on.

Studies have shown (kick starter site) that if relatives participate, it creates a favorable dynamic for the success of the campaign.

This is completely understandable when we know that the strength of a crowdfunding platform relies on the power of recommendations from social networks and to be able to enlarge the first circle of support (friends - family - relatives). We cannot convince strangers if we do not have the support of those close to us, we must not imagine that the work stops when the project is presented on the platform but keep in mind that it is a campaign so you have to inform as many people as possible and answer all questions. It is a laborious process that requires investment and patience.

- **Be creative**:
  You have to establish a strategy for the success of the campaign through a successful message. The success of the message can be established by:

  - By creating a video: it is important to go beyond the simple virtual relationship, this desire often involves a video that captures the interest of Internet users. The video can be centered on the project leader by enhancing the know-how or on the project by enhancing the know-how.
  
  - By offering rewards. Reward donors, help them give. The reward or the consideration for the donation can be symbolic; there are multiple things you can offer. Ask yourself what you would like to receive and offer it.

  - By choosing the platform. The choice of a Crowdfunding and capital platform is important. It must be adapted to the project, in fact the selection of a platform depends on the nature of the project, the mode of financing chosen (donation-loan-equity investment) and also the type of reward (reward-pre-sale-dividends)

- **Financial objective**
  You have to set a reasonable and realistic financial goal, you must not be greedy and not use the money collection for things not related to your project. You must clearly define the needs, present them to future contributors and concretely explain the use of the amount of money requested.

- **Motivation of Investors**
  Crowdfunding is a matter of trust; giving your money to a stranger requires complete confidence in the project leader. There are reasons that push investors to participate or contribute to a project:

  - Attractiveness: we appreciate the quality of the project because it is attractive and we want its promoter to achieve it.

  - The constructive discussion between potential investors and the project leader via the internet platform.

  - The commitment of investors towards the quality of the projects that promote the development of the companies.

- **Prepare the fund collection and crowdfunding campaign**
Since the time reserved for collecting the necessary funds objective set is not very long, you have to think about preparing your campaign in order to be able to reach the target funds necessary to realize the project. You have to share the word with your friends and family in order for the project idea to reach a large crowd of people.

- **Develop the digital presence**
  The internet is the main tool for fundraising. It is thanks to the Internet platform that we are able to host the project and receive contributions. It is therefore essential to have a website and to be present on social networks.

- **Thank and retain investors**
  Fundraising is, in addition to collecting money, creating a relationship with investors who trust the entrepreneur to carry out the project. So each donor should be given special attention and be informed on the progress of the project and be thanked.

### 7. Crowdfunding: The case of Morocco

Before 2014, crowdfunding in Morocco only existed through projects dedicated to Morocco but mainly supported by platforms from other countries, as all the contributions received came from France, the United States, and the Middle East. The situation is starting to change with the arrival in 2014 of new platforms dedicated exclusively to Moroccan and African projects (Gilbert. Good Morning Crowdfunding 2014) like the SMALA & Co and ATADAMONE platforms, both located in France. Between 2010 and 2014, and based on the first crowdfunding figures published by the SMALA & Co platform, seventy projects out of one hundred and seventeen projects initially proposed were funded in Morocco with a total amount of 2.2 million dirham’s, which result in a success rate of 60% (70 projects out of 117 presented). These one hundred and seventeen projects were raised mainly on American platforms (72%) and followed by European platforms (26%). (Julie chandrier Ecostrum 2016).

Crowdfunding, which is booming in developed countries, is still in its initial stage in Morocco but seems to adapt to the challenges of human, social and economic development.

- **An inventory and development prospects**
  Several projects of crowdfunding platforms have been initiated in Morocco but they had to stop before they even started because they are faced with regulatory constraints. Moroccan project leaders did not wait for crowdfunding to arrive to Morocco, they arrange to seek and collect funds on foreign platforms in France or the USA. In fact, in April 2015, 126 Moroccan projects managed to raise around 413k Euros.

- **The main platforms that operate in Morocco are:**
  - www.cotizi.com: fundraising fund for donations based in Morocco.
  - www.cofundy.com: crowdfunding platform for donations based in France.
  - www.smala.com: crowdfunding platform for donations based in France.
  CoFundy and Smala were forced to set up in France to benefit from its regulatory framework conducive to the development of crowdfunding, allow fundraising for projects in Morocco.

- **Incentives for crowdfunding**
Crowdfunding and innovation: Case of Morocco

A study of crowdfunding market in Morocco concludes that this type of financing is growing, it is estimated at ten million dirham’s in 2016, and this evolution is linked to a set of factors that fully contribute to its development:

Factors related to entrepreneurship in Morocco:

To develop its economy, Morocco must promote the creation of innovative companies, but these companies struggle to access conventional financing circuits, hence the usefulness of crowdfunding.

In a study carried out recently with a sample of thirty-eight cyber entrepreneurs from the northern region of Morocco, it was found that the financial component aroused the most concern and interest in 62.29% of the 38 cases.

It was also noted that 71.1% of the entrepreneurs surveyed are reluctant to face financial risks, hence the interest of crowdfunding as an ideal financing system for these start-ups. (Y. Alami and M. R. O. - Tangier encg).

Without a regulatory framework in Morocco, these platforms cannot directly solicit savings from Moroccan citizens.

The analysis of the crowdfunding context in Morocco makes it possible to formulate the following observation:

- Strong demand for crowdfunding in Morocco which remains unsatisfied: There is a strong demand from project leaders for crowdfunding financing solutions, but this demand remains unsatisfied.

- The need for Morocco to acquire its own crowdfunding platforms: Morocco needs to equip itself with its own crowdfunding platforms which will be able to ensure proximity with project leaders and make the link with the people that are able to finance them.

- Collaborations to be developed with the historic players in financing: Several partnership schemes are possible between historic players (banks, insurers and investment funds) and crowdfunding platforms that better respond to the need for project finance and offer new innovative opportunities in mobilizing savings from citizens.

- The potential of crowdfunding development for Morocco is very important: In less than a year, the amounts collected have doubled despite strong constraints which slow the development of crowdfunding in Morocco. At the current growth rate of crowdfunding and with the development of new crowdfunding platforms, the potential of crowdfunding in Morocco could reach 12 M € in 2020. This potential could double if Morocco had a regulatory framework conducive to the development of crowdfunding.

The obstacles to the development of crowdfunding in Morocco

The barrier to the development of crowdfunding lies in the absence of a regulatory framework governing its activities.

Currently, the three modes of financing crowdfunding (donation, loan and investment) are governed by separate, binding laws that are not adapted to this activity:

The collection of donations is governed in Morocco by Circular No. 2/2005 relating to the conditions and procedures for examining requests for calls for public generosity.

Credit is governed by Law No. 34-03 on credit institutions and similar bodies. Credit is subject to the banking monopoly and is subject to obtaining approval from Banque Centrale Bank Al-Maghreb.
Capital investment is also an activity regulated by the AMMC (Moroccan Capital Market Authority) and requires specific approvals, notably in the context of a public offering.

The crowdfunding needs to be regulated in Morocco for the below reasons:

- Facilitate the development of existing crowdfunding players and simplify the procedures for new entrants by allowing them to save vital time for their launch.
- Protect savers and promoters of unprofessional and sometimes fraudulent practices from crowdfunding players not supervised and not controlled by authorized authorities.

What is the effective and rapid approach to adopt a regulatory framework to crowdfunding in Morocco?

Several countries have adopted regulatory frameworks favorable to the development of crowdfunding.

The comparative study of the applicability in Morocco of the reforms adopted in the United States of America, England and France, suggests that the option to be favored is the adaptation of the French reform in terms of crowdfunding. The suggested in based on the similarities of financial systems and legal and regulatory frameworks between the two countries.

France took a pragmatic and proactive approach by adjusting the existing legal framework, by making exceptions in the regulation of the banking monopoly and the regime of the offer to the public of financial securities, facilitating the practice of the various funding methods offered by crowdfunding.

7-1 Benefits of Crowdfunding for Morocco

Crowdfunding could provide concrete solutions to the challenges of development of Morocco. Indeed, crowdfunding will ensure to bring new sources of funding that are more tailored to the need of SMEs and startups. The Moroccan SME suffers from limited access to the formal financial sector, lacks equity and is unable to finance its WCR with Moroccan banks. With their Loan and investment plans, crowdfunding platforms are providing an effective solution due to their accessibility, the speed of their implementation and their shared risk management.

Equity crowdfunding provides a capital financing solution suitable for Moroccan startups and innovative projects that lack funding given the risky nature of these projects. It is also a powerful promotional tool allowing projects to reach beyond the borders of Morocco.

Crowdfunding fills a void in the corporate finance chain (equity gap) by funding startups and SMEs in the early stages of their development (seed, R&D, creation, etc.). This will allow companies to benefit from leverage and access other more conventional sources of finance (banks, investment funds, etc.). Crowdfunding intervenes in the first stages of the company creation (creation and development) where the recruitment needs are the greatest.

Crowdfunding is considered as the main source of funding in the world of start-ups. It is a key player in the development of innovation and therefore in the global economy.

Despite a slow start, crowdfunding is promoted for a better future in Morocco. This kind of funding is important to finance and boost start-ups and for the development of the Moroccan economy. Apart from the legal framework that is currently being set
Crowdfunding and innovation: Case of Morocco

up and which has just been tied up, all the other factors are there for a favorable growth and development of crowd funding business in Morocco.

7-2 Challenges related to Crowdfunding in Morocco:

As the crowdfunding activity is growing in Morocco as it is widely spreading among the young adult community, there are several obstacles that crowdfunding platforms are facing in this region of the planet:

- Challenges related to the lack of trust:

One of the main reasons why the crowdfunding platforms are struggling in Morocco is related to the lack of trust the entrepreneurs have towards interest use. With the multiple internet scams that the entrepreneurs hear about every day, they often don't trust investing their money.

- Challenges related to financing:

The crowdfunding platform work as a link between the project holder and the person who is interested to invest in these projects with a 6% commission of the total amount collected. Along with the risk of losing a project due to the lack of funding, there is a risk that the money is not well managed by the project holder, that is why the platforms doesn't not offer wide range of project in order to have large number of projects with no funding; therefore, this business model that the crowding platform are proposing is not attract the entrepreneurs that want to invest their money.

- Challenges related to the Moroccan legislative:

In Morocco, until 2020, there was no law governing crowdfunding. On the contrary, various laws, such as those governing calls for donations or public calls for savings, prevent the legal exercise of crowdfunding since any request for appeal to public generosity must obtain the authorization of the general secretariat of the government. But mentalities have changed, and the Moroccan government seems to want to get involved as well, during a press conference organized on 03/22/2016 by the United States Embassy in Morocco, the Minister Delegate in charge of the budget announced that the development of a legal framework is underway to introduce crowdfunding in the Moroccan ecosystem (N. ROMER –Telquel –April 2016). So it would seem that all the conditions are met to make Morocco the regional and perhaps continental leader in crowdfunding.

The government’s involvement is reflected in the 2017 finance law which announces “crowdfunding or collaborative funding aims to connect young project leaders via the Internet with a large public. Crowdfunding is another device that complements the efforts made to complete the financing instruments for young companies. The current reflection on this instrument relates in particular to the definition of a legal framework governing collaborative financing activities which mainly involve loans, equity, pre-sales operations or even donations. » (Finance bill - Morocco -2017).

Long awaited, therefore, the law governing collaborative financing (in Morocco the term crowdfunding is reserved for Islamic financing) has finally seen the light of day. It was signed by the Minister of the Economy and Finance and deposited on the official website of the General Secretariat of the Government on 03/21/2018 (Media March 24-22, 2018).
This law on collaborative funding or crowdfunding remained subject to adoption by the government and then by both chambers of parliament for it to enter into force.

Law no. 15-18 on collaborative financing in Morocco was adopted by the government in August 2019 and by the House of Representatives unanimously on February 11, 2020 (Media February 24 - 12, 2020). This step is very important for the legalization of crowdfunding in Morocco.

The presence of several local and foreign platforms in Morocco and the willingness of the authorities to install legislation for Crowdfunding are encouraging prospects for the development of crowdfunding in Morocco.

8. Conclusion

Crowdfunding can be considered as a real push for startup companies that have not enough investment money to start their operations. It is a new alternative for financing new project and can be considered a key to the global economic development. The Islamic finance specialists are also jointing the crowdfunding movement by having their own Muslim version of the crowdfunding. In fact, the Islamic crowdfunding or Halal Crowdfunding is derived from the Islamic sharia and allow project holders to collect money whiteout having to deal with the bank institutions.

Despite a slow start in Morocco, Crowdfunding practices are leaded into a better future in Morocco. This type of financing is important in order to support the starts-ups and the Moroccan economy in general. Aside from the legislative aspect that is still under development, all the other aspect is favorable to the development of the Moroccan crowd funding platforms.

References