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World SME Update

(A Global Update On SME News, Events,Policies & Programs)

CONTENTS

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General News

How decentralized finance will transform business financial services - especially for SMEs

We've created a first-of-its-kind global community that's helping central banks explore and innovate with blockchain

Explore the latest strategic trends, research and analysis

- Decentralized finance (DeFi) is emerging as a tool for smaller businesses in developing markets, particularly for remittances and small loans;
- The transaction banking industry is beginning to see DeFi's potential to overhaul the inflexibility of present processes;
- Uptake of DeFi in transaction banking could open up new capital opportunities for larger companies and increase liquidity for SMEs.

Decentralized finance had a resurgence last summer. Cryptocurrencies like bitcoin and ether are now becoming more widely accepted for payments and USD Coin (USDC) has made significant progress towards being an asset that will maintain its value without future depreciation.

At the same time, the blockchain technology that underlies cryptocurrency and its supporting financial infrastructure are on their way to offering a system of financial rails in parallel to - and connected with - traditional financial infrastructure.

Both Coinbase and Compound Treasury have released USDC-based loans that guarantee at least a 4% yield (far higher than traditional products of a similar risk), and smaller platforms are offering cross-border access to capital with rates that are far more variable but would be unavailable otherwise. So far, this growth in loan products has come from the retail sector: individuals holding and trading crypto-assets for personal use. Banks such as Morgan Stanley and US Bank now offer crypto-products for their wealth management clients. But what about businesses?

Since its inception, DeFi - literally decentralized finance or blockchain-based forms of finance that do not rely on centralized intermediaries such as banks - has been adopted to some extent by smaller businesses in developing markets whose needs are unmet by the traditional banking system. For example, some businesses use payment companies like BitPesa in Africa, Tranglo in ASEAN and the major DeFi exchanges to either make direct payments or convert payment amounts to USD-backed stablecoin for cross-border remittance.

What Is Blockchain?

The greater transaction banking industry now sees DeFi as a potentially significant growth engine and disruptive force. Transaction banking addresses the operational needs and day-to-day transactions of businesses and financial institutions. Usually, only companies who are top customers of banks are able to have ready access to these services, which focus on managing the liquidity of a company, cash flows, trade and supply chain finance and other instruments needed to facilitate domestic and international corporate transactions. In 2020, industry-wide transaction banking revenue reached $1 trillion.

According to Samantha Pelosi, SVP of Payments and Innovation at BAFT, the largest trade

association for transaction banking: "The potential efficiency gains and democratization of finance associated with DeFi are attractive to traditional financial institutions. However, DeFi negates the need for relationships with trusted intermediaries, which makes the model disruptive and somewhat alien to these banks."

Virtually all major international commercial banks have at least piloted the use of blockchain for transaction banking services - which remain slow and cumbersome - but none of these pilots have involved DeFi. Rather, they focus on making bank processes more efficient and replacing traditional financial instruments with standardized digital assets. That means the approval and execution of transactions still ultimately go through the framework of traditional banking or more established fintechs. For example, a business' credit risk is assessed based on financial statements and only applies to that specific business, without the ability to distribute risk across its system. The infrastructure around client support is also quite extensive, which means clients cannot be serviced without a high threshold cost. These practices hamper capital opportunities for larger enterprises and freeze out SMEs.

DeFi platforms provide an alternative system, not simply a plug-in to existing banks. Their decentralized nature means transaction onboarding and market-based risk assessments are much easier to scale across a business' wider system because access to relevant information is not dependent on centralized processing or a prior relationship. Prior to DeFi, a business would have to complete anti-money laundering and "know your customer" checks for every source of capital and convince their counterparts to onboard to the same transaction banking programmes. They also would not be able to present evidence of performance on their debt or payables outside of financial statements.

DeFi allows for the exchange of trustable data across a system, mitigating these barriers to business financial services. Until now, however, most companies did not seriously consider DeFi as a viable alternative to their bank's services because of the volatility of crypto-assets, regulatory uncertainty and the immature technology involved. Even Tesla's purchase of $1.5 billion in bitcoin was motivated by the direct financial value of bitcoin as an asset, not by its transaction banking needs.

While DeFi previously solved the complex requirements around portable digital ID for businesses and has a roadmap for providing access to financial performance track records in transaction banking, it completely lacks two crucial elements: a one-to-one exchange with fiat currency; and interoperability between different blockchains so that counterparties could freely interact with one another. The former is necessary for cryptocurrency to offer a stable store of value that can be used as currency and to have an easily accessible interface with the traditional financial system. Interoperability is crucial for transactions to occur at scale in the highly fragmented blockchain space.

Two recent developments in DeFi have made significant progress towards plugging these gaps. First, availability of stablecoin pegged to the USD, such as USDC, USDT (Tether), BUSD (Binance) and Dai (Maker), is growing. Tools like Curve and robust cryptocurrency exchanges allow for easy conversion from one USD-backed stablecoin to another. Second, interoperability protocols, such as the Inter-Blockchain Communication protocol and Popskip, have been released for both public and private blockchains.

Each of these capabilities means that businesses and financial institutions will have many

more options to conduct business independent of the banking system, with the potential to create sizable efficiencies for larger companies and open up liquidity for SMEs. That is true for each of the major categories of transaction banking services: provision of short-term liquidity and cash management, trade finance, payments, escrow services and custody of assets.

Non-blockchain fintech platforms already provide the first three without becoming banks, and DeFi adds the features of smart contract-driven workflows (business workflows that are at least partially executed by blockchain-based smart contracts, not by manual intervention or non-blockchain-based automation) and use of cryptocurrencies, a parallel, highly liquid asset class. As for the last two categories, companies that keep custody of cryptocurrency, such as Paxos, Anchorage and Kraken, are increasingly pursuing bank charters from the US Office of the Comptroller of the Currency to serve as a trust bank, offering security and regulatory safety to corporate treasury departments attracted to the cost and ease of blockchain-based services.

The SME financing gap worldwide amounts to more than $5 trillion, which DeFi can help bridge

Image: SME Finance Forum

In many ways, DeFi supports the move away from the historic primacy of the client relationship. "Transaction banking is a relationship-driven business," says Pelosi. The business model has relied on the fact that once a corporate client chooses a particular bank for one service and the bank's relationship manager establishes trust, then the client will use other services as well. This has been changing for some time, however. According to CGI's 2020 survey of transaction banking, 30.5% of businesses work with between two and five banks, and 45.8% are reviewing their banking relationships for a possible switch.

DeFi-based transaction banking strengthens the existing trend where services are atomized, and financial management relies more on technology, workflow management and risk arbitrage for credit opportunities.The crucial values that DeFi adds to these changes are permissionless access and the greater emphasis on interoperablity. Non-DeFi decentralized systems do not yet have the ease of user onboarding that encourages adoption. Workflow management and credit arbitrage across systems are almost impossible with centralized systems that do not communicate with one another.

Nowhere is that last requirement more urgent than it is for SMEs. While large enterprises seek efficiency in transaction services, SMEs require access to credit for continued business operation and survival. According to a 2020 report by the World Trade Organization, International Chamber of Commerce and Trade Finance Global, the shortfall in financing for SMEs is $5 trillion. Banks and fintech platforms have been scrambling to find a way to address that need, but the existing frameworks for servicing businesses are not a great fit. While AI and general digitization platforms seemed to be the best chance for immediate relief, the explosive growth of DeFi has also expedited the impact of blockchain.

Source: How decentralized finance will transform business financial services | World Economic Forum (weforum.org)

How Indian SMEs can build an 'Aatmanirbhar Bharat' in the post-COVID-19 world

While the COVID-19 pandemic will not be eradicated soon, the phrase 'new normal' is going to be more than a cliché. So, what does it mean for the Indian MSME sector?

India seemed to be marching towards an SME revolution; the sector is widely regarded as the industrial backbone of India.

Initiatives like 'Make in India' and 'Aatmanirbhar Bharat' are fuelling the aspirations of making India a global manufacturing hub. Many believe that by harnessing their capability of delivering the right products at the right quality parameters, at the right price, and at the right time, Indian companies can replace their rivals from other Asian countries.

In fact, World Bank estimates put the contribution of SMEs to about 80 percent of the entire Indian industrial ecosystem. SMEs are well poised to be the catalysts of economic growth in India and help the country become a $5 trillion economy, even though most of them are considered to be in the informal sector.

Yet, this informality can cause the goal to remain a pipe dream if challenges, including the lack of access to credit, skilled workforce, and input issues, are not addressed.

The inability to utilise installed capacity to the fullest runs the risk of stagnation. This article will walk you through the current scenarios and arm you with a bird's eye view of the SME industry.

First, some numbers to tell you why the challenges cannot be overlooked any longer.

As per the widely accepted definition, any enterprise that falls in the estimated revenue bracket of $20 million to $250 million comes under the SME category.

India has about 50 million SMEs, employing 110 million people and adding half a trillion in gross contributions to the GDP. This makes it the second-largest SME concentration in the world after China.

Verticals such as social, mobile, analytics, and cloud (SMAC) are growing at a double-digit rate, pushing the revolution. The SMAC segment was projected to see faster adoption and double the overall SME contribution in the national economy.

Growth and revenue generation in SMEs surpassed large corporates. It was pegged to be growing at a rate between 6 and 7 percent annually. SMEs contribute about 45 percent of the total manufacturing output in India.

A lack of funding and sustainable credit options that the SMEs need for the growth and skill

development of their workforce has been a major challenge faced by SMEs.

While these challenges existed pre-pandemic, the segment dealt creatively with them. The onset of COVID-19 has, unfortunately, resulted in body blows to the Indian SMEs - both from the procurement and sales perspectives.

A disruption like the pandemic not only hurt the supply side of the business but also led to a financial crunch and decline in product demand for most of the SMEs.

Many companies were left with no more than a month or two of operating cash. They also had to lay off a large number of their employees to survive the period.

While the COVID-19 pandemic will not be eradicated soon, the phrase 'new normal' is going to be more than a cliché.

Labour issues

The Indian SME sector is perceived as unorganised partly since most of the workers employed by SMEs are not professionally registered and recognised. This keeps the workers out of numerous governmental benefit schemes, including the Employees' Provident Fund Organisation (EPFO).

When the work stopped during lockdowns, a large section of this workforce - which had come from rural areas and small towns - migrated to native places, with a significant number refusing to return to work after lockdowns were lifted.

Consequently, even when the businesses reopened, a large number of companies had to deal with labour shortages, with some still understaffed.

In fact, most workers are not qualified as per industry standards. This not only prevents their career growth but also stops SMEs from upskilling and providing higher value-added services.

Providing health insurance and accommodation aid can also help boost employee security and loyalty.

Raw materials shortage

Similar to the labour shortage, the industries were also hit by a lack of raw materials and technology as transportation was disrupted by the lockdown.

Not only within India but international trade also plummeted, leaving supply chains high and dry. Imports such as active pharmaceutical ingredients and semiconductor chips from East Asia were affected.

Even basic raw materials, including steel for making wires (much of the steel products industry is in the SME sector) and industrial oxygen (diverted for medical use), ran into short supply.

Building robust supply chains and reducing import dependence will be part of building long-term resilience.

Collapse in demand

Lockdowns crimped opportunities for people to shop, and lay-offs sapped their capacity. As families shifted spending lower down Maslow's hierarchy, sales plummeted in everything - from consumer durables to housing to clothing.

While online shopping accompanied by the gig economy saw an uptick, it accompanied the closure of many small retailers. Connecting SMEs to the digital supply chain is a challenge waiting to be addressed through innovative solutions.

Capacity utilisation

The lack of workers and collapse in demand has impacted capacity utilisation. In the wake of the second wave of the pandemic, most of the SMEs are operating at 50 percent or less of their installed capacities.

A similar redundancy is witnessed in all aspects of SME related operations, including transportation.

The good news is that Indian SMEs have in-built resilience that helps them show greater confidence in overcoming pandemic waves. As the world recovers from the worst economic effects of the pandemic, the majority of Indian SMEs are looking at the years ahead as an ideal opportunity to consolidate their market positions.

The Government of India also acknowledged the critical financial fallout and announced numerous measures to back the SME sector.

For instance, Rs 3 lakh crore collateral-free business loans were provisioned for companies, including MSMEs.

Two lakh NPAs or stressed SMEs were to be offered Rs 20,000 crore as subordinate debt. Further, an MSME Fund of Funds worth Rs 50,000 crore was announced which was to be used for equity infusion under various schemes. Investment limits for MSMEs have been raised, and e-markets will now be promoted to replace the on-ground exhibitions and trade fairs.

These are all appreciable steps, but they also need to be backed by several other important ecosystem services, including the creation of social security, health insurance, and cash transfer schemes for the workers, and easy sustainable finance for the companies.

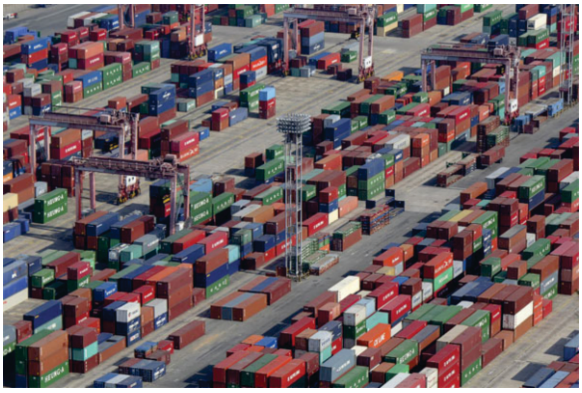
Similarly, digital delivery channels like e-markets should be further optimised for more efficient outcomes.

As we have seen across business verticals, the Indian SMEs staggered a little due to the pandemic hit. However, they are well-poised to surge ahead and make India truly Aatmanirbhar.

We only need to back them financially through government stimulus and funding, and also through the 'Vocal for Local' initiative, which would help them generate greater revenues.

Source: [Podcast] Entrepreneur Niraj Singh on the hurdles on the way to Spinny's success (yourstory.com)

SME exports post record growth for 1H, increasing 22%



Getty Images Bank

Exports for Korean small-to-medium-sized enterprises (SMEs) have recorded an all-time high during the first half of this year. According to the Ministry of SMEs and Startups, a trend survey for the 1st half of the year showed exports for SMEs amounted to 56.5 billion dollars, up 21.5% year on year. The export volume for the previous two quarters alone is a record high on a quarterly basis.

The news is certainly welcome news amid the continuing spread of COVID-19 and new strains such as the Delta variant. We'll take a closer look at the figures and support measures for Korean SMEs with Cho Yong-chan , head of the Korea-China Economic Research Institute.

SME exports reached $56.5 billion dollars during the first half of this year, showing that exports have fully recovered to pre-COVID levels. By month, exports have been increasing for eight consecutive months since November last year. Exports for the top 20 items which make up 50% of all exports were the driving force, increasing a whopping 27%. The top export items were COVID-19 related quarantine products such as PCR testing kits which were exported to 180 countries around the world. Thus, exports for medical items recorded nearly $2 billion dollars, increasing 225%. Also, as electric vehicles are becoming more popular all over the world, related auto parts exports recorded $2.1 billion dollars, increasing 26%. Semiconductor exports to Chinese-speaking countries saw a 45% increase, recording $1.5 billion dollars. By country, exports to 10 major countries, which account for 69% of all exports, increased by a whopping 19.4%, while all-time highs were recorded for exports to the U.S. and Germany.

Exports overall have increased but the rate of increase for online exports was astonishing. Compared to the same period last year, online exports grew 101%, reaching 77% of last year's total exports during the 1st half.

The biggest online export items were cosmetics and clothing, showing that Hallyu or the Korean Wave had a positive impact on SME exports. SME exports showed even growth by sector because major economies saw economic recovery in the 1st half.

Exports for the 1st half moved in the V-shape because major export destinations such as the U.S., China and EU showed economic normalization thanks to vaccinations. In addition, Korea's efforts for the past two years to foster SMEs in materials, parts, and equipment worked as a favorable factor. The world is moving quickly towards digitalization in preparation for the post-COVID era which has helped increase exports of Korean electronics, semiconductors and parts as they have competitiveness.

It seems SMEs have overcome a major hurdle, but it was not an easy process. As they fought their way through the pandemic, their debt grew. According to the Bank of Korea on July 20, as of the end of March, loans taken out by SMEs increased 12.8% on year, in contrast to 7%

for conglomerates and 9.5% for households.

We also do not know if we are at the end of the tunnel for COVID-19. As interest rates are expected to rise, it is evident that the interest burden will increase in the future while the economic situation will inevitably worsen due to the recent strengthening of social distancing measures to level 4.

Interest rates for loans at commercial banks have increased nearly 1% in the past 1.5 years. If the shock from the delta variant continues, it could lead to a decrease in consumption and production. As such, a soft landing plan for SMEs' debt has become urgent. Meanwhile, COVID-19 has caused a lot of damage to the nation's labor market, as shown by the 26% increase in the number of long-term unemployed. This means that companies are introducing automation equipment or switching industries due to the aging population and rising wages, resulting in a significant decrease in jobs.

The government's recent announcement to help local SMEs was welcome news amid these difficulties. The Ministry of SMEs and Startups announced that a proposal for the "Local SME Act" passed the Cabinet meeting on July 20. The proposal includes plans to nurture regional companies driving innovation and preferential support for SMEs outside of the Seoul Metropolitan area. The Ministry of SMEs also announced it will help SMEs gain competitiveness sustainably by helping them to respond to the rapidly changing business environment caused by COVID-19.

Although Korea has entered the ranks of advanced economies, it does not have a separate legal system to support local SMEs. Although belated, related laws to promote co-prosperity and revitalization for local businesses will help to establish research centers and financial institutions dedicated to supporting small business owners. The specialized financial institution will help SMEs for funding and management support. The government has been keen on discovering and supporting innovative startups in the parts and materials sector through projects like "Parts & Materials Startups 100." The new regulations will allow such projects to begin in earnest. Meanwhile, just the fact that infrastructure at the local level will be established will be of great help to SMEs, especially in the event of disasters such as the COVID-19 crisis, as it allows for an immediate response system to operate.

A recent report suggested that the domestic startup and venture ecosystem expanded by 2.8-fold over the past 10 years. The figure is from the Ministry of SMEs and Startup's "Startup & Venture Ecosystem Comprehensive Index," which quantifies startup and venture industry trends. Although the figure shows great improvement, it also shows that despite increased government investment, the participation rate and activity by companies remained relatively low.

The Ministry of SMEs and Startups quantified trends for the nation's business startups and ventures announcing the "Startup & Venture Ecosystem Comprehensive Index." The index showed that government funds were not being delivered to companies that actually needed them and the funds were not helping to strengthen competitiveness. The index also showed that, unlike the U.S. or China, the overall environment is not friendly towards companies striving for innovation. This is while various licensing and environmental regulations are preventing their growth, leading to their takeovers. As such, I believe if the index is used well, it will show which direction SME support should move towards. Exports

are expected to remain strong in the 2nd half of this year. As such, online and non-face-to-face marketing support is urgently needed for promising industries. Meanwhile, it is also necessary to secure ships or containers to handle the increasing export volume and secure raw and subsidiary materials that have run out. The government also needs to provide preemptive measures to shorten the career discontinuance period for the unemployed. In addition, if the latest supplementary budget leads to not only the resolution of logistic difficulties for SMEs but also policy measures to defer principal and interest payments or debt settlement plans, I think these will all help SMEs greatly.

Around 90% of Korea's businesses are SMEs. Strong SMEs create strong medium-sized companies and strong medium-sized companies make strong conglomerates. This cycle ultimately results in strengthened competition for Korean businesses. We are rooting for Korean SMEs persevering through the COVID-19 crisis and hope they will continue to be a driving force for Korea's economic growth.
Source: SME exports post record growth for 1H, increasing 22% l KBS WORLD

Start up

African startups join global funding boom as fintech shines

The Exchange is on a trip around the world, poking our heads into various startup markets to better understand how different geographies are faring during a historic boom in venture capital activity. Globally, the venture capital world is afire, pushing record sums into upstart technology companies. But the capital is not flowing evenly.

For example, the explosion in capital raised by U.S. startups this year is contrasted by a modestly cooling Chinese venture capital scene. But apart from China, most key startup countries and regions are seeing strong investor interest. The continent of Africa is no exception.

Early data indicates that Africa is set to trounce historical records in terms of venture capital raised in the year and that the first half of 2021 saw roughly twice the funds raised by African startups as was recorded in the first half of 2020. Startups across Africa have never had more access to capital than they do right now.

But big numbers can be distorting. A few outsized rounds can make an overall investment picture appear rosier than it may actually be for startups on the ground. To fully understand a startup market's capital access, we'll want to better understand the stages where capital is flowing quickly and the points of startup life where it's more of a trickle.

To that end, The Exchange collated a number of data sources concerning Africa's Q2 2021 and H1 2021 venture capital performance and collected notes on the results from Dario Giuliani of Briter Bridges, a business data provider focused on Africa, and Julio Dibwe Mupemba of Toumaï Capital to expand our understanding of the continent.

Let's figure out which startup stages have the easiest and hardest capital access, whether Africa remains underfunded, understand changing diversity in founder funding, and just what's up with impressive fintech venture totals in recent quarters.

A 2021 comeback

After a somewhat difficult 2020, venture capital flowing into African startups is back on the rise, with reports indicating that investments raised in the first half of 2021 totaled more than $1 billion, albeit with small variations - data discrepancies are a recurring issue when it comes to VC data. There are structural reasons for slightly divergent numbers that have not completely disappeared, but our different sources still concur on the general trend and ballpark results.

For instance, the Africa-focused Substack newsletter The Big Deal reported a $1.14 billion H1 2021 total for deals above $1 million and $1.19 billion when including deals in the $100,000 to $1 million range. Those numbers coincide with Briter Bridges' own count of $1.2 billion in disclosed funding between January and June 2021, and with a $1.03 billion estimate from the Global Private Capital Association (GPCA). These figures are also in line with 2021 predictions from tech accelerator AfricArena, which in a report earlier this year estimated that "investment into [African] tech startups will be between $2.25 and $2.8 billion, making it the best year in the history of tech investment on the continent."
Source: https://zephyrnet.com/african-startups-join-global-funding-boom-as-fintech-shines/?__cf_chl_jschl_tk__=pmd_f392e10d1f3194f28c1d3ffd89f79bef0281547a-1627629818-0-gqNtZGzNAiKjcnBszQii

Data Center World Unveils the Inaugural Data Center Startup Challenge Finalists

Data Center World, the leading global conference for data center, facilities and IT infrastructure, today unveils the inaugural Data Center Startup Challenge finalists. The contest pits data center technology startups against each other, and judges will determine the companies with the best opportunity for success. Data Center World is AFCOM's annual global gathering and will take place August 16-19, 2021 at the Orange County Convention Center, in Orlando, Florida. Register to attend here.

Tara Gibb, Senior Director, Data Center World said, "The companies selected to participate have been developing and/or selling a technology solution that directly impacts the data center or data center professionals. They represent the ongoing innovation in the data center marketplace. We wish them the best of luck when they compete on-site at Data Center World next month."

The inaugural Data Center Startup Challenge finalists include:

- Chekhub: Offers an operations software management platform
- Folio Photonics: Reinvents archival storage with modern optical storage technology
- Hydromx: Supports energy saving heat transfer fluid for data centers and more
- Layer9 Datacenters: Provides a turnkey compute, storage and network platform
- Metify: Offers an on-premise bare metal as a service platform for edges, cores and datacenters
- Blue Mamba: Supports the data center industry's only patented self-expanding gap sealer

The contest will take place live on stage at Data Center World on Wednesday, August 18 at 3:30 p.m. The finalists will present a ten minute "elevator pitch" and answer questions from the judges.

The inaugural Data Center Startup Challenge is judged by a panel of industry thought

leaders from the market research, editorial, and investment communities, including:

- Jane Hsieh, Senior Director of Sales, Aligned
- Moises Levy, PhD, Principal Analyst, Omdia
- Bill Morelli, Chief Research Officer, Omdia

Winners will be chosen by the panel based on their presentations on stage, and presentations will be judged on Most Disruptive Technology; Best Chance for Market Success; Best Ability to Gain Additional Capital; and Most Influential Founding Team.

Data Center World is taking steps to ensure attendee, exhibitor and partner safety. Data Center World will adapt parent company Informa's AllSecure Plan at the event. AllSecure is Informa's approach to ensuring the highest standards of safety, hygiene, cleanliness and operational effectiveness for all exhibitors, attendees, speakers and press. Learn more about Data Center World's health and safety plan here.

About Data Center World

Data Center World is the global conference for data center, facilities, and IT professionals. It offers premier education, abundant networking, and the broadest access to best-in-class vendors. Designed to help data center and IT infrastructure professionals with challenging issues, Data Center World presents top quality knowledge without bias towards a specific vendor product or service. Data Center World will be held August 16-19, 2021 at the Orange County Convention Center in Orlando, Florida. Data Center World is brought to you by Informa Tech.

About AFCOM

AFCOM advances data center and IT infrastructure professionals by delivering comprehensive and vendor-neutral education and peer-to-peer networking to its members around the world. Through forward-looking research, AFCOM supports thousands of IT, operations, facilities, builders/designers and vendors working in the data center and IT infrastructure industry. In serving the data center industry for more than 40 years, AFCOM has earned recognition as the market leader in educating, connecting and guiding the data center community.

About Informa Tech

Informa Tech is a market leading provider of integrated research, media, training and events to the global Technology community. We're an international business of more than 600 colleagues, operating in more than 20 markets. Our aim is to inspire the Technology community to design, build and run a better digital world through research, media, training and event brands that inform, educate and connect. Over 7,000 professionals subscribe to our research, with 225,000 delegates attending our events and over 18,000 students participating in our training programs each year, and nearly 4 million people visiting our digital communities each month.

Source: https://www.bakersfield.com/ap/news/data-center-world-unveils-the-inaugural-data-center-startup-challenge-finalists/article_4e52494a-b1a1-5b69-ba2f-959d13a117aa.html

How startup incubators can become the launchpads for a modern economy

If targeted sectoral growth has to be facilitated, it has to come through startups. Incubators

are the route towards channelising government support to potential startups.

In 1959, the world 's first start-up incubator - the Batavia Industrial Center - was launched in Batavia, a small town about 35 miles west of Rochester in the US. Founded by a hardware store manager, Joe Mancuso, it provided hatchery space to surplus chicken, as well as aimed at reviving the local economy by generating jobs when the unemployment was to the hilt.

One may feel the main purpose of incubators is to help early-stage startups scale up and raise funds, but the core belongs in the annals of history.

An incubator dons various roles for a startup, but looking at a broader prism, it readies an ecosystem that helps build the local economy, and thus contributes to the national gross domestic product.

Expanding beyond metro

The genesis of startups no longer lies just in metro cities. India now has emerging startup hubs in cities such as Jaipur, Ahmedabad, Kolkata, and Kochi. Small towns such as Kanpur, Chandigarh, and Coimbatore are registering nascent startup growth.

Amid the COVID-19 induced lockdown, with businesses being shut and people losing jobs for the second year in a row, a few startups in the ecommerce and edtech spaces are hiring aggressively, especially in local regions.

Incubators play a vital role in talent acquisition. They build a parallel economy not just by focusing on startups but also boosting allied services such as legal assistance, marketing, patents, design, and regulatory and compliance support.

Take, for example, India's leading fintech startup, Razorpay, which found early-stage support in US-based startup accelerator Y Combinator - a Jaipur-based fintech startup that turned unicorn and has a pan India user base. It is one among many startups backed by an incubator, and such a presence of notable startups opening up opportunities. Taking global examples, Microsoft has brought big transformation in Redmond, where it is headquartered, and Google has changed Mountain View, California.

Small businesses are the backbone of the economy. Most of them fail due to the lack of required support. Incubators play a key role in arresting the high failure rate of SMEs, thus making way for sustainable employment growth in the local region.

Region-specific innovation

Startups tend to align with the spirit of the region. For example, Bengaluru, called the Silicon Valley of India, attracts tech startups. Mumbai is known to harbour fintech startups, while Tamil Nadu is famous for automobile startups. Recently, Ola Electric, one of the sister companies of cab-hailing platform Ola, announced a Rs 2,400-crore investment plan to set up India's 'biggest electric scooter manufacturing plant' in Tamil Nadu.Startup incubators support early-stage businesses to expand their footfall across regions. Most of the incubators and accelerators have a technology focus, with a sub-focus on segments such as cloud computing, big data analytics, machine learning and artificial intelligence, and fintech.

Fintech gained a lot of traction post-demonetisation when millions of Indians adopted non-

cash payment methods to transfer funds as well as for sale and purchase.

Incubators - public-private partnership

Governments the world over now support the startup universe to catalyse economic growth. Incubators, with their wide network and connections, act as a bridge between the government and startups.

Take, for example, the UK government. It announced a £375 million (about $523 million) additional funding support to the Future Fund launched last year. The Future Fund invests in innovative companies in life sciences and technology. Another £520 million funding plan called Help To Grow has been announced to invest in training and productivity-enhancing software for small businesses.

In India, Rajasthan Chief Minister Ashok Gehlot announced a fintech city in Jaipur, earmarking Rs 106 crore for the initiative. The RIICO (Rajasthan State Industrial Development and Investment Corporation) - in collaboration with incubators - has plans to build the infrastructure such as roads and parking, streetlights, water, electrical energy, parks, neighbourhood services and public utility in the region. The government also announced seed funding up to Rs 25 lakh to support local startups.

NITI Aayog's Atal Innovation Mission and the Department of Science and Technology, are already serving a growing number of startups with the support of academic and private incubators.

A Hyderabad-based incubator, T-Hub, in association with the Telangana government, has incubated healthcare startups providing thermal checks, oxygen cylinders, and other COVID-related support.

Hyderabad-based healthcare startup The Phi Factory has partnered with the Telangana government to provide affordable COVID-19 screening tests to the public. Kochi-based tech startup, VST Mobility Solution, has partnered with Kerala government to deliver food, medicines and other consumables inside isolation wards in the state. Such public-private partnership via incubators is key to sustainable start-up growth.

According to the latest data by Startup India, India has more than 41,000 recognised startups from various states and union territories. The country is home to 34 unicorns, making it the third-largest country with the most unicorns. However, the country has only about 400 accelerators and incubators combined.

If targeted sectoral growth has to be facilitated, it has to come through startups. Incubators are the route towards channelising government support to potential startups.

As India prepares for its economic leap, it is important for all relevant stakeholders like government, industry bodies and entrepreneurs to come together to plug the gaps and help startup incubators to realize their true potential.

[Podcast] Entrepreneur Niraj Singh on the hurdles on the way to Spinny's success (yourstory.com)

Women Wing

How women can power the next wave of tech startups

This is an exciting time to be in the field of technology as our economy undergoes a digital transformation. Venture capital funding in India is at an all-time high this year, with startups raising over $12.1 billion in the first six months alone. Despite the challenges of the second wave of covid, we saw as many as 16 startups funded to unicorn status this year, bringing Indias current total to 52 tech unicorns since 2011.

It is also a good time to ask this question: How many of these unicorn startups are led by a woman chief executive officer (CEO)?

The answer? Only one. Nykaa, led by its founder-CEO Falguni Nayar.

We are in 2021, but gender inclusiveness, both globally and domestically, still needs much work. While India holds the distinction of hosting the worlds third-largest startup ecosystem, only five of the 52 current tech unicorns have female co-founders. The countrys startup landscape does not have adequate womens representation and we have a long way to go before we reach a level playing field.

Consider the funding bias. It is now well established that women entrepreneurs struggle to raise funds for their ventures. According to a study by Kauffman Fellows in the US, the funds raised in 2018 alone by all-male founding teams exceeded the amount raised by female founding teams over the past 19 years combined. Nothing much has changed to close this gap.

When it comes to funding, women face extra scrutiny, often beyond what their business plans would justify. There is an unconscious bias that female founders are typically subjected to, especially if they are the ventures prime mover or CEO. Between January 2018 and June 2020, female CEO-led startups received less than 1.5% of the total money raised by startups in India. Social and cultural biases also make it harder for women to embrace the rigours of entrepreneurship.

While we can debate and create policies for conscious discrimination and biases, our real challenge is to remove the embedded, unconscious biases that we tend to exercise without a thought. These play out in significant ways when it comes to funding. As an outcome, women need to work harder to make investors believe in their vision and goals. For the few who manage to get early-stage funding, the challenge is not over. Growth funding, with its dependency on capital networks and access, apart from performance, is often a valley of death for female founders.

Then, theres a problem of lack of support and role models. Entrepreneurship is lonely at its best, but for female founders, it is much worse. Our ecosystem tends to exclude women entrepreneurs from networks of learning, mentorship and access to growth enablers. Inherently, women are pressured into guilt about prioritizing their careers over personal lives. They feel anxious about failing, are ridden with self-doubt, and often find themselves pushing harder to meet their goals. Moreover, most women must succeed at work while being responsible for high standards of family care-giving.

A part-reason for that exclusion is the absence of women leadership networks and adequate role models who have paved the way for others. Women entrepreneurs have

fewer success stories to draw inspiration from, fewer networks to tap, and usually lack a positive support system that can nurture and encourage them.

It is time to do something. Even small steps and small victories can create strong ripple effects.

Spark the conversation: Change starts small. It starts by questioning our everyday unconscious biases and creating a dialogue. Lets ask uncomfortable questions. To make a difference, we need to create awareness, fuel this conversation and start a fire, so to speak.

Create inclusive spaces: We need to create spaces for women where we learn from one another, explore opportunities and tap pools of potential. We need a vibrant community that will support, encourage and champion women entrepreneurs.

Lead by example: Women mentors must play their role well for a sustainable and inclusive future for more women. The pathmakers who have survived the challenges need to set standards for leadership that will make it easier for the next generation of businesswomen to follow.

The emergence of women entrepreneurs might have been slow, but the phenomenon is on a steady rise and we can do more to accelerate it. The pandemic also witnessed a surge of women entrepreneurs in rural India. Equipped with innovative solutions and a drive to be financially independent, they adopted digital solutions.

Encouraging and supporting women entrepreneurs will do the country a better turn than is often assumed. It will have a significant impact on the Indian economy and our society as a whole. Gender inclusivity is about financial independence, and we must enable women not just to earn money, but also generate jobs for others.

In general, too, we need more women at the top for India to benefit from diverse insights and ideas. Our women entrepreneurs today are confident, digitally savvy and determined to succeed. They can be drivers of Indias journey of digital transformation towards a $5 trillion economy.
Source: How women can power the next wave of tech startups - Mint | Prometheism Transhumanism Post Humanism (euvolution.com)

One more way the startup world hampers women entrepreneurs

Before launching new products, entrepreneurs are often filled with doubt: Will their ideas successfully take off in the marketplace-or will they fall flat? To cut down on uncertainty, creators can post their inventions on platforms such as Product Hunt, where early adopters examine and beta-test new apps and other products, offering feedback to help entrepreneurs refine their ideas.

However, there's a caveat to this feedback: 90 percent of users on Product Hunt are men, according to a recent working paper by a trio of Harvard Business School researchers called Biased Sampling of Early Users and the Direction of Startup Innovation.

"You're missing out on information from a huge swath of the population," says Rembrand Koning, an assistant professor in the Strategy Unit, who wrote the paper along with Sarofim-Rock Professor of Business Administration Ramana Nanda and postdoctoral fellow Ruiqing "Sam" Cao.

That reality is particularly problematic for female entrepreneurs, who are more likely to invent products that address the needs of female consumers. "You could imagine those products being discounted because the men on this platform often lack the lived experience to value the potential appeal of the product,'" Koning says.

This gender gap is hardly limited to Product Hunt. Men also comprise 75 percent of visitors to Kickstarter, 67 percent to Indiegogo, and 79 percent to Y Combinator's Hacker News. And of course, they dominate the conference rooms of venture capitalists and tech companies that are making decisions on investing in new products. "When you are trying to grow a startup, the people you are getting advice and feedback from are overwhelmingly men," Koning says.

That phenomenon, known as "sampling bias," is likely less a result of active discrimination against women, Koning says, than it is a lack of representation in the sample of people giving feedback. Nevertheless, it could have potentially serious consequences for a product's success.

Female-focused products experience less growth

To test that effect, the researchers examined some 6,000 products released on Product Hunt in a two-year period between 2016 and 2018. Using machine learning, they analyzed product descriptions to classify products according to how much they appealed to female consumers.

An app that allows pregnant women to request a seat on public transport, for example, was rated more than 99 percent female-focused, while an app using artificial intelligence to help managers with diversity was rated at 75 percent. "You can imagine that given the barriers women face in labor markets, they would want managers to use it more," Koning says.

When they examined product performance over time, they found that on a platform where nine-in-10 users are men, typical female-focused products showed 40 percent less growth than male-focused and gender-neutral ventures a year after launch. In addition, the female products had fewer users and lower rates of venture funding.

"If you want a platform that is more diverse, then you need the larger ecosystem to be more diverse.

Of course, one explanation for the discrepancy could be that female-focused products just sell worse overall. Koning and his colleagues, however, used a clever technique to test that assumption. Product Hunt sends out a daily newsletter, in which it features previously launched products.

The researchers figured that on days in which the newsletter featured women-centered products, more women would be drawn to click on the link to bring them to the site. "They might tell their friends about it, and share it on Twitter or Instagram, so on those days you are getting a lot of female engagement," Koning says.

Sure enough, when they examined the success rates of products on those days, they found growth and venture funding for female-focused startups were just as strong as their male-centered competition. Koning surmises that on those days, founders received positive feedback that not only helped them refine their product, but also made them made them more apt to overcome discouragement and stick it out in the marketplace. "They are likely to keep putting effort into it," says Koning. "In essence, they are getting a better sample to estimate their product's potential."

Entrepreneurs need feedback from their target audience

The study, says Koning, demonstrates how important it is for entrepreneurs to seek out feedback from early adopters who are demographically similar to their target users in order to accurately gauge the market.

“If Product Hunt doesn't go well, then maybe find other channels, build out focus groups, explicitly ensure that you are engaging with those people," Koning suggests.

While the study only looked at women, the findings could apply to any group that is underrepresented in test audiences for tech, he adds, including people of color and rural consumers. Some venture firms have taken the initiative to specifically seek out products appealing to those underrepresented groups, such as X Factor Ventures, which focuses on women, and Harlem Capital Partners, which focuses on people of color, looking for an edge with products that other players may miss.

Ultimately, however, the product testing world is a reflection of the wider world of tech, which is dominated by white, urban, professional men. To truly recognize the potential of products appealing to women and other groups, Koning says, companies must continue the hard work of diversifying their personnel.

"At the end of the day, the reason most of these platforms are dominated by men is because all the venture capitalists and engineers and other founders are mostly men," Koning says. "If you want a platform that is more diverse, then you need the larger ecosystem to be more diverse."

Source: https://www.forbesindia.com/article/harvard-business-school/one-more-way-the-startup-world-hampers-women-entrepreneurs/69301/1

How Women of Color Are Using Equity Crowdfunding to Achieve Success in the Tech

It takes a lot of effort to start a company from scratch. From coming up with an idea that is commercially viable to sourcing a team to marketing the product to consumers, a high degree of acumen and drive is required.

The real test of endurance, however, is finding the money to get it all going. There are plenty of roads to take: bank loans, government grants, friends and family, angel investors. But in the tech world, venture capital-a form of private equity and a type of financing provided by investors-is often the quickest path to raising large funds.

"If you need $2 million to start your company, VC is the way to do it," says Ethan Mollick, a professor at the Wharton School of the University of Pennsylvania, where he specializes in

innovation and entrepreneurship, and the author of The Unicorn's Shadow: Combating the Dangerous Myths That Hold Back Startups, Founders, and Investors. "My favorite analogy for venture capital is that it's rocket fuel, which is really great if you're building a rocket and really bad if you're not."

The problem is that the launchpad to success is guarded by a select group that is unabashedly homophilic. "The original venture capitalists tended to be either Ivy League- or Stanford-educated white men," Mollick notes. "And because venture capital is a business about knowing people and making judgment calls on people, the networks that they were drawing from look like them."

This means that from the go, women of color are at a disadvantage. The playing field is not level; entrepreneurs who don't have the same "pedigree" as these investors, despite whatever successes they might have achieved in the past, are less likely to be seriously considered. When presenting in a boardroom, if given that opportunity at all, Mollick says women are asked "how they're going to avoid losing, whereas men are asked how they're going to win."

"If you take away bias, I'm not sure that investors really know what they want," says Lauren Maillian, an angel investor and the interim CEO of DigitalUndivided, a non-profit organization that leverages data to help change perceptions of what makes a sound investment in order to create opportunities for Black and Latinx women entrepreneurs. "We've seen white boys get invested in time and time again; they fall flat, they lose money, they go bankrupt, they return nothing to their investors, but they get another idea and get funded again," she continues. "I know many in the space on their third business, and none of them has been profitable. Women of color don't get that opportunity."

As a result, many of these founders have looked to alternative sources for financing, like equity crowdfunding. Through platforms like AngelList, Microventures, and Fundable, they are able to raise capital from the general public in return for small shares of the company. "It's the path of least resistance that lets women have the flexibility and power to let their story work for them on its own accord," says Maillian.

Still, there is a negative stigma around garnering capital this way, primarily because it's a relatively new method and has yet to "have a big winner in the space," says Mollick. "It's been tried for five years, and there are no big successes."

Here to change that are Dawn Dickson-Akpoghene, Angela Benton, Maxeme Tuchman, and Sharmi Albrechtsen, four women of color and entrepreneurs in the tech world who have gone through the VC system with little to show for it. They spoke with BAZAAR.com about how opening themselves and their companies to the general public could reap far greater rewards-and ultimately skyrocket their success.

Dawn Dickson

n 2000, Dawn Dickson was studying journalism at Ohio State University. AOL Instant Messenger was blasting off, and email platforms began to see a host of new users. Dickson soon realized that the future of communication would be virtual and that consumer spending would go digital, so she decided to pivot and, as she says, "gain tech skills that would be competitive in the

workforce." She became a serial entrepreneur upon Igraduation, founding various media platforms and working with tech-enabled businesses until 2011, when she launched Flat Out of Heels, which sold roll-up ballet flats out of vending machines at clubs and airports in order to provide women relief from heels and other uncomfortable footwear.

Dickson saw a niche to be filled, a commodity that provided consumers with greater ease. But she also saw that there was more to the business than simply selling comfortable shoes. A year later, she developed PopCom, a software company that allows vending machines to collect data about their customers and gain insight into their user experience. "I really wanted to make omnichannel sales really possible for brands and retailers, including myself at the time," she says.

To garner a competitive edge in the software space, Dickson enrolled in Techstars, a noted accelerator program that helps scale burgeoning technology firms, which provided PopCom with its initial investment. She also raised funds from accredited angel inventors and, yes, venture capitalists, primarily in her native Columbus, Ohio, becoming one of the first 25 Black women in the country to raise a million dollars in this way. Dickson accomplished this feat knowing that vending machines weren't a "sexy, popular thing." She had to "educate [potential investors] about the market opportunity and really explain what [she] was working on building."

But Dickson proved less successful in her second round of fundraising. "VCs are not really big on follow-ups," she explains. On top of that, she was located away from the deep pockets of Silicon Valley and was tired of trying harder than the rest to get a seat at the table.

POPCOM

"From what I'd seen with my peers, going through Techstars, other programs that I'm a part of, and my network, I felt that no one ever directly said, 'I'm not going to invest because you're Black and a female,'" Dickson recounts. "I would hear things like, 'We've already invested in a company like yours,' or, 'We don't invest in this category,' but then I would see them later invest in something similar. The overall VC experience didn't sit well with me, so I started to really think about alternative paths to raising capital."

In 2017, the Securities and Exchange Commission (SEC) revisited certain laws under the JOBS Act, which stipulates how businesses are able to raise capital. Since 1933, there had been regulations in place that prevented the average person, one who made less than $200,000 annually, from investing in early-stage deals prior to companies making their initial public offerings. This curbed many marginalized groups from getting in on the action from the onset. "If you're a Black person, nine times out of ten, you do not have inheritance, because our grandparents weren't allowed to own property and have things, then you can't make an investment," Dickson explains.

But thanks to a change in statutes, equity crowdfunding has become a tenable way to procure funds for a startup. Not only does it do away with the stipulations that are often requisite with VCs-offering preferred shares, board seats, and large parts of equity-it also fosters opportunities within a close-knit group. Friends, family, and those who really believe in the company are able to put their money where their hearts are.

"I'm very passionate about creating generational wealth in my community-for myself, for my team," says Dickson. "VCs are always acting in the interest of their investment and not of the overall company. All this played a role in my decision to do something that was, at the time, considered very unorthodox-and still kind of is." Crowdfunding, however, comes with its own hurdles. After landing on StartEngine, a platform that allows entrepreneurs to seek small investments from the public, in 2018, Dickson had to ensure maximum visibility. "I had to put together a strategy that could reach hundreds of thousands of people, getting enough traffic so my campaign could convert," she explains. "It's really a numbers game at this point. You have to get people to come, be aware of your campaign, read about it, click, and go through the entire investment process." Dickson's efforts paid off-within 47 days, PopCom had raised one million dollars by "using that same strategy of just flooding every possible channel that we could."

It takes a great deal of time and effort to crowdfund, but for Dickson, it puts her in the driver's seat rather than being a passenger. "I could have been discouraged, but instead I worked toward making it easier for people that follow me," she says. "That's how I think about it. Yes, I'm shoveling the dirt in front of me, but I'm clearing a path. Somebody had to do that for every single one of us. Somebody needed to pave the way."
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ANGELA BENTON
ANGELA BENTON, STREAMLYTICS

Angela Benton built her career on uplifting Black professionals in tech. After receiving her MFA from Savannah College of Art and Design in 2007, she founded the now defunct Black Web 2.0, a TechCrunch for the Black community, where she served as editor, profiling up-and-coming tech entrepreneurs and analyzing culture and trends in the industry. Four years later, she created NewME, the first accelerator program for minorities, which raised over $47 million in venture capital funding. In the process, Benton received numerous accolades from Goldman Sachs, Fast Company, and Business Insider, and was featured on CNN's Black in America with Soledad O'Brien, where she highlighted the racial and gender inequalities in Silicon Valley and other hubs for venture capital firms.

"It actually was the catalyst for all the conversation that's happening right now around diversity in tech," Benton says of her appearance on the broadcast. "Our profile there is what started all of these conversations that have been happening over the past decade."

Benton's latest endeavor is Streamlytics, a company founded in 2018 that helps anyone reclaim their online data from tech corporations. The buying and selling of this information is already being done without consumer input, so Benton set up a system that lets the average person sell that data to Streamlytics and get a piece of the profits. "You own your data, we're just licensing it from you," she explains. "We also strip any personal identifying information from any data that's connected to any of our products. We're really a privacy-first company, which is really where the Internet is going nowadays."Finding funding for Streamlytics should have been a no-brainer. In fact, a network of investors came knocking with offers, and Benton used them as pre-seed to get her business off the ground. But after learning about the new SEC regulations in 2017, and knowing the culture of venture capital firms all too well, she decided to pass on all subsequent offers.

STREAMLYTICS

"A lot of people think venture capital is risk capital. It's not," she says. "They are in the business of generating returns for their limited partners. And one of the ways that they do that is to optimize for the best outcome. And they do this by looking at other things that have been successful and build patterns around that. The issue is that other things that have been successful in the past don't include people of color. It's very much a systemic issue."

Benton describes one interaction she had with a VC firm, when she left the meeting feeling belittled and completely discouraged. "They were elitist and prejudiced, and because of that, they were not a good fit for Streamlytics," she says. "And it's okay to say that. Part of the reason why I shared that on Twitter at the time is because founders of color need to know that you can do that."

With no desire to hit Silicon Valley's famed Sand Hill Road to raise capital only to experience the same interaction again, Benton instead filed the paperwork to launch a crowdfunding campaign, having seen the success that Dickson-a friend and fellow member of several female founders groups-achieved using this channel. "Dawn was the first woman of color to crowdfund successfully," she says. "And for me, it didn't make sense to try to re-create the wheel. What Dawn did has worked twice for her, so I did the same exact thing. Dawn was on StartEngine, so I went on StartEngine. Dawn did XYZ, so I did XYZ."

After posting her campaign in June of 2020, Streamlytics received the maximum amount of funds that is allowed to be raised on the platform (just over one million dollars) in eight days without running ads or doing any paid marketing. Rather, Benton brought on first-time inventors to StartEngine. From the beginning, she has made it her mission to boost the standing of Black people not just in tech, but across all industries. And by utilizing crowdfunding, she is giving true believers a chance to engage in the "next-generation data intelligence ecosystem" at the ground level.

"These are people who are from minority communities," she says. "These are people who are excited about investing in a Black founder who is building a technology company. It was really transformative, especially in the time and age of what's happening around racial equity in the world. It's just night and day from raising money the typical way. I feel like I've been doing it wrong all of these years."

MAXEME TUCHMAN

MAXEME TUCHMAN, CARIBU

After graduating from Harvard University with two degrees-including an MBA-in 2012, Maxeme Tuchman worked for numerous organizations and companies in the realm of child education. As a self-professed "problem solver," she saw that there were complications in the field's feckless bureaucratic structure, which sees "adults fighting with adults," and where kids are left out of the conversation.

"I'm a natural-born hustler," says Tuchman, who realized edtech was the future of education. "My family has fled countries. We're

In 2015, she founded Caribu, a video-calling platform that integrates books and activities to allow kids and their families to partake in fun, scholastic activities, no matter where they're located. "We create virtual playdates with a kid's family and friends when they can't be physically together," she explains. "That's been our mantra even before the pandemic. Now, obviously, it's extremely important that kids have a better video call experience that is more educational, engaging, and entertaining."

With an inventive concept and an impressive academic record, Tuchman believed that finding investors would be a cinch. "When I started, I had a lot of hubris," she says. "I thought I was going to raise a million dollars tomorrow-but that wasn't true."

Tuchman started by appealing to angel investors, who all essentially told her, "Well, we don't know, and you're unproven, and you have a nice fancy degree, but we don't care." So she tried her luck with venture capital firms, and found the route even steeper to climb.

"I realized there was a false assumption placed on me that didn't expect me to know how to run a business," she says. "People were looking at me and thinking, 'Oh, it's education, and she's a woman. She probably doesn't understand how the numbers work.' I was more than prepared, and still VC investors were telling me that they need to see more numbers. Then I started wondering, 'Is it me? Is it my background? Is it the assumptions that they're making? Or is it the business?' You just never know."

All the rejection took its toll on her confidence, but, determined to see Caribu succeed, Tuchman found another channel to raise capital: pitch competitions. "We were the winner or finalist in 30 of them, which really kept the company alive," she says. "We would clean house, and it was awesome." But four years after founding the company, with mounting expenses and the summer of 2019 ("the worst time to meet with investors unless you are a white dude with a hoodie who has the coolest, hottest crypto-credit-card-bank thing") drawing near, she needed funds fast, so she tried her hand at equity crowdfunding. "We chose Wefunder, because, at the time, it was bigger than the others. It's all a numbers game. I wanted to access the most investors."

Steadily, they came pouring in by the thousands. Not only did they believe in Caribu, they also were active users of it. "They're glam-mas," Tachman says. "Our core customer is the glamorous grandma or abuela fabulosa in español. She would see our product and realize, 'Wait a second, I think this product is amazing. I have the money to invest. I want to become a startup investor. I want to get into private companies.' She both became our investor and our customer."

Even if there is "negative stigma with equity crowdfunding," Tuchman remains undeterred in growing her business using this avenue-and there are numbers to prove it. "We're already in over 200 countries and have users using us 24/7," she says. "So global domination, to me, is a very, very realistic plan."

SHARMI ALBRECHTSEN
SHARMI ALBRECHTSEN, SMARTGURLZ
In 2010, Sharmi Albrechtsen was the associate director at the Ida Institute, which creates therapy tools for children and adults suffering from hearing loss. She was also a mom with a daughter struggling in math and science. And with a full understanding of how toys could foster learning, she bought the only fitting product available at the time: Lego Mindstorms,
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a robot inventor kit. "My daughter hated it." she says. "It's created by boys for boys. From the packaging to the entire app interface, everything was masculine and really aggressive." Seeing the lack of options, Albrechtsen created SmartGurlz, a line of robots "that engage and encourage girls to learn how to code" in 2016. Each doll, or Smart Buddy, can be connected to a smartphone or tablet and features programming intended to spark interest in STEM. "They create stories and role play," she explains. "And we wanted them to start creating fun, fantasy experiences with these characters."

To get it off the ground, Albrechtsen acquired a $100,000 government grant, which was enough to create a prototype to gage the market's reaction (it was overwhelmingly positive). "I had these 300 names and two distribution contracts in my hand," she says. "With that, I was able to raise a little bit of angel funding and focus on SmartGurlz full time." But as a hardware company, she required more capital to not only manufacture the product, but to store, ship, and market it. By chance, she was scouted by the producers of Shark Tank when showcasing SmartGurlz at the Consumer Electronics Show. On the television program, Albrechtsen sold Daymond John on her vision, but didn't end up accepting his offer. Still in need of finances, she sought out venture capital firms.

SMARTGURLZ

"It was tough," she says. "Not because I couldn't get meetings-you can always get meetings with them-but because they were just really fluffy. They gave me a lot of advice, and then sent me packing out the door."

Many VCs told Albrechtsen to turn SmartGurlz into a software product or video game, failing to fully comprehend the power that dolls have in a girl's development. "They didn't have those experiences, which made it really hard to get them excited about the products," she says. "Another thing is that I do think it matters if you're a woman of color. I do think that there is a certain kind of comfort level that men have with other men. And most investors are white men. That's just the world that we live in. I walked away completely deflated and saddened by the whole VC culture. They'll just happily waste your time."

In 2017, Albrechtsen launched her first crowdfunding campaign with SeedInvest, which landed her more than $600,000 to keep SmartGurlz afloat. But this sum wasn't enough to sustain her company long-term, so she followed it up with a Wefunder campaign-which entices prospective inventors with perks, including offering a Smart Buddy with every $250 investment-that's raised more than $1 million to date. On the side, she continues to apply to accelerator programs and government grants.

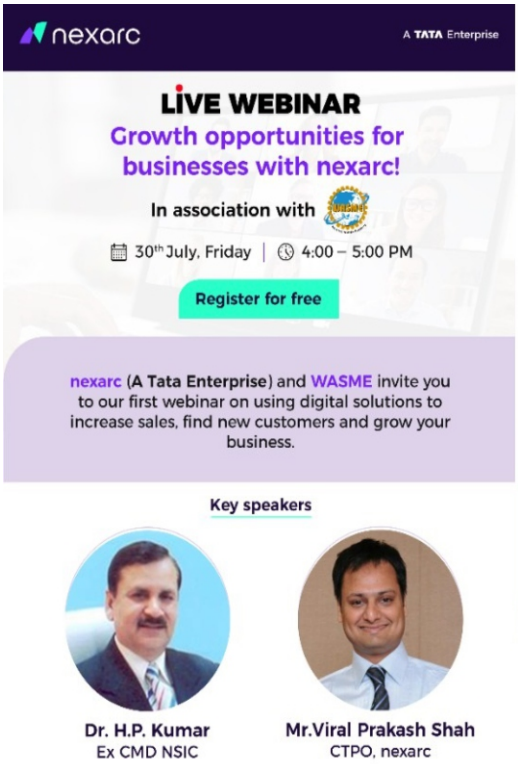
"I still get associates at VCs who write to us, and I just don't even bother," she says. "It's a nasty game. If you do it right, and you've got the right story, there are other ways you can raise funds," Albrechtsen says.

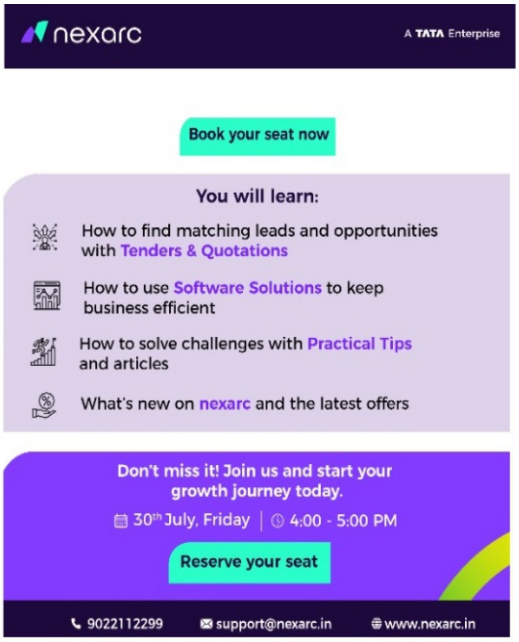
Source: Women of Color Use Equity Crowdfunding to Achieve Success in Tech (harpersbazaar.com)

WASME Corner

WASME
World Association for Small and Medium Enterprises

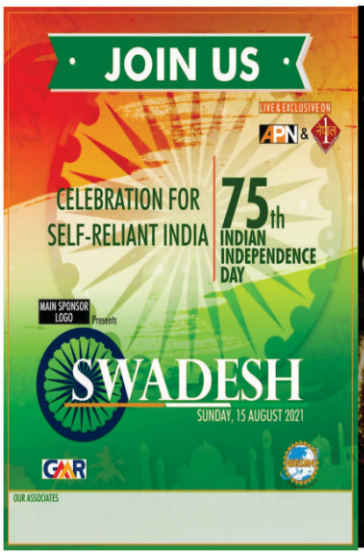
Webinar on "Growth opportunities for businesses





SWADESH Business Excellence Awards

APN News Network (A National Hindi News Channel) in association with WASME is organizing "SWADESH Business Excellence Awards" on 15 August 2021.



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WLS-Largest Leader Summit in World

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World Association for Small and Medium Enterprises (WASME), a global non-profit organization headquartered at Noida, India, has been spearheading the cause and development of Small and Medium Enterprises (SMEs) worldover since its inception in 1980. Over three decades, WASME has emerged as one of the most representative, effective and leading international organizations, working towards the promotion of SMEs worldwide through policy advocacy, information dissemination, conferences, seminars, events, trainings, publication, network linkages and manymore.

WASME enjoys consultative/observer status with concerned agencies in UN system such as UNCTAD, ITC, WIPO, UNIDO, UNESCO, UNCITRAL, UNESCAP and ILO, and several other inter-governmental and international organizations like WCO, OECD, ICSB, APEC, APCTT, etc.

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We always welcome your valuable feedback/comments on the SME e-Bulletin to further enhance our services on information dissemination. Hence, please send us your valuable guidance as well as meaningful articles as a regular contribution to SME e-Bulletin and our website in the larger interests and benefits of SMEs the world over.

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