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Crowdfunding, Crypto-Currency, Blockchain, Financial Dealings: Review of Business Planning, Challenges and Issues

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Abstract

Corporate sustainability has moved from exploitation to exploration, from corporate environmental management to sustainable entrepreneurship, and from efficiency to innovation. The purpose of the study is to review global entrepreneurship, innovation and Sustainability - theory and practice, entrepreneurship micro – enterprise idea/ project and critical reflection of entrepreneurial theories, concepts and techniques. The study reviews a number literature from different journals ranging from 1994-2016. Based on the review, crow-funding and crypto-currency are the new innovation in the business world and used for financial dealings. Innovative idea should be based on emergency and urgent demand like mask and PPE all over the world. Furthermore, in addition to technology, competition is vital as it ensures that competing businesses provide the target market with quality goods and services.

Keywords: Financial innovation, business planning, challenges and issues

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1. Introduction

In entrepreneurial ventures, innovation is essential to ensure that the company thrives and survives despite facing inevitable completion in the industry. The need for innovation has given rise to advancements such as cryptocurrency. Cryptocurrency is a digital asset that, similar to physical currency, is used as a medium of exchange. However, in contrast to physical currencies, transactions conducted using cryptocurrencies are recorded on the blockchain rather than the traditional ledgers. The availing of cryptocurrencies has proven to be the future of trade through the substitution of physical currencies. Another instance that has evoked the use of cryptocurrency is crowdfunding. Crowdfunding for entrepreneurial setups and the conduction of other financial dealings have seen the acceptance of more cryptocurrencies such as ethereum, stellar, and ripple also stylized as XRP. However, with the inception of such innovation, conventional and modern business planning challenges have been experienced by startups as well as established businesses. The discussions are divided into three parts namely Part 1 states global entrepreneurship, innovation and sustainability - theory and practice. Part 2 implies entrepreneurship micro – enterprise idea/ project. Last part includes critical reflection of entrepreneurial theories, concepts and techniques.

2.0 Part 1: Global Entrepreneurship, Innovation and Sustainability - Theory and Practice

2.1 Crowdfunding

Entrepreneurial ventures and established businesses can, at times, face financial challenges which can stagnate company operations. However, capital sourcing alternatives have been developed popularly through contribution options such as crowdfunding (Mollick, 2014). Crowdfunding is the sourcing of funds from a large number of public investors who each contribute relative amounts to the establishment (Mollick, 2014). The various forms of crowdfunding are equity, market-lending, and reward-based crowdfunding, all of which are opted for by businesses in consideration of the benefits and disadvantages.

2.2 Tradeoff between risk and return related to crowdfunding

In opting for crowdfunding, certain can accrue benefits as well as risks. For example, one of the rewards credited to crowdfunding is its ability to attract potentially voluminous funds; however, low the probabilities might be as experienced in equity crowdfunding (Golić, 2014). An additional benefit attached to opting for crowdfunding is the ease of access to funds it provides for businesses. Traditionally, businesses experienced difficulty obtaining capital, which then delayed company operations dependent on the funds. Through market- lending crowdfunding, businesses access funds from alternative options that best banks. Market- lending allows businesses to access funds cheaply by offering lower interest rates than banks (Golić, 2014). An alternative crowdfunding

option is reward-based crowdfunding, which rewards early investors with their products or services.

On the contrary, despite its harmonious benefits when opted for by businesses as a means of sourcing capital, risks can also be experienced through crowdfunding. Prominently, in equity crowdfunding investment returns may take a long time to materialize, or worse, the benefits may never accrue to the investors as in many instances (Manchanda and Muralidharan, 2014). Therefore, it is imperative for investors to conduct paramount research on potential investments lest they lose their money. Another inherent disadvantage attached to the use of crowdfunding is the commission deduction attached to your accumulated funds, which despite being minimal, they decrease the number of funds which would have initially been accessed to the business (Manchanda and Muralidharan, 2014). As such, it is crucial for a business to conduct and opt for the most favorable crowdfunding option to ensure the company weighs minimal risks.

2.3 Cryptocurrency and Blockchain

Cryptocurrency is a digital asset that is used for the transaction while blockchain pertains to the digital distinguishing, verification, storage, and identification of information. The innovation behind cryptocurrency and blockchain is because of the need to establish a decentralized substitute to the conventional forms of currency (Guo and Liang, 2016). Blockchain and cryptocurrency work interactively to revolutionize payments by allowing trading parties to exchange value directly as widely evidenced by the capitalization of bitcoin (Guo and Liang, 2016). The revolutionary technology that cryptocurrency and blockchain are founded are generating impact worldwide hence giving people insight on a future of a decentralized financial system.

2.4 Impact of Blockchain and Cryptocurrency

Cryptocurrencies establish an alternative to fiat currencies in undertaking financial dealings. Unlike cryptocurrencies, fiat does not have intrinsic value as their value is attached to the trust of the public on central banks and governments; hence cryptocurrency decentralization (Hileman and Rauchs, 2017). Similarly, blockchain provides a decentralized, ledger for verifiable and transparent transactions permanently. Transactions by increasing speed, lowering costs, and increasing transparency. As such, entrepreneurs seek out such innovative technologies as blockchain eliminates the need for intermediaries in business. The availing of decentralization by blockchain and most cryptocurrencies has increased and improved tolerance to faults and digital attacks. Decentralized systems more expensive to attack or fail as there is the absence of a single point of failure hence providing maximum security to business information (Guo and Liang, 2016).

Another impactful aspect of decentralization in the presence of consensus where the members are identified as the owners collectively as well as the decision-makers hence protecting the organization from the risks accrued to a single authority. Furthermore, decentralization cripple's exploitation by deterring thus resisting collusion (Guo and Liang, 2016, pp. 39). As a result, participants are prevented from acting on self-interest at the expense of the other members. The success of bitcoin has highlighted the benefits accrued by blockchain as well as the principles that are aligned with it. Therefore, despite still being in the early stages, the adaptation of technology will avail a future financial system that is willed by the public rather than the governments and central banks hence creating a universally accepted financial system

2.5 Business Planning Challenges and Issues

Planning of the business is vital as it ensures its success. Several elements ensure the successful planning of a company as there are challenges and issues which arise in the process. One of the problems associated with business planning is the establishment of unrealistic financial projections (Glen, Suciu, and Baughn, 2014).

Another issue that rises during business planning is the lack of focus on the competition. Despite the confidence in having a unique business, through research must be conducted to identify any potential competitors (Glen, Suciu, and Baughn, 2014, pp.659-660). However, if too much focus is given to competition, it can create the onset of worry among investors. The business plan should instead focus on the niche they offer the target market, how to survive in the industry, or even establish realistic projection for the business.

Most business plans tend to hide weaknesses identified primarily for fear of capital flight. In as much as weaknesses should not be focused on too much, hiding them can as well put off potential investors. It is recommended that, however, in creating a business plan, a coping mechanism for the weaknesses identified should be strategically detailed (Glen, Suciu, and Baughn, 2014). Also, the provision of too much information can be challenging in the development of a business plan (Glen, Suciu, and Baughn, 2014). Creating a business plan that entails too much information can prove a hindrance for potential investors as they mainly opt to be provided with the main outlines regarding the business.

Inconsistency is an additional issue attached to business planning. The quoting of conflicting and unfounded statistics, highlighting different markets, and having contradicting strategies along with the business plan can give rise to investors questioning and challenging any knowledge of the market (Glen, Suciu, and Baughn, 2014). The lack of distribution channels for a product or service

or resonating why they are the best options for the particular service or product can be challenging in establishing a worthy business plan.

2. Conclusion

This part discusses crowdfunding, cryptocurrency, blockchain, financial dealings, business planning challenges and issues. Crowdfunding implies a sum of money that generates from a number of investors, cryptocurrency is a digital asset that is used for the transaction and used for money instead while blockchain pertains to the digital distinguishing, verification, storage, and identification of information. Crow-funding and crypto-currency are the new innovation in the business world and used for financial dealings. Last but not least, challenges and issues are reviewed and discussed.

Part 2: Global Entrepreneurship Micro – Enterprise Idea/ Project

1. Introduction

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The disease was first identified in December 2019 in Wuhan, the capital of China's Hubei province, and has since spread globally, resulting in the ongoing 2019–20 coronavirus pandemic. It is dangerous and killing various that greatly impact on human and economy. According to the report by the World Health Organization (WHO) and other organizations, it is one of the most dangerous viruses for human injuries and death. The World Health Organization (WHO) first declared COVID-19 a world health emergency in January 2020. Since the virus was first diagnosed in Wuhan, China, it has been detected in over 190 countries and all U.S. states. While the International Monetary Fund (IMF) announce COVID-19 has a great impact on the economy. According to the report of the IMF, the global economy will go down compared to a few decades before and the financial crisis of 2008. IMF estimated that government spending and revenue measures to sustain economic activity adopted through mid-April 2020 amounted to \$3.3 trillion and that loans, equity injections and guarantees totalled an additional \$4.5 trillion.

Finally, based on the above discussion, it is concluded that COVID-19 not only destroy millions of injuries and thousands of deaths but also greatly hamper to the global economy. With regard to the health issue, it is urgently needed and demanded mask and PPE across the world. Therefore, by looking at the emergency and great potentiality of mask and PPE, we are I am planning to start a small factory for mask and PPE and make an alliance with the Adidas company as a supplier.

2.0 Our Global World: Global Entrepreneurship Micro – Enterprise Idea/ Project

Since COVID-19 is concerned globally, it is the most potential time to do something urgently. As mentioned earlier, the most recent pandemic, COVID-19, it is not only dangerous for human but also a problem for the destruction of the global economy. In line with that, I am planning to open and operate a factory for mask and PPE based on Malaysia. I will supply the mask and PPE not only in Malaysia but also in abroad through Adidas company.

I have decided to open and operate a factory for mask and PPE due to several reasons (i. e., financial and non-financial). Financial reason implies it generates a good profit but not in a speculative way but in a normal way. The necessity of health equipment is crying need not only in Malaysia but also in abroad. It is shown that the demand for mask and PPE is very high. Therefore, it generates high profit. Secondly, non-financial benefit implies as humanity. Currently, the health issue is the most important and need to take care of it as well. In line with that, I can do some benevolent work for society. Since WHO mentions COVID-19 is the most dangerous for injuries and death, I can support and do help for society by providing mask and PPE.

In line with the proposed business plan, I have made an estimated budget while profit and loss are predicted. Following table 1 shows the estimated budget while predicted profit and loss are presented in table 2.

Table 1: Estimated budget of the business (2020/2021)

SL.	Particulars	Amount (RM)
1	Legal documentation	5500
2	Machinery and other equipment	200000
3	Materials based on production (Mask 600K)	180000
4	Materials based on production (PPE 50K)	250000
5	Leas and Rental	216000
6	Salary & Wages	144000
7	Utilities	37600

Total**1038100**

As shown in table-1, one year estimated budget is presented. Total estimated budget is RM10,38,100. It is for a one-year plan. In case of any emergency, I will manage the capital.

Table 2; Predicted profit and loss account (2020/2021)

S L	Particulars	Amount (Rm)
1	Sales	
	Sales (Mask) (600K)	420000
	Sales (PPE) (50K)	550000
2	Total Revenue	970000
3	Cost Of Goods Sold:	
	Mask	180000
	PPE	250000
4	Total Cost of Goods Sold	430000
5	Gross Profit	540000
6	Other Expenses/ Cost:	
	Rent	216000
	Salary & Wages	144000
	Utilities	37600
	Others	10000
7	Total Expenses	407600

8	Net Profit	132400
9	Tax (12%)	15888
1 0	Profit After Tax	116512

Based on table 2, it represents the predicted profit and loss for the proposed business. Profit after tax shows RM116512 meaning that the business is more potential and profitable. Table 3 shows the business model canvas.

Table 3: Business Model Canvas (BMC)

<p>Key Partners</p> <ul style="list-style-type: none"> -key suppliers -activities of suppliers -key resources that acquire from suppliers 	<p>Key Activity</p> <ul style="list-style-type: none"> -key activities that are required for the value proposition -customer relationship -revenue stream <p>Key Resources</p> <ul style="list-style-type: none"> -financial resources -non-financial resources 	<p>Value Proposition</p> <ul style="list-style-type: none"> -bundles of values that we provide to customers -measuring and analyzing customer behaviour -quality mask and PPE along with the reasonable price -giving priority to customers 	<p>Customer Relationship</p> <ul style="list-style-type: none"> -maintaining a proper relationship based on the customer segment -building communities -online services (online order and parcel) <p>Channel</p> <ul style="list-style-type: none"> -throughout which do customers want to be reached -how to reach them -how integrated my channel -which one is the most efficient 	<p>Customer Segment</p> <ul style="list-style-type: none"> -Mask and PPE for all kinds of people those who are in need.
<p>Cost Structure</p> <ul style="list-style-type: none"> -low cost 		<p>Revenue Streams</p> <ul style="list-style-type: none"> -for what value customer wants to pay -for what they currently pay -how they pay -how would each stream helps to overall revenue 		

2.1 Post Pandemic Period

Basically, the demand for mask and PPE that has been generated due to the pandemic situation currently. In short term, I have made a good investment with very higher profit. But even after the pandemic period, there will still be a good demand for finer quality mask and PPE. In line with that, I will continue production and supply to the alliance company (i.e., Adidas) and also will make alliance with more companies. Whereby, it will grow into a bigger factory with more items to be included in our production line in near future.

3.0 Conclusion

COVID-19 is a global pandemic that injures millions of people and thousands of deaths. While destroying the global economy and bring financial distress across the world. I have planned for opening and operating a factor for mask and PPE production and make an alliance with the Adidas company. Basically, this is a one-year business plan with estimated budget RM1038100 and predicted profit & loss RM116512. I have planned for this innovative business plan based on emergency and urgent demand for mask and PPE all over the world. These are the basic motives to make a plan for open and operate the business. This business will bring financial and non-financial benefits. Financial benefit implies generating the profit while non-financial benefit implies supplying the mask and PPE to the people that bring health benefit and a good remedy for death.

Part 3: Critical Reflection of Entrepreneurial Theories, Concepts and Techniques

1. Introduction

The purpose of this part is to discuss the reflection of entrepreneurial theories, concepts, and techniques. Details discussion about theories, concepts, and techniques are reviewed and discussed in the field of entrepreneurial and innovations.

2.0 Critical Reflection of Entrepreneurial Theories, Concepts and Techniques.

A lesson in entrepreneurship and innovation has availed me to various theories, concepts, and techniques. All the theories, concepts, and techniques are vital particularly for people and business ventures that are a focus and prioritized on the growth, development, and success of the business (Sarasvathy et al., 2014). Some of the concepts learned during the lesson are such as technology, market research, marketing, financial management, and human resource management.

Empiricist reflection theory was developed by John Locke who argued that we have knowledge of the world because our ideas resemble (or reflect) the objects that give rise to them. Therefore, based on the summary of the John Locke's reflection theory, it is concluded that how a person or individual reflect themselves into action using their idea, knowledge, experiences, efforts, and enthusiasm (Kadayifci-Orellana, 2019)

Market research critical during the establishment as it highlights the viability of a business idea. One of the importance of conducting exhaustive market research is the need to understand competitors present in the market to avoid the failure of the enterprise. Also, market research establishes an understanding of the laws, rules, and regulations that ensure the businesses conducted are legal and abide by the rules and regulations guide them in their operations. Understanding the public reaction of a particular product or service also necessitates market research. In partaking in market research, the entrepreneur can gain valuable insight into the prevailing market conditions (Sarasvathy et al., 2014).

Secondly, learning entrepreneurship and innovation also reveals the importance of marketing a product or service. Marketing can generate public awareness for a company which is central to the business (Hägg and Kurczewska, 2016). As such, it also provides a business with the opportunity to distinguish itself from competitors. Marketing also enables businesses to acquire and retain customers primarily through promotional marketing tactics. Therefore, marketing can provide elements which can significantly influence the decision-making and hence the purchasing power of target markets.

Another important lesson learned in entrepreneurship is the importance of financial management. Financial management is crucial to the success of the businesses as it influences the decisions made regarding the business based on cash flows, profits, sales and the overall financial evaluation and performance of the business (Lans, Blok, and Wesselink, 2014). Also, financial management allows the company to operate cost-effectively through budget preparations. Businesses that operate legally must pay taxes to the government. Understanding the importance of a financial management plan allows the businesses to pay their taxes dutifully to the government accordingly and timely.

The other lesson that I learned was the importance of human resource management to the success of a business. Human resource management pertains to the company staff regarding their benefits, safety, training, and compensation. Human resource management is strategic in the management of staff and creating a conducive work environment and culture (Bae et al., 2014). Effective human resource management is a significant contributor to the accomplishment of the goals set by the

company hence the direction that the company takes. Conclusively, strategic human resource utilization is essential due to the measurable influence that company staff has on the success of the business.

Technology streamlines various aspects of the business such as communication, research, and marketing. Successful business operations are conducted effectively using excellent communication amongst the staff from the senior management to the subordinates. Also, communication is vital in the interaction of the business and its clients. The use of technology in business provides it with various communication channels to rationalize both internal and external communication (Lans, Blok, and Wesselink, 2014). For instance, the use of social media facilitates the direct communication of business with their clients. In doing so, the business addresses customer complaints directly and understands the client expectations that they need to meet. Technology also enables the company to research the utilization of secondary data. Secondary data then provides the entrepreneurs and other businesses with in-depth knowledge about the markets before penetration (Lans, Blok, and Wesselink, 2014). Lastly, the importance of innovation and competitiveness for business. Advancements in technology have prompted businesses to be innovative to adapt to the evolving market to compete effectively (Lans, Blok, and Wesselink, 2014). Innovation propels the ability of businesses to receive information regarding company products and services from clients. In turn, companies can foster new ideas and perspectives that improve their products and services based on their clients' information. Innovation also helps companies cut down on production costs hence improving company profits. For example, the automation of sealing bottles in companies that produce drinks replaces human staff which not only reduces labor cost but also reduces accidents in the company caused by human error such as breakage.

3. Conclusion

The venture into entrepreneurship also provides entrepreneurs with alternatives for employment and generating employment for others as well. Additionally, entrepreneurs learn to explore unidentified opportunities or improve on them. An established business can also apply some of the entrepreneurial; concepts such as integrating technology into their business to ensure that they can survive to compete with the entrepreneurial ventures. In addition to technology, competition is vital as it ensures that competing businesses provide the target market with quality goods and services. Learning entrepreneurship is also beneficial to the business as they learn new ways to operate optimally to ensure they thrive and survive their respective industries successfully.

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