

Fighting the Taiwanese Recession With Home-Style Crowdfunding

- Two-year-old program may accelerate under new government
- Initiative is part of broader goal of boosting innovation

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Taiwan's newly minted government has an under-used tool at its disposal to combat the recession: an exchange-based crowdfunding program for promising technology startups.

The two-year-old initiative aims to do crowdfunding one better by having the Taipei Exchange -- the smaller of the island's two bourses -- endorse candidates for the program. Applicants are vetted before they're allowed to register on a startup board and commence fundraising from the public.

The initiative may gain momentum now that newly sworn-in President Tsai Ing-wen has identified innovation as key to helping reverse three straight quarters of economic decline. Ding Kung-wha, who spearheaded the program and is now chairman of the Financial Supervisory Commission, said the startup board exemplifies how markets can support the real economy. It also prepares companies for full-fledged mainboard listings.

"This new board does three things: it helps companies get talent, get capital and raise their profile," Eric Lin, general manager of the exchange's startup incubation department, said by telephone.

Starting Small

Eighty-seven companies have registered so far on the startup board, of which only three have hit their targets and earned public listings. They've raised just NT\$1.1 billion (\$34 million) cumulatively from individual and professional investors.

While nascent, the program sports several success stories. Brinno Inc., which designs and produces photography equipment, is one such beneficiary: since joining the initiative, it's managed to grow its market value 16 times to NT\$1.6 billion. Another, HyXen Technology Co., has attracted strategic investment from iPhone-assembler Hon Hai Precision Industry Co. Overall, the exchange has aided startups from three of Taiwan's most important industries: electronics,

biotechnology and creative media, which now comprise more than three-quarters of the program's registrants.

“The main fear in crowdfunding centers on the health of the startup’s management and finances,” Brinno President David Chen said. “But the backing of the government lends confidence.”

The exchange’s effort is just one facet of a broader government initiative to try and jumpstart a long-overlooked startup scene. Since Tsai took office, her administration has pledged to create a NT\$100 billion nationwide innovation fund.

Yet they can only do so much, said Michael On, President of Beyond Asset Management. While the government can help entrepreneurs access capital, the main attraction for investors is ultimately sustainable revenue growth, he said.