

# Looking at digital currency to fund your business

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While money provides a sense of security, and helps in realising goals, how we acquire money, and in what form, is changing. The combination of a changing business landscape and the digital evolution, therefore, opens up the possibility of using digital assets to fund your business.



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Gone are the days of depending on a bank loan or family and friends investing in your business. Now, entrepreneurs and those seeking funding can consider cryptocurrency lending, which offers high yielding gains through margin trading on specific exchanges. This move has resulted in traditional financial institutions slowly losing their grip on the market because they are no longer the only option for individuals and businesses.

Lately, thanks to technological advances, digital currencies are taking the centre stage but the spotlight isn't being shone on non-traditional financial institutions as yet. Ironically, some non-traditional financial institutions offer solutions to some of the challenges faced by 'traditional' financial institutions because there is less red tape involved.

## Alternative funding

The reality is that traditional financial institutions still play a huge role in spearheading activities needed to have a thriving economy. But Covid-19 has turned this on its head by forcing the financial industry to re-evaluate its business model, which has opened doors for other non-traditional financial institutions and their lending or fundraising models, even if it's still on a small scale. A good example is custodian banks.

Sadly custodian banks, are often overlooked because, unlike traditional banks, their core function is to secure the assets of individuals and firms, and they don't offer direct customer services such as lending, collections and deposits.

As things stand, entrepreneurs and fund seekers need to look at other non-traditional financial institutions such as insurance companies, venture capital firms, brokerage firms, currency exchanges, and even cryptocurrency exchanges. Based on their business models and financial requirements, they could find better financial options that meet their business objectives.

What most people don't realise is that a start-up company could seek the help of a venture capital firm to raise funding for their business, while another entrepreneur could seek the services of currency exchange firm to move funds to expedite the service delivery to their customers.

The advent of technologies has ultimately put pressure onto existing traditional financial sectors, some of which have adopted these innovations, such as blockchain technology, artificial intelligence, machine learning and many more.

Both traditional banks and custodian banks offer services that will often work in tandem. The main difference with custodian banks is the ability to provide the holding and safekeeping of assets including digital assets or crypto assets.

## ABOUT THE AUTHOR

John Lombela is the managing director of Cryptovecs Capital. He is an entrepreneur, who is leading discussions about the potential of blockchain technology in the African market.

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