



# Initial Coin Offerings: An Emergent Alternative Financing Mechanism

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## 1 Introduction

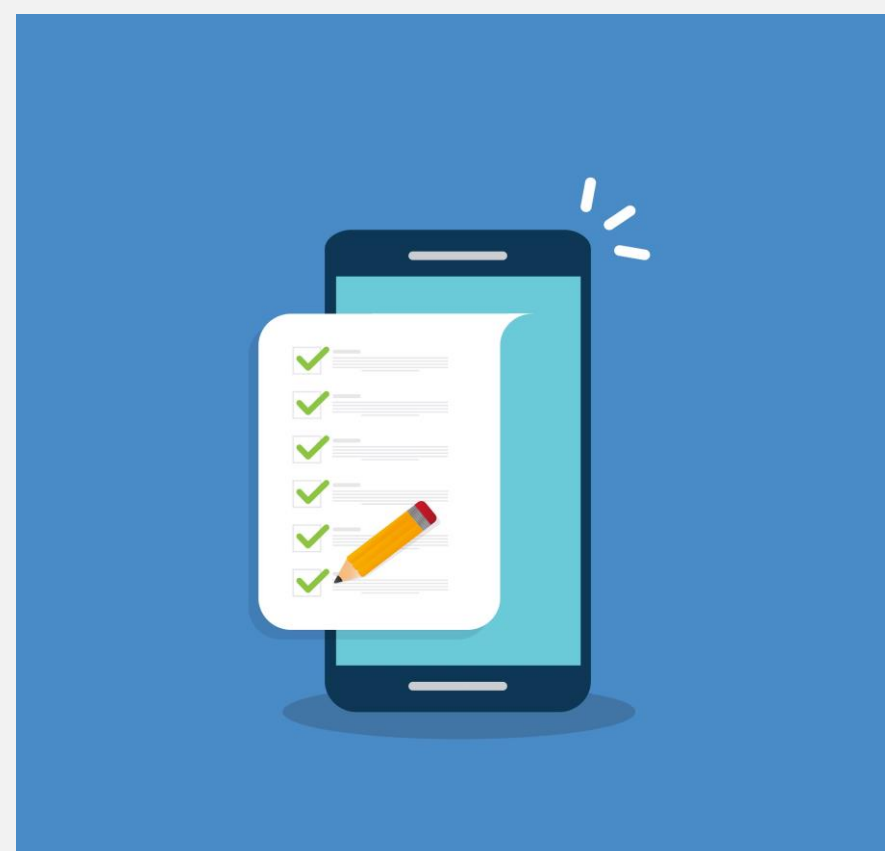
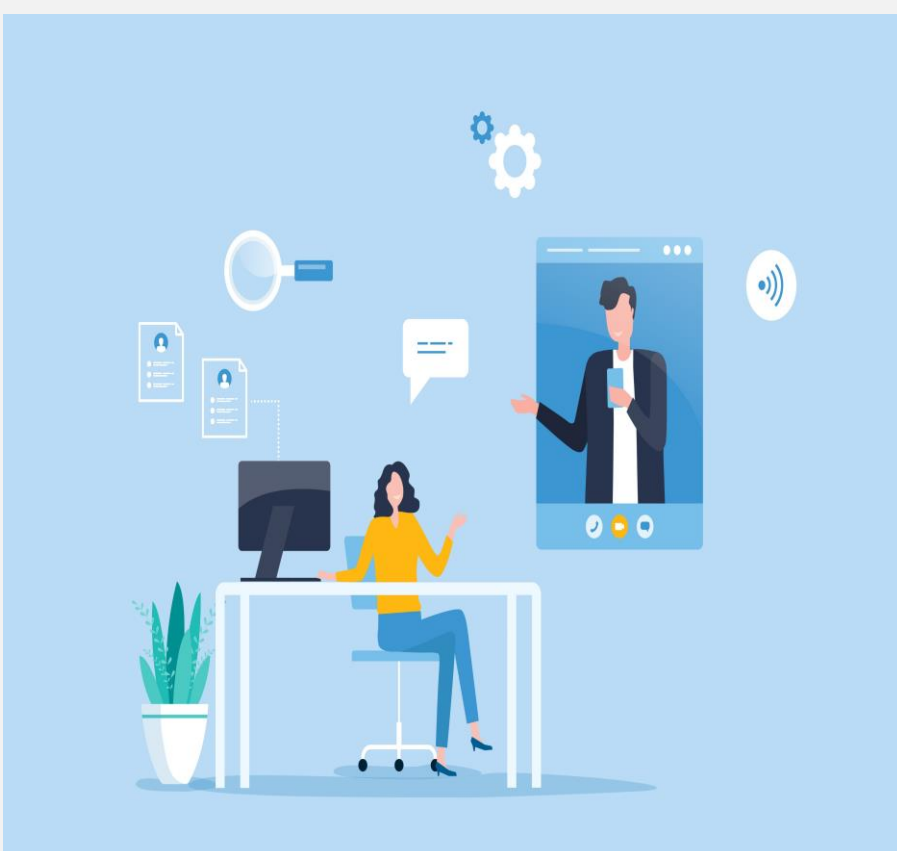
The global financial sector has experienced changes from the absolute dependence on traditional financial institutions to the need for alternative financing mechanisms for financing small and medium-scale enterprises as well as financing project ideas. Digitization and innovation in the financial sector birthed crowdfunding and eventually initial coin offerings (ICOs) as an alternative source of funding leveraging the internet to connect project initiators or start-ups with project investors.

## 2 Objectives

This research is aimed at understanding the benefits, motivation, and challenges of initial coin offerings tokens as an alternative source of funding, especially in this digital economy with a focus on the legal and regulatory aspects, providing recommendations for a regulatory framework for this sector.

## 3 Methodology

An inductive research approach was used with the grounded theory method.



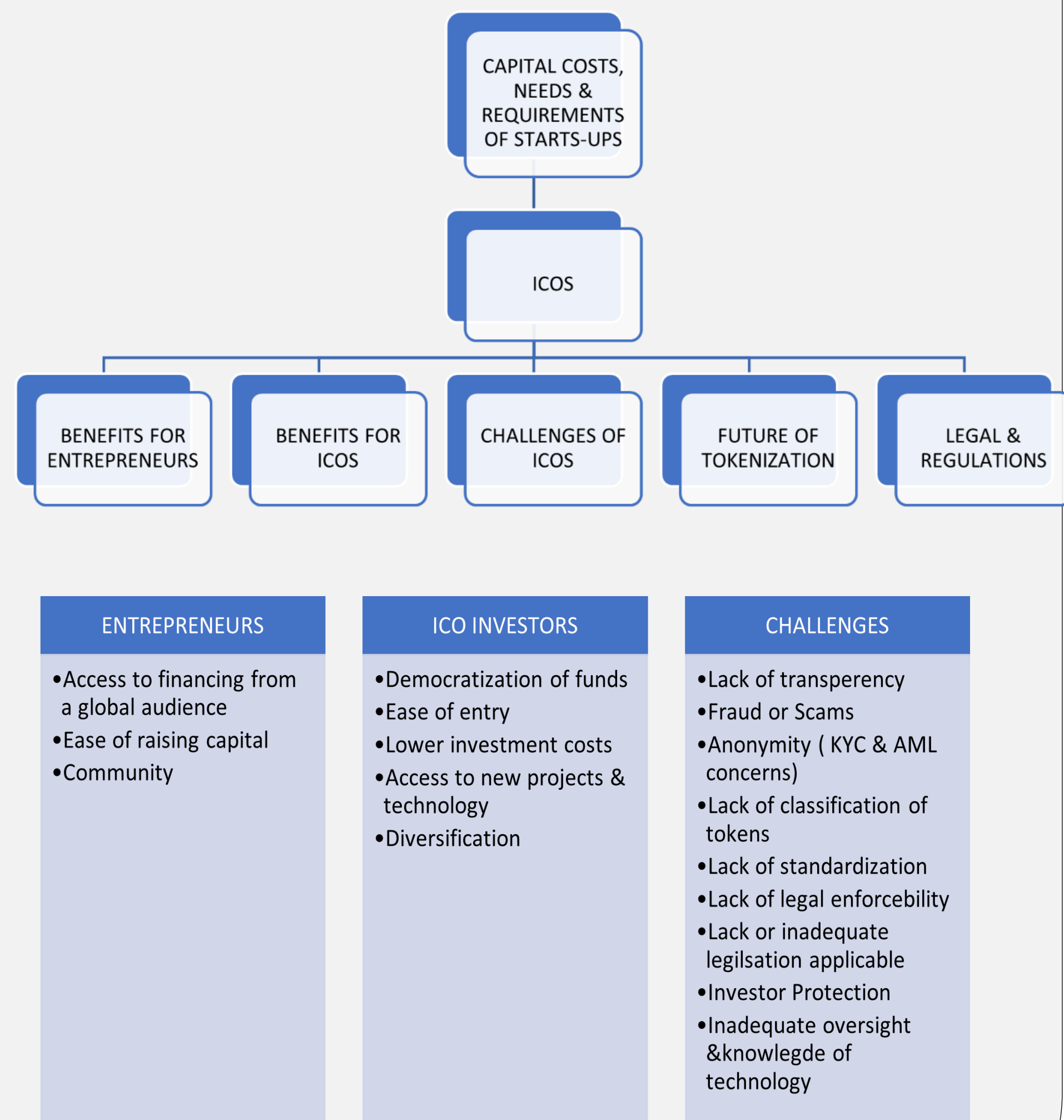
### Data Collection

OPEN CODE	AXIAL CODE	SELECTIVE CODE
CAPITAL COSTS	CAPITAL NEEDS, COST & REQUIREMENTS OF START-UPS	REGULATORY FRAMEWORK FOR ICOS
CAPITAL REQUIREMENTS & PAYMENTS		
LACK OF CREDIT HISTORY	ENTREPRENEURS MOTIVATION	
COMMUNITY	MOTIVATION FOR INVESTORS	
EASE OF RAISING CAPITAL	CHALLENGES	
ACCESS TO FINANCING: GLOBAL MARKET & FLEXIBILITY	LEGAL AND REGULATIONS	
INVESTMENT COSTS	TOKENIZATION IN THE FUTURE	
DEMOCRATIZATION OF FUNDS/EASE OF ENTRY		
BENEFITS OF ASSETS		
NEW PROJECTS & TECHNOLOGY		
DIVERSIFICATION		
FRAUD/SCAMS		
LACK OF TRANSPARENCY		
BANONYMITY		
LACK OF KNOWLEDGE		
INVESTOR PROTECTION		
STABILITY		
STANDARDIZATION		
LACK & VARIATIONS IN REGULATION		
THE NEED FOR LEGAL REGULATION FRAMEWORK		
TOKENIZATION		

### Data Analysis

## 4 Results/Findings

The findings show that the cost of capital and its requirements are some of the reasons why entrepreneurs prefer ICOs over traditional financial institutions as an alternative source of funding.



## 5. Conclusion

*“A regulatory framework that acts as a support system through classification, standardization, scope definition and laws is a key component for the acceptance, growth, and development of ICOs.”*

