THE EQUITY CROWDFUNDING ITALY: A MODEL SHARIA COMPLIANT

Paolo Pietro Biancone*, Silvana Secinaro*

*University of Turin, Italy.

Abstract - **The Islamic financial instruments is an opportunity to arise the equity crowdfunding in Italy? The study try to answer, throuth the analisys of the equity crowdfunding business model and the sharia compliance. A certification by a recognized Islamic body of the Italian equity crowdfunding company would make a great "business card" for observant Muslims who would like to invest in Italy and that can be a good opportunity also to develop Islamic Finance in Europe**

Key-words: Equity Crowdfunding, Islamic Finance

I - INTRODUCTION

The crowdfunding is the process by which most people ("crowd" or crowd) give sums of money (funding), even modest, to finance a business project or initiatives of various kinds using Internet sites ("platforms" or "portals ") and sometimes getting a reward. There is talk of "equity-based crowdfunding" when, by investing online, you buy a real title of ownership in a company, in which case, the "reward" for financing is represented by the complex economic rights and administrative resulting from participation in the enterprise. Italy is the first country in Europe to have with specific legislation and organic on the only equity crowdfunding (CONSOB Regulation No. 18592 of 2013) is seen as a tool that can facilitate the development of innovative start-ups through rules and financing methods that can exploit the potential of the internet. Consob has been entrusted with the task of regulating some specific aspects of the phenomenon with the aim of creating an "environment" reliable able, that is, of creating investor: there is, therefore, a register of operators of portals Consob, which are reliable and secure platforms for investors. The results achieved so far by the platforms, the date of 10 October 2014, according to data Consob, are: 9 projects published, including 3 closed successfully and four still in progress. The data show a modest interest from investors traditional lenders are still missing and the declared and apparent openness to foreign investors A certification by a recognized Islamic body of the Italian equity crowdfunding company would make a great "business card" for observant Muslims who would like to invest in Italy The Screening to see if a company is Sharia compliant was based on qualitative and quantitative criteria. The qualitative criteria relate to the type of industry in which companies can not operate: this sector includes all activities not permitted Haram, namely : alcohol and pork products , pornography, tobacco , gambling , interest-bearing financial assets, weapons and defense , biology and animal genetics (cloning). In quantitative screening , however, the financial reports of companies are tested for amounts not exceeding certain thresholds and thresholds are different in the percentages and formulas between different global indices .

II - THE OBJECT OF THE RESEARCH

The research aims to analyze if the platforms are sharia compliant in terms of the companies financed, and thus open up to Islamic investors.

III - THE SAMPLE

Currently, the platforms entered in the register are 9. The sample is representative of all the company's equity crowdfunding Italian . The figure 1 shows the geographical distribution.

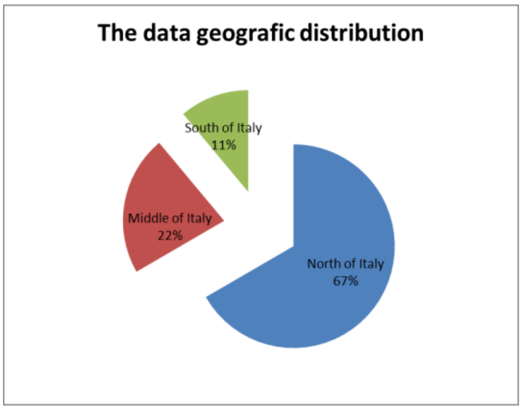

Figure 1: The data geografic distribution

IV - Design of the research

The research methodology follows a path of inductive-deductive analysis, by the assessment of the compliance with the sharia. The evaluation process and compliance is based on criteria, divided into two categories: the first category consists of the quality criteria and the second those quantities. The qualitative criteria are mainly related to the business activities of the company and its eligibility according to the Sharia. Regarding the quantitative criteria, are a series of reports and financial levels that need to be examined, and their results should not exceed the specified threshold. Thus, by controlling the qualitative and quantitative criteria, companies are verified on the basis of their resources "activities" and their financial structures. Both categories must be met in order to be classified as Shariah-compliant. According to what we had discussed on the main concepts and principles of Sharia law, companies must conduct their activities within the lawful activities, which are called Halal, and avoid all activities that are not permitted, calls Haram activities.. The activities must obviously include all the production and sale of their products. The activities not permitted are the following: alcohol, products related to pork, pornography, tobacco. Gambling, financial services of interest-bearing (ie conventional banks and insurance companies), weapons and defense, genetic engineering biological human and animal (eg. cloning). media and advertising companies, with the exception of news channels, newspapers, and sports. The Control of those assets within companies is considered a crucial step and a crucial phase. This step is the classification of the core business of each company. Switch this early stage of quality control is to move towards a quantitative financial control. As for the quantitative control, the three main aspects that need to be tested are the level of leverage (the ratio of debt ratios), ratio of interest, the liquidity ratio (cash and credit), and finally the portion of revenue that is generated by non-compliant. These aspects must be respected above all for corporate equity crowdfunding (platforms), which will guarantee a set of evaluation procedures by finance companies of comparable strength. - Level of debt: any debt based on interest is not allowed according to the principles of Sharia. For this reason there is a threshold about the same among all the global indices, however there are some differences in the calculation formula. If the interest based on the debt does not exceed this threshold then it can be accepted.

- The level of debt is to measure the ratio of total debt and total assets. According to Islamic Index , the level of debt ratio is:

(Total Debt / Total Assets) < 33 %

- Ratio of interest that head in practice the investment in fixed income instruments and ensures that the income generated is not considered riba. Among the indices is equal to the threshold but again the formula is different. According to Islamic Index , the interest ratio is:

(Cash + interest bearing securities) / Total assets < 33 %

- Liquidity Ratio: focuses primarily on tests of liquidity in the company (cash and receivables). In this report, all indices are different and do not have common thresholds. As well as the formula for the calculation is different. Some require a certain minimum level of assets. According to Islamic Index , the liquidity ratio is:

Cash + Receivables / Total assets < 33.33 %

- Income ineligible: a criterion of the final financial report to be verified is based on what is the level of income ratio is not permitted; ie, the income must be generated in order to be admissible accepted, according to the Sharia.. According to Islamic Index, the Income ineligible ratio is income not allowed / income < 5 %

V - Theoretical background

For several years, the financial industry have developed new investment forms under the purpose of diversification. Amongst them, some have particular features which could sound a bit innovative. They are the so called Social Impact Investments (or Impact Investments). Impact investors want to allocate their wealth and savings in investments which could generate positive social or environmental development (O'Donohoe, Leijonhufvud, & Saltuk, 2010) [32]. Impact investments are considered as innovative investment forms since they have gone beyond the common capital allocation framework: investments are usually intended to optimize risk-adjusted financial return while donations are designed to increase social impact. Impact investments are those investments whose aim is to create positive social or environmental impact rather than financial return. Usually, they take the form of private debt or equity instruments, but other options take into consideration guarantees or deposits, too. There are public listed impact investment instruments, too, but the market is still in a start-up stage even though there are many positive indicators that it will expand soon because of a growing demand from investors and the higher supply of social businesses recipients of impact investing. The biggest portion of listed impact investments are social responsible investments which focus mainly on minimizing negative impact rather than fostering positive impact. The intended impact refers mainly to the so-called base of the pyramid (BoP) population which need more resources to improve their living conditions or to environmental issues, too. Moreover, the most significant feature is the combination between financial return and social/environmental impact which will encourage businesses to grow in a financially sustainable way. The social impact investing could be considered as an important complementary source of funding together with governmental and phylantropy actions to serve the poorest products and services needs(Chamberlain, 2013) [13]. Lehner (2013) [25] has proposed a scheme of operation of crowdfunding in the context of social entrepreneurship that characterizes it. This diagram describes what actors are involved and what factors are involved in the encounter between demand and supply of funds in crowdfunding. In particular, businesses are the borrowers as the crowd as a whole is identified as a lender of funds. The essential element in this context is the recognition of the opportunity by not only entrepreneurs but also crowdfunders. This happens through the communication channels offered by Web 2.0 and content for users on the platforms of crowdfunding. The meeting between the crowd and enterprises occurs when members (crowdfunders) decide to take this opportunity on the basis of the legitimacy of their perceived idea about business. Unlike the case with traditional sources of funding where the entrepreneur has to convince a small group of investors, typically through a business plan and forecasts, in crowdfunding Creators must be able to communicate the opportunity to a large heterogeneous mass of people, therefore adopting different strategies and the multiple communication tools offered by Web 2.0 and platforms. The platforms act as intermediaries, each with its own communication strategy and its business model; social networks that are created within the crowd leverage on these. Aspects related to the economy of information (information asymmetry) and the equivalent risk for the individual constitute the so-called block motivational. The outcome of the project is moderated by the rewards (reward), the levels of control and participation offered and also depends greatly on the characteristics brokerage platform. The laws and regulations in turn form a further block that serves as a mediator between the crowd, the crowdfunding platform and desire for participation in the project business (Mollik 2013) [31]. The literature on the "herd behavior" (rational herding) states that individuals to reduce their risk of the face of uncertainty, in this case associated with a new business idea, interpret the number of people who have invested as a quality signal of the project. The authors argue that the herd effect probably also the case of crowdfunding but the main difference is that the crowdfunders not interpret the investment decisions of others as a sign of quality. The propensity to invest in the latter fact, undergoes an increase in the final stages of the project as the supporters expect that their contribution will have a greater impact when the project is closer to its target collection and therefore has a higher probability of success. The study conducted on the investments made through the platform Sellaband between 2006 and 2009 shows three interesting results:

- the propensity to invest increases the funds raised;

- local investors and those "remote" are characterized by different behaviors in investment decisions.

In particular, it is shown that for investors "remote" the propensity to invest increases with the accumulation of capital raised while local investors do not. This result, as mentioned earlier, is in contrast to the existing literature that emphasizes instead the importance of geographical proximity in the financing of a business venture; there are no further differences between local investors and "remote" if not in the size of the network of social contacts that, of course, is far superior to the local level. To demonstrate this, the authors found the percentage of investments from friends and family, and emphasize the importance of the latter in its own provide a signal to potential investors of the efforts made by the entrepreneur. These signals can also be used by the entrepreneur himself to increase the likelihood of success of the collection through access to sources of capital "at a distance" and any other friends and relatives.

Equity crowdfunding

The “crowdfunding” encompasses various types of fundraising that can range from collecting donations to selling equity stakes via the Internet. But a clear definition of the term has yet to be proposed. One definition comes from Hemer (2011), who defines crowdfunding as an “open call, essentially through the Internet, for the provision of financial resources either in form of donations (without rewards) or in exchangefor some form of reward and/or voting rights in order to support initiatives for specific purposes”. Belleflamme, Lambert and Schwienbacher (2012) [33] offer a similar definition.The focus of crowdfunding can vary greatly, both in goals, such as political campaigns(Barack Obama raised over $100 million in small contributions during the 2008 presidential election), charities, or art projects, and in magnitude. Donations can range from $1 to several millions of dollars in entrepreneurial seed financing.Politicians in the U.S., seeking new routes to stimulate the economy, have favored smallbusiness and new venture creations (see the 2011 JOBS Act, as well as the Entrepreneur Access to Capital Act). However, such efforts often require external financing, which can be difficult to obtain at the initial stage via bank loans or equity capital. Thus, companies may find themselves either unfunded, or funded with a less than preferable source of capital (see,for example, Cosh, Cumming and Hughes, 2009; Robb and Robinson, 2012; and Cole and

Sokolyk, 2012). To bridge this gap, politicians are suggesting new, more modern means of capital formation. Equity crowdfunding is a form of financing in which entrepreneurs make an open call for funding on the Internet, hoping to attract a large group of investors. The open call and the investments take place on an online platform (such as, e.g., Crowdcube) that provides the means for the transactions (the legal groundwork, pre-selection, the ability to process financial transactions, etc.). In recent years, the equity branch of crowdfunding has become an increasingly important financing alternative for start-ups, and volume has doubled every year since 2009. In 2011, start-ups worldwide raised U.S. $88 million through equitycrowdfunding platforms (Crowdfunding Industry Report, 2012). The funding process on most crowdfunding platforms is similar, regardless of the type of crowdfunding used. It begins with a fundraiser initiating a request for funding, typically by indicating what the money is needed for, and what, if anything, is offered in exchange. Potential investors can browse the offers, and, if interested, invest a small amount (generally a few dollars) toward the target amount. The crowdfunding website provides the technical platform for the exchange of funds, voting rights, etc. The categorization of the four main types of crowdfunding (donation-based, reward-based, lending, and equity) is based on what, if anything, investors receive for their contributions. The legal complexity and the degree of information asymmetry between fundraiser and investor differ significantly depending on the type of crowdfunding Alfiero, Casalegno, Indelicato, Rainero, Secinaro, Tradori, Venuti, 2014) [3]. For example, in donation-based crowdfunding, funders donate to causes they want to support, with no expectation of monetary compensation. This can also be considered a philanthropic or sponsorship-based incentive. This form of funding is not complex from a legal standpoint. Furthermore, the degree of uncertainty is less important than it would be for other types of crowdfunding, because donors presumably already have a positive opinion of the organization. An example of a donations crowdfunding platform is Fundly, which allows individuals and organizations to create an online fundraiser solely for the purpose of collecting donations. In contrast, reward-based crowdfunding offers funders a non-financial benefit in exchange for their investment. A prominent example of this type of platform is Kickstarter. Kickstarter allows fundraisers to raise money by offering non-monetary rewards in return for financial support. For example, a team of product developers raised over U.S. $10 million. Kickstarter by pre-selling an e-paper watch at a discounted price. Lending crowdfunding is another model, where funders receive fixed periodic income and expect repayment of principal. Lending crowdfunding platforms, such as Prosper, generally facilitate peer-to-peer loans. In other words, individuals receive loans directly from other individuals.The last model is equity crowdfunding, in which investors receive some form of equity or equity-like arrangements (e.g., profit-sharing) in the venture they support. ASSOB is one of the most prominent equity crowdfunding platforms. It enables entrepreneurs to sell equity shares to small investors. For example, an Australian high-tech start-up sold approximately 10% of its equity on ASSOB for AUD 630,000 (approximately U.S. $645,000) to twenty-three small investors in 2009. We believe that equity crowdfunding is the most relevant empirically for studying entrepreneurial signaling to small investors. This is in contrast to donations crowdfunding, where factors other than potential monetary returns are important for funders, which makes a meaningful comparison among crowdfunding types difficult. Therefore, information asymmetries surrounding the entrepreneur’s or start-up’s ability to generate future cash flows are less important in this context. Richard Harrison (2013) [24] analyzed the economic context in which the equity crowdfunding is developing. In his work explains how the market for raising capital for companies nell'early internship has changed a lot in recent years. Following the financial crisis of 2008, in fact, there was a sharp decline in the availability of bank loans for small and medium businesses a reduction of liquidity on the other traditional financing channels. Before 2008 the funding in phases at high risk start-ups was chiefly through the so-called "love money" that was based on the 5F: founders, family, friends, fans and fools and through state subsidies. In some cases, particularly for companies 'social', part of the loan could be paid from sources philanthropic and altruistic, idealistic and individuals defined as "followers" of the project objectives. These sources also fall within the definition of "love money" issued by Hermer et al. (2011). The equity crowdfunding is the disintermediation of the financial market, a tool that allows direct contact traimprenditori and lenders. This source of funding, however, is still evolving, the different characteristics of the instruments traded (financial instruments in effect) than other forms of crowfunding require that the management of funds meets the standards that regulate the financial markets, which is why the models that led to the success of the other forms of crowdfunding can not be applied directly to equity crowdfunding. For these reasons, Harrison (2013) [24] states that the scenario in which the equity crowdfunding is developing not possible to determine with certainty what the future of this new form of financing, if you configure a transformation of the market for financing for start ups or vice versa as a tool less. Schwienbacher & Larralde (2010) [33] have identified some factors that influence the use of crowdfunding as a model of raising funds for small businesses. The authors argue that the use of this form of financing is possible if there are certain needs from the proponent and certain characteristics of the company or project financing. The need, on the part of the undertaking or proposing, to collect a reasonably low amount of capital, which gives rise to a small number of investors. This is because there are some limiting aspects both from legal point of view (the kinds of participatory forms) both from the point of view of management of a large number of shareholders who, in some cases, can be very onerous. However there are some platforms that offer tools to circumvent these problems, such as the introduction of nominee structure and elected representatives from the crowd. The second requirement is that the business idea or project must be based on something innovative that can capture the interest of the people and encourage them to invest. This aspect is crucial because often crowdfunders are likely to participate actively in decision-making for which the minimum requirement should be the interest in the particular product or service. Crowdfunding is also a valuable tool for the proponent when he needs to extend their skill set or at least welcome opinions and views of others. The authors also highlight the importance of knowledge-sharing, to be facilitated by the platform thanks to the web 2.0, satisfying the desire for participation and communication that characterizes crowdfunders. Gerrit K.C. Ahlers et al. (2012) [2] conducted an empirical analysis to determine what type of signals are used for start-ups to induce individuals to invest their financial resources through equity crowdfunding. The study is based on data collected on a sample of 104 projects published in the Australian ASSOB platform between 2006 and 2011. In particular, have been taken into account: • the basic information for potential investors, which includes an overview on the details of the company and the board; • information on the process of financing the enterprise, including perspectives on exit (IPO, trade sale, LBO, buyback and other modes), the time horizon and the planned objective of the collection; information concerning the composition of management (total number, number of executive and non-executive etc.) and their qualifications (those who possess an MBA etc.); • presence or absence of financial projections (used as indicators of the risk associated with investing) • historic investments; • number of rounds and their duration. The results show the importance of only a few signs in determining the success of the collection. These are mainly related to the presence of information on the exit, on the level of risk (percentage of capital offered and financial forecasts), on 'experience of the board and the education level of their members. In contrast not found to have a significant impact the external certifications such as patents, prizes, awards, scholarships or grants. As regards the characteristics of the board, the statistically significant is that a greater percentage of members with a MBA increases the number of investors. Likewise, a greater number of the board has a positive and statistically significant impact on the success of financing in terms of number of investors of capital raised. Another interesting fact is the negative correlation between the percentage of capital offered to the crowd and the number of investors. In particular, the higher the percentage range and the lower the number of investors. An important strand of literature on equity crowdfunding is the study of the needs regolamentative and regulations implemented internationally. Cumming and Johan, (2013) [19] studied the development of regulation in Canada in terms of the actors involved in the market. The study was conducted through inteviste carried out at the beginning of 2013 when it had not yet been issued a real regulation. The authors' aim was to verify the veracity of three hypotheses: 1- portals, entrepreneurs and investors require regulation bland in order to maximize the collection of capital; 2- portals, entrepreneurs and investors are basically neutral to the degree of market regulation; in this case the objective is the minimization of the cost of regulation (through a replication of regulations already in force in other countries); 3- portals, entrepreneurs and investors require a very strict regulation in order to minimize the risks. The study found the desire by businesses to a low level of regulation in order to encourage investment; one of the main constraints to the listing of a company are the high costs that it incurs (legal fees, accounting, publication of prospectuses, etc.), without considering the limitations that may be imposed on the maximum number of investors and amount of capital raised. These elements lead to an increase in costs above those benefits to the point that nonendere cheaper fundraising market. The equity crowdfunding can reduce these costs provided they are legislated some exemptions to the many constraints that the undertakings (consider, for example, the number of investors that the offer is addressed through crowdfunding that far exceeds the maximum allowed) without exceeding the deregulation. It has emerged as companies want to minors constraints on the amount of capital that can collect each year, portals less disclosure and less constraints on the time of collection, as investors seek markets heavily regulated especially when the reasons for the investment are of a Financial. Why investors seek markets where the amount that can be collected by employers is limited, the level of education of these is high and where it is guaranteed that the tender submitted is subject to due diligence. Comparing these results with the three assumptions, the authors argue that the situation most desired by most of those involved is aimed at achieving a highly regulated environment that protects investors from one side and the other creates the preconditions for the formation of a market that will attract business initiatives of quality and, consequently, a greater number of lenders.

Islamic finance & Equity crowdfunding

The Islamic Finance, ideally, is an alternative way of financing based on ethical and socially responsible standards, which ensures fair distribution of benefits and obligations between all the parties in any financial transaction (Abdullah S. 1999) [1]. The crowdfunding carries these characteristics and provides the ground for new developments in the field, as it can use Islamic finance as an ethical and socially responsible tool to promote financing and development. Islamic finance and crowdfunding both conceptualize costumers as investors and can potentially provide investment opportunities with higher returns investors take an equity stake in the project and gain returns based on the principle, which ensures a fair distribution between shareholders and entrepreneurs. The sharīʾa-compliant crowdfunding invests in halal socially responsible projects/products, shares the risks of the investment, and its characterized by the absence of an interest rate. Tthe company takes equity stakes in the project, the model of product-based crowdfunding eliminates the issue of interest altogether (Ahlers, 2012) [2]. Regarding the certification of the Shariʾa-compliance of these platforms, the most widely used approach to ensuring the Islamicity of Islamic banking at the private sector level is that of the Religious Supervisory Boards. Yomken is a product-based crowdfunding platform that opened in Egypt in October 2012. It is the first example of product-based crowdfunding and it defines itself as Sharīʾa-friendly. By the idea of crowdfunding, wanted to develop a crowdfunding model suitable for Egypt and the Arab world. Wishing to have a social impact and promote solidarity in the context of Egypt after the Revolution, Yomken combines three different business models: crowdfunding, open innovation, and Islamic finance. As new products are generally not financed by banks because their market demand is unknown, Yomken removes this risk by offering the new product through its platform on the pre-commercialization phase. Yomken follows a two-fold process. Firstly, it links people who want technical solutions with people who have them, such as university students, researchers, specialists, or even companies, in order to make new products or improve the existing ones. Yomken partners with NGOs involved with entrepreneurs, micro and SMEs, in order to locate small businesses facing technical challenges which require creativity and expertise, and link them with the wisdom of the crowd. Problem solvers are rewarded depending upon the case: they get a share of the benefits, a lump sum benefit, or an award from Yomken. On the site, users can post “challenges” and ideas for new innovations for free. The website creates a competitive environment amongst contributors in order to come up with the best solution. Secondly, once the prototype is developed, a target number of buyers it set up according to its production costs, and the product is offered through Yomken´s web-page on crowdfunding basis. If the target number of buyers is reached, the prototype is fundraised, produced, and delivered to them, showing that the market needs the product. In the event that the target funding amount is not collected, contributors retrieve their initial funding amount. That way Yomken removes the risk of innovations and assist new product ideas to become reality. To ensure that a product is delivered, Yomken finances the challenge temporarily until the crowdfunding phase is completed, "placing faith in these businesses before users do". This is a risk that the company is willing to take, as solutions might not reach the funding goal. The originality of product-based crowdfunding lies in the fact that in return, the investor does not receive interest, but the product itself, which promotes the creation of new products and furthers innovation. Investors that pay for a product they wish to have, can track the production process and see how their money is spent through weekly updates on the progress of the projects. Transparency is a very important part of the project, and a direct link between the customer and the workshop owner is established from the beginning (Biancone, 2012) [8]. In order to understand their compatibility with Sharia, it is based on qualitative and quantitative criteria: the qualitative criteria relate to the type of industry in which companies can not operate : this sector includes all activities not permitted Haram , namely : alcohol and pork products , pornography , tobacco , gambling , interest-bearing financial assets , weapons and defense , biology and animal genetics (cloning). About the second one, the quantitative screening. The financial reports of companies are tested for amounts not exceeding certain thresholds and thresholds are different in the percentages and formulas between different global indices .

V - DISCUSSION

Can something be "Islamic" without an Islamic reference and discourse? Is a "true Islamic" product defined by its quality, by its name, or both? These questions include essential issues relating to authority and legitimacy. Who defines what is "Islamic", "halal", or "Sharīʾa-compliant"? Currently, the principles of Islamic banking are largely unknown to the majority of Muslims. Provided that education in this respect improves, the future might see more actors questioning and assessing the "Islamicity" of their finances. Thus, Sharīʾa-compliant crowdfunding opens up new debates within the industry and challenges current definitions of "Islamic", empowering a much larger customer base to access Sharīʾa-compliant finance.Islamic finance is not a target, but an ethical and socially responsible tool to promote financing and development. The purpose of the equity crowdfuinding Italian style is to relate ideas, people and financial resources by proposing start-up projects with exciting and innovative that transmit messages, also a social

The qualitative analysis

Control of those assets within companies sample is considered a key step and a crucial phase. This step is the classification of the core business of each company and reveals no contrast to the sharia. The modus operandi of the platforms has led to the identification of a pattern of operation of the collective funding. Above diagram identifies the main phases of a recurring and crowdfunding campaign, the creation of a business idea to obtain the funds needed to conduct the same (Figure2):

1) Preparatory activities

2) Crowdfunding

3) Implementation (possible)

The prerequisite for the launch of a campaign of crowdfunding is represented by the value proposition that the author intends to launch: despite the practice of funding from the bottom is commonly believed, a highly accessible, disintermediated and transparent, with which to carry out artistic and cultural projects , develop business ideas and to involve the community in a project economically social or public utility, is still an economic act. The main implication of this assumption is clearly the need to structure its proposal the business logic and business creation. The proposer shall not be limited to the launch of a simple idea, he will have to play a series of preliminary activities aimed at identifying the contents of the project and the assessment of its feasibility. A crowdfunding campaign is the initiative of a new entrepreneur in a market, both real and virtual, in most cases the existing competitive and characterized by specific logic. The applicant must therefore plan their campaign along a gradual path that starts from the clarification of the idea and the target, will wind along the analysis of market and competition, through the evaluation of the financial and economic underpinning and ending with the clear definition of the primary and secondary objectives that the campaign is intended to reach. Along this path feasibility review the proponent will develop more critical thinking and communication skills, will be defined in detail and clarity with every aspect of its proposal, amplifying the ability of communication to the public and not thus incurring the risk of frustrating their engineering effort. Most active platforms have structured access to their services in a very simple and direct, after the registration phase, the user can access the section dedicated to the publication of the projects and will be guided by a structured form tended to homogenize the submission of projects and highlight the key variables of the project. The role of the platforms of crowdfunding is to focus on an online portal viable projects that will attract the interest of the crowd, the platform's ability to attract supporters will also depend on the ability of the applicant to provide a description of their attractive and adequately detailed idea by using different multimedia tools. The main stages of the structuring of the campaign can vary depending on the business model of the platform, it will in any case the proponent define: Project Description, Author and Title: through images and text, the user can enter the title of the campaign, any authors also non-material and a range of content through the evidence suggests precisely the goal of the project.

Storytelling: numerous platforms proposers to produce video aimed to tell the project through evocative images of sensations and feelings that will ensure the emotional involvement of the crowd, and that provide a clear demonstration of the product or service promoted.

Budget: it will be up to the proposer fix the budget goal of the campaign in relation to the resources that realistically considers necessary for the realization of its vision and taking account of all the charges you pay compared to the campaign and the system of rewards (if provided).

Rewards: if crowdfunding campaign is proposed in the segment reward, the proposer will enhance the donations received by him with rewards choices, the value of which varies depending on the size of the donation.

Promotion: the campaign will be completed by the activation of all the social channels of which the proposer has (twitter, facebook, blogs etc.) To create a constant flow between the platform and the communication and sharing habitually employed by the offeror.

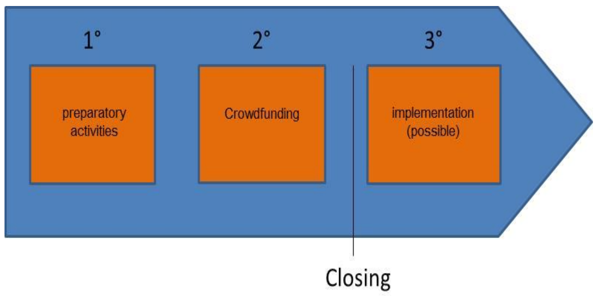

Figure 2: Phases equtiy-crowdfunding campaign

The quantitative analysis

Switch this early stage of quality control is to move towards a quantitative financial control. The precise quantitative analysis of the platforms you can not bring it because the platforms are all luck for a year, so they have no balance sheet data useful for the assessment on sharia compliance. The sample is still "young", all companies have started operations at the beginning of 2014: there are, therefore, available indicators that can give certain answers, objective and reliable compatibility to sharia. It was decided, however, to identify the data and the relevant elements to attract Islamic investors, also in comparison with the experiences of equity crowdfunding in Islamic countries, such as Egypt, already cited in the theoretical analysis The data subject to evaluation were:

Target: investments and their maximum and minimum amounts required. The offers:

• can not exceed the sum of 5 million euro;

• can be handled only by portals managed by persons registered or recorded in the register kept by Consob;

• may concern only financial instruments representative of equity (shares or "shares");

• are successful only if 5% of their amount is underwritten by a professional investor;

• They must recognize the right of revocation to investors in cases where significant is changed in the situation of the start-up or the conditions of the offer.

Finally, that the offering is permitted on the portal, the status of the start-up should include:

• in case - once you closed the offer on the portal - the controlling shareholders to transfer control to third parties, the possibility for other shareholders to withdraw from the company (right of withdrawal, after which you are entitled to liquidation of their holdings) or the right to the other shareholders to sell their holdings even the person who purchases the "controlling interest" under the same conditions applied to controlling shareholders (called right of "co-sale" or "tag-along "),

• communication to the start up and the publication (on the site of the same) of shareholders' agreements.

Focus: type of companies to be funded (start-up, specific sectors, new projects)

Board: verified the existence of a board of qualified address In particular, a Sharia supervisory Board or Sharia committee is set up by a financial institution (usually an Islamic bank or an Islamic insurance company) to advise and certify certain financial products1.Originally, the Sharia board was not compulsory in Islamic finance but it became so over time because of the sophistication of financial products. The benefits are twofold:

there is now formal confirmation on whether or not these products are fully Islamic

and, having a Sharia Board, adds credibility to Islamic financial institutions.

Investor Education: verified the existence of rules of conduct backed firms and investors. Managers of the portals on the register of the Consob applies a discipline "lighter" than the one dictated by the traditional intermediaries with whom habitually savers make their investments. In return managers enrolled may not hold sums of money attributable to the investors or directly execute orders for the subscription of the securities offered on their portals, having to that purpose transmit exclusively to banks or SIM. The managers can not then play in any way financial advice to the investors. The fundamental role of the portal is to ensure that investors can understand the characteristics and risks of the proposed investments, taking vision of the related information in the portal and in this section of investor education. Special protection is directed towards retail investors (ie those other than banks, investment firms, insurance companies, etc.) who must complete a real "path of conscious investment": to access the section of the portal where you can adhere to the offer must indeed have filled in a questionnaire on-line showing that they have read the information provided and who understand the features and risks of investing in innovative start-ups. If the retail investor does not exceed the path manager can not allow them to adhere to the offers on the portal. Once the investor decides to invest in a start-up, the operator of the portal is to convey the order of participation in a bank or investment firm who will refine the underwriting of securities (and to collect the sums involved in an account sidelined in favor of the issuer). Under current regulations (also known as "MiFID discipline" because of the derivation by the European standard), the banks and the SIM will carry out the work in compliance with the regulations on investment services that provides a number of disclosure and behavior to the investors (including the so-called "customer profiling").

Access: checked the type of access to the data of the companies that require financing through the platforms, focusing on openness to investors of Islamic culture. In these analysis is most important that the platform use the international language. The synthetic results are in Figure 3.

[1] The sharia board is delineated by AAOIFI - Accounting and Auditing Organization for Islamic Fianancial Institution

COMPANY	TARGET	FOCUS	BOARD	SHARIA BOARD	INVESTOR EDUCATION	ACCESS
1	INVESTMENT	START UP/NEW BUSINESS IDEAS	YES	NO	YES	Userfriendly
2	NA	NA	NA	NA	NA	NA
3	cleantech investment	sTART UP/INNOVATIVE PROJECT/IN	YES	NO	NO	Reserved
4	NA	NA	NA	NA	NA	NA
5	INVESTMENT <1,800,000 EURO FOR YEAI	START UP	NO	NO	NO	Reserved
6	INVESTMENT <1,800,000 EURO FOR YEAI	START UP	YES	NO	NO	Userfriendly
7	INVESTMENT <1,800,000 EURO FOR YEAI	START UP	YES	NO	NO	Userfriendly
8	INVESTMENT	START UP	YES	NO	yes	Userfriendly
9	INVESTMENT <5,000,000 EURO FOR YEAI	START UP	YES	NO	NO	Userfriendly

Figure 3: Italian equity-crowdfunding analysis

Shows that the equity crowdfunding, in Italy still in its infancy, is closely oriented to start-ups and has not considered Islamic investors, while adopting methods and procedures for the identification of investors and selection of business ideas, which are compatible with sharia.

VI – The Conclusion and Advances

The equity crowdfunding is an Italian model Shari'a compliance with the need to introduce aspects that better could turn to Islamic finance. Among these, in the first place, the existence of a Shari'a board, who could monitor the investment in each phase. The sharia board Provides specific Shari'a screening and legal Formalities. You also need to declare and report on the platforms open to foreign investors, second, of course, the rules Consob and protection of the stakeholders that the platforms are subjected in Italy. In particular, using a Investor Education, investor education that will be a central element in order to develop a healthy market.

References

[1] Abdullah S., Islamic Banking and Interest. A Study of the Prohibition of Ribā and Its Contemporary Interpretation, vol. v. 2, Studies in Islamic Law and Society (Leiden: Brill, 1999), 108.

[2] Ahlers, Gerrit KC, et al. "Signaling in equity crowdfunding." Available at SSRN 2161587 (2012).

[3] Alfiero, S., Casalegno, C., Indelicato, A., Rainero, C., Secinaro, S., Tradori, V., & Venuti, F. Communication as the Basis for a Sustainable Crowdfunding: The Italian Case. International Journal of Humanities and Social Science Vol. 4, No. 5(1); (2014)

[4] Backes-Gellner, U., and Werner, A. (2007): Entrepreneurial Signaling via Education: A Success

Factor in Innovative Start-Ups, Small Business Economics 29, 173-190.

[5] Belleflamme, P., Lambert, T., and Schwienbacher, A. (2010): Crowdfunding: An Industrial Organization, Working Paper.

[6] Belleflamme, P., Lambert, T., and Schwienbacher, A. (2012): Crowdfunding: Tapping the Right

Crowd, Available at SSRN: http://ssrn.com/abstract=1578175.

[7] Biancone, P. P., "Islamic Finance: What Is the Outlook for Italy?." World Academy of Science, Engineering and Technology International Journal of Social, Education, Economics and Management Engineering Vol:8 No:2, 2014

[8] Biancone, Paolo Pietro. "Il bilancio della Banca Islamica e la rappresentazione dei principali contratti finanziari (2012), Franco Angeli, Bologna.

[9] Black, B.S., and Gilson, R.J. (1998): Venture Capital and the Structure of Capital Markets: Banks

versus Stock Markets, Journal of Financial Economics 47, 243-277.

[10] Bradford, S.C. (2012): Crowdfunding and the Federal Securities Laws, Columbia Business Law

Review, 2001(1), 3-148.

[11] Burtch, G., Ghose, A., and Wattal, S. (2012): An Empirical Examination of the Antecedents and

Consequences of Investment Patterns in Crowd-Funded Markets, Working Paper.

[12] Busenitz, L.W., Fiet, J.O., and Moesel, D. (2005): Signaling in Venture Capitalists—New Venture Team Funding Decisions: Does It Indicate Long-Term Venture Outcomes? Entrepreneurship Theory and Practice 29, 1-12.

[13] Chamberlain, M. (2013, April 24). Socially Responsible Investing: What You Need To Know. Retrieved from forbes.com.

[14] Cole, R.A., and Sokolyk, T. (2012): How Do Start-Up Firms Finance Their Assets? Evidence

from the Kauffman Firm Surveys, Working Paper, Depaul University.

[15] Connelly, B.L., Certo, S.T., Ireland, R.D., and Reutzel, C.R. (2011): Signaling Theory: A Review and Assessment, Journal of Management 37, 39-67.

[16] Conti, A., Thursby, M., and Rothaermel, F.T. (2010): Show Me What You Have: Signaling, Angel and VC Investments in Technology Startups, Journal of Economics and Management Strategy, forthcoming.

[17] Cosh, A., Cumming, D.J., and Hughes, A. (2009): Outside Entrepreneurial Capital, Economic Journal 119, 1494-1533.

[18] Cumming, D.J., Johana, S.A. (2009): Venture Capital and Private Equity Contracting: An International Perspective, Elsevier Science Academic Press.

[19] Cumming D., Johana, S.A., (2013). Demand-driven securities regulation: evidence from crowdfunding.

[20] Davila, A., Foster, G., and Gupta, M. (2003): Venture Capital Financing and the Growth of Startup Firms, Journal of Business Venturing, 18, 689-708.

[21] El Nazer, Shaimaa. “Crowdfunding Platform Yomken Makes Launching Products Easy in Egypt.” Wamda, October 29, 2012. http://www.wamda.com/2012/10/crowdfunding-platform-yomken-makes-launching-products-easy-in-egypt.

[22] El-Gamal, Mahmoud A. Islamic Finance: Law, Economics, and Practice. Cambridge: Cambridge University Press, 2006.

[23] Gerrit, Ahlers K. C., Cumming D., G nther C., Schweizer D., (2013). Signaling in Equity Crowdfunding.

[24] Harrison R.,(2013). Crowdfunding and the revitalisation of the early stage risk capital market: catalyst or chimera?, Venture Capital: An International Journal of Entrepreneurial Finance, 15:4, 283-287.

[25] Lerner J., (2013). Venture Capital and Private Equity: A Course Overview.

[26] Lin, M., Prabhala, N., and Viswanathan, S. (2009): Social networks as signaling mechanism:

Evidence from online peer-to-peer lending, Working Paper.

[27] Malmendier, U., and Shanthikumar, D. (2007): Are Small Investors Naive about IncentivesJournal of Financial Economics 85, 457-489.

[28] Megginson, W., and Weiss, K. (1991): Venture Capital Certification in Initial Public Offerings,

Journal of Finance 46, 879-903.

[29] Michael, S.C. (2009): Entrepreneurial Signaling to Attract Resources: The Case of Franchising,

Managerial and Decision Economics 30, 405-422.

[30] Milgrom, P.R. (1981): Good News and Bad News: Representation Theorems and Applications,

Bell Journal of Economics 12, 380-391.

[31] Mollick E., (2013). The dynamics of crowdfunding: An exploratory study.of smaller compagnie.

[32] O'Donohoe, N., Leijonhufvud, C., & Saltuk, Y. (2010). Impact Investments: An emerging asset class. J.P. Morgan.

[33] Schwienbacher A., Larralde B., (2010). Crowdfunding Of Small Entrepreneurial Ventures, Book chapter forthcoming in Handbook of Entrepreneurial Finance (Oxford University Press).