

# #8 - Limited knowledge on alternative finance

## Definition

Alternative finance is an economic dynamic characterized by specific procedures, particular actors, different timing and budget structure. The crowdfunding world is extremely diverse and the process sometimes more complicated than it seems, as it requires a high degree of self-assessment and selection of investment opportunities. Choosing for the project to support might be tricky - timing, warranties and investment conditions, procedures...

Lack of experience might lead to invest money on unrealistic projects, resulting in financial losses or in dissatisfaction. In the same way, lack of economic literacy can result in risky financial behaviors - i.e. excessive and unconscionable investments, which overcome the real financial capacity.

### Focus on: Digital inequality and illiteracy.

As per definition, crowdfunding is a financial operation happening via an **internet-based platform**. As a matter of fact, thus, supporters who are digitally illiterate or with limited access to the internet, can be deprived of the opportunity to participate, unless assisted by intermediate agents. This potential participant category might encompass a significant segment of middle-age and older citizens, especially in countries or territories where digital literacy has not well developed yet. Interestingly, these areas would be the ones in **greater need** for successful crowdfunding projects.

As a result, this citizen segment is cut-off from the benefits of crowdfunding both in economic and social-development terms. They are also the most-likely ones to fall victim of **malpractice and fraud** (either through incompetence or deceptive intention) by self-proclaimed intermediaries that volunteer to mediate between them and the crowdfunding platform.

## Mitigation strategy

Get preliminary training on alternative finance tools and procedures - attend local workshops and basic preparation, relying on experienced coaches and training centers - as well as on private financial accountants or bank analysts, to set the investment capacity.

In case of doubt about the product or initiative to support, always collect all the information on the project owner available on the internet and on the platform.

In general terms, make personal, grounded and well considered decisions when choosing on which project to place a certain amount of money. Do not rely on what "the mass" or friends preferred, as it is not always a certainty for success and satisfaction. Instead of being supportive of the "herd mentality", check the support of other credible **local organizations or public authorities**. The engagement of an institutional actor might give the adequate level of accountability of a certain project and ensure the campaign accomplishment.