

FinTech

Case Study 2. Raising money with FinTech

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Learning outcomes

- ▶ Determine how crowdfunding can undermine traditional venture capital
- ▶ Analyze the potential of crowdfunding to replace traditional sources of funding
- ▶ Show the correct course of action for a large company when diversifying its FinTech functionality
- ▶ Analyze the possible impact of new forms of capital access in disrupting financial institutions

Overview

1. **Crowdsourcing finance for Devium Dash**
2. Read and engage: Crowdfunding and the disruption of venture capital
3. Read and engage: Adaptation of a startup to a changing marketplace
4. Takeaway

Crowdsourcing finance for Devium Dash

- ▶ Crowdfunding: Alternate source of financing for small businesses
- ▶ Video 2-4
 - ▶ Financing options for **Devium Dash**, a car-radio startup
 - ▶ Advantages and disadvantages of each
 - ▶ While watching this video, contemplate whether crowdfunding would be a viable source of funding for this project

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Case study 1

- ▶ Crowdfunding
 - ▶ How it looks to disrupt other sources of financing
 - ▶ Whether or not it is a viable alternative.
- ▶ Case study 1: Kickstarter
 - ▶ The case study assesses the considerations for starting a **Kickstarter** campaign and examines the campaigns of two companies
- ▶ When reading the case study, consider the following:
 - ▶ Which players in traditional funding do you think are most vulnerable to being disrupted by crowdfunders?
 - ▶ Considering the advantages and disadvantages of crowdfunding, do you think crowdfunding will replace traditional sources of funding?
 - ▶ From the perspectives of both the entrepreneur and the investor
 - ▶ Which types of entrepreneurs will most benefit from crowdfunding?

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Case study 2

▶ Case study 2: Dianrong

- ▶ The details around the Chinese banking system
- ▶ The rise of the peer-to-peer lending industry
- ▶ The subsequent government regulation of this industry
 - ▶ In the Chinese financial system (unlike in the United States), companies such as Dianrong are required to develop and build an entire financial infrastructure, including credit-rating systems
- ▶ When reading the case study, consider the following:
 - ▶ What are the benefits and risks of Dianrong's diversification strategy?
 - ▶ What are some of the challenges faced by Dianrong when considering government regulations?
 - ▶ How can Dianrong safeguard itself from the uncertainty around future regulation?

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Takeaway

- ▶ How to raise money with FinTech?
- ▶ Video 2-5
 - ▶ Future of the peer-to-peer lending industry
 - ▶ How it has disrupted both personal loans and small-business loans
 - ▶ How crowdfunding provides an alternative to venture capital by discussing the benefits and drawbacks of this way of seeking finance
 - ▶ Whether or not new sources of finance will disintermediate traditional sources of finance