

ХАРАКТЕРНІ ОСОБЛИВОСТІ КЛЮЧОВИХ КРАУДФАНДИНГОВИХ ПЛАТФОРМ

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Розкрито поняття краудфандингу і його переваги, обґрунтовано необхідність використання цього інноваційного інструмента в Україні. Проаналізовано основні краудфандинові платформи у світі та визначено ключові особливості кожної з них. Зацікавлення викликає дослідження інформації про світовий досвід краудфандингових операцій з метою забезпечення необхідної інформаційної бази для подальших деталізованих наукових досліджень.

Ключові слова: краудфандинг, краудінвестинг, суспільство, інновації, підприємництво.

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CHARACTERISTIC PECULIARITIES OF MAIN CROWDFUNDING WEBSITES

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The purpose of this article is to formulate the description of crowdfunding as an alternative financial instrument and to systematize the information about international experience of crowdfunding operations in order to provide the necessary information base for further detailed researches. The practical significance of the research is to develop recommendations for using the crowdfunding models of funds accumulation for small business and entrepreneurship in Ukraine.

In current article, author reveals the concept of the crowdfunding and its advantages (opportunity to obtain a significant amount of financial resources in a short period, low fees of using financial recourses, ability to evaluate the potential for the newly created company, ability to realize free analysis of potential product consumers, easy registration of project). The author justifies the need of using this innovative instrument in Ukraine. In developed countries crowdfunding has become a known and effective tool for accumulating financial resources for small and medium enterprises and entrepreneurs. This method of fundraising allows realizing a significant number of projects in various fields: culture, art, IT-sector and business. Many of these projects cannot be implemented by using services of financial intermediaries, because these projects often are not profitable for financial intermediaries and their implementation involves significant level of risks.

The article provides the characteristics of crowdfunding as an alternative financial instrument in order to disclosure the difference between the concepts of crowdfunding and crowdfunding. Crowdfunding is the practice of funding the project or enterprise by the accumulation of small amounts of money from large numbers of people via internet.

Crowdinvesting is a type of crowdfunding which is characterized by obligatory financial remuneration of donors of the project. For instance, it can be the investment in exchange for shares or rewarding donors by royalty.

The main crowdfunding platforms of the world were analyzed (Kickstarter.com, Indiegogo.com, LendingClub.com, Rrosper.com, Crowdcube.com, Crowdfunder.co.uk and Kisskissbankbank.com) and the key features of each platform were identified.

Interest of the research is in the studies of information about international experience of crowdfunding operations in order to provide the necessary information base for further detailed researches. Author formulates the following conclusion: there is a significant demand for microfinance in Ukraine, which can be secured using crowdfunding models of funds accumulation.

In conclusion author describes the enabling conditions that must be created in our country: provision visionary regulation of crowdfunding activities, implementation of effective technological solutions, and creation of basis for development of high confidence and culture that are necessary for this innovative instrument.

Keywords: crowdfunding, crowdinvesting, society, innovations, entrepreneurship.

Statement of the problem. The current global financial system creates the conditions for increased competition among businesses for limited financial resources. Scientists believe that in such circumstances the main criterion for the survival of enterprises is their ability to introduce innovative tools of funds mobilization [1].

Crowdfunding can be an example of one of such innovative methods of mobilizing necessary volume of financial capital.

In developed countries crowdfunding has become a known and effective tool for accumulating financial resources for small and medium enterprises and entrepreneurs. This method of fundraising allows realizing significant number of projects in various fields: culture, art, IT-sector and business. Many of these projects cannot be implemented using services of financial intermediaries, because these projects often are not profitable for financial intermediaries and their implementation involves significant level of risks.

In our country, crowdfunding is not widely used yet. At the moment there is only one crowdfunding website which only deals with cultural and social projects. Therefore, it is reasonable to review the process of formation and development of crowdfunding in different countries and to analyze their crowdfunding websites in order to find and prove the list of enabling conditions for the formation of crowdfunding in Ukraine.

Analysis of recent research and publications. The research about crowdfunding in post-Soviet states are realized by following scientists: O. S. Marchenko [2], Yu. M. Petrushenko[3], I. Kosulia [4] and others. Ukrainian researchers analyze crowdsourcing and crowdfunding more from the social view and less from the economic view. I. Kosulia considers crowdfunding as a “new nature of collective behavior”. Yu. Petrushenko determines in his works advantages of crowdfunding over the traditional methods of financing. O. Martchenko is engaged in the research of conditions and principles for crowdfunding implementation in Ukraine [5].

Among foreign scientists who deal with crowdsourcing and crowdfunding it is necessary to select J. Howe [6], A.Zeoli [7] and others. Great scientific interest to this topic is in analysis of intensive using of crowdfunding abroad and in searching methods and principles of its successful application in our country.

Goals of the article are to formulate the description of crowdfunding as an alternative financial instrument and to systematize the information about international experience of crowdfunding operations in order to provide the necessary information base for further detailed researches. The practical significance of the research is to develop recommendations for using the crowdfunding models of funds accumulation for small business and entrepreneurship in Ukraine.

The main material of research. The emergence and world development of crowdfunding can be considered unavoidable, taking into account the following factors:

- technology development costs constantly reduce, as a result the development of programs and websites becomes faster and cheaper than ever before;
- third of the world's population already has access to the Internet;
- according to the United Nations, the mobile phones are available for more than 80 percent of mankind;
- the development of the using of smartphones is observed, some researchers predict that 40 percent of people living in Africa will have access to smartphones within 3 years.

All these conditions affect on the following situation: every day more and more markets for goods and services appear, which requires a new talented entrepreneurs who could create innovative solutions for customer needs, for creating jobs, and consequently for contribution to economic and social development [8].

Thus, under the concept of crowdfunding we should understand the practice of funding the project or enterprise by the accumulation of small amounts of money from large numbers of people [9].

This definition can be linked within any fundraising, such as donations to churches or collecting donations during the wars. But the term “crowdfunding” was firstly published only in 2006. Therefore, it is reasonable to add to this determination mode of raising funds – social networking or special crowdfunding platforms [5].

The term “spilnokosht” can be considered as an analogue of notion “crowdfunding” in the Ukrainian language which started to be applied after the creation of the first crowdfunding platform in our country [5].

This method of accumulating required volume of financial capital has the following advantages over classical methods of financing:

- opportunity to obtain a significant amount of financial resources in a short period;
- low fees of using financial recourses;
- ability to evaluate the potential for the newly created company: “potential” of company is a series of business opportunities for creating and providing perspectives of existence. The practice shows that 3 interrelated factors that can affect on potential of the company: investment attractiveness, competitiveness and development company [10];
- ability to realize free analysis of potential product consumers;
- easy registration of project.

Thus, the effectiveness of crowdfunding due to its efficiency and availability.

According to the data referred in Massolution report, the total amount of funds raised by crowdfunding method doubles every year since 2012. Total monetary value of all crowdfunding transactions in the world amounted to about 34 billion dollars in 2015 (fig. 1).

According to the World Bank report [8] “The crowdfunding’ potential for the developing world - 2013”, United States; United Kingdom; France; Canada; Netherlands; Spain; Germany are leading in the number of active crowdfunding platforms.

The United States is a leader in the world in terms of crowdfunding platforms. American platforms LendingClub.com and Rrosper.com are considered as first crowdfunding websites.

At present one of the most effective crowdfunding websites is an American website Kickstarter.com.

This platform is often used for projects related to arts and inventions. Since launching the site in 2009 to now more than 108,000 projects successfully collected sufficient volume of funds. The total amount of money raised through this platform is 2,490,947,525 US dollars.

In order to register a project on this website, the author must create a page which should include the following information:

- purposes of financing;
- video that explains the idea of the project;
- crowdfunding campaign period (from 1 to 60 days after launch).

The main principle of website is all or nothing: if project has not reached its financial goals, the author of the project does not receive any funds.

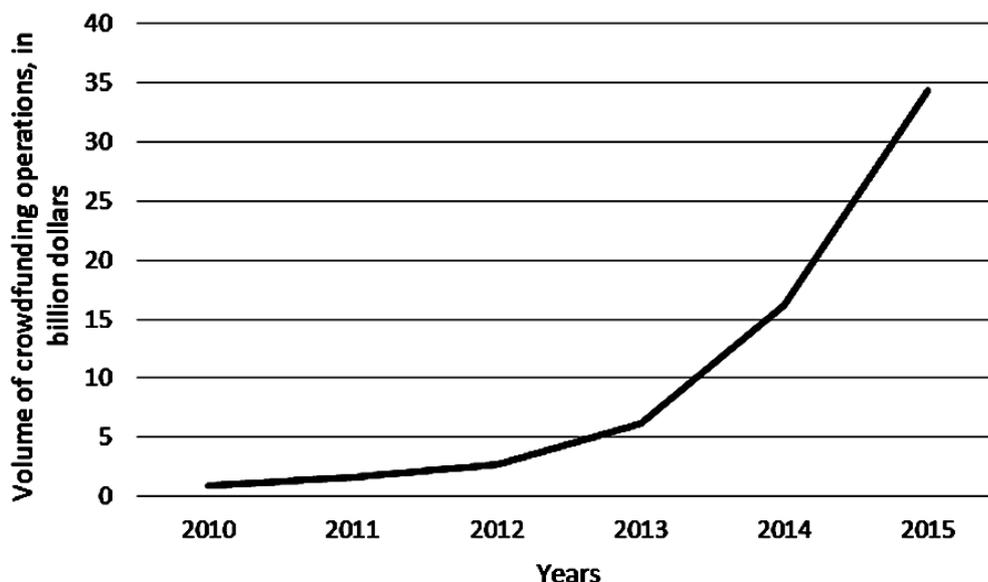


Fig. 1. Dynamics of crowdfunding operations in the world

Source: [8, 11]

Kickstarter accepts about 60 percent of total registered projects. Projects related to business have a particular attention. Projects that have reached their financial goals must pay 5 percent of collected amount to platform Kickstarter and 3 or 5 percent – to financial intermediary Amazon Payments, which deals with payment processing. It is considered that the average amount of raised money at this platform is 5000 USD.

Indiegogo is another American crowdfunding platform. It is created in 2008. It has the following particularity: moderators accept all projects regardless of their orientation. The only requirement is that the project must not contain illegal activities and cannot be connected with the porn industry.

For each project, the authors create a profile page, record video and write summaries. They indicate their own ways of donors rewarding. Period of crowdfunding campaign is from 1 to 120 days. Indiegogo has another feature: authors of the project receive all collected funds, regardless of whether they have achieved their financial target or not.

As about fee, the Indiegogo takes 4 percent of amount if the initial financial target was achieved and 9 percent of amount if not. The financial intermediary takes 2,9 percent of amount for transactions. The total amount of raised funds on this platform is 275 000 US dollars. It is worth noting the fact that 70 percent of successful projects are American projects, but management of Indiegogo said that their platform is open to the world.

Crowdcube.com, crowdfunder.co.uk and kisskissbankbank.com are the most active and effective European crowdfunding websites.

So, let's start with crowdfunding websites Crowdcube.com which is established in 2011. It is one of the most successful crowdfundering websites. It is necessary to understand what the difference between crowdfunding and crowdfundering is.

Crowdfundering is a type of crowdfunding which is characterized by obligatory financial remuneration of donors of the project. For instance, it can be the investment in exchange for shares or rewarding donors by royalty.

P-2-P credits or P-2-P lending is another form crowdfundering. It means the providing funds of donors to project authors in exchange for their commitment to return money to donors and to pay identified interest for using these funds. Only individuals may be the donors. The possibility to get lower interest rates compared with rates of conventional financial institutions and to coordinate the schedule of debt repayment are the advantages for the project author of this crowdfundering method.

For donor or investor, the advantage of crowdfundering is the following: possibility to develop agreed payment schedule that allows to investors to have all the necessary information. In addition, the rate for using money is usually higher than the proposed deposit rate in the bank.

Currently thanks to this English platform over 183 million pounds are raised and 432 projects are implemented. Crowdcube.com belongs to the dominant market share of crowdinvesting operations in United Kingdom.

Another English crowdinvesting website Crowdfunder.co.uk is also important. In contrast to Crowdcube.com, Crowdfunder.co.uk not specializes in professional investing. It supports the projects related to the arts, business and solving social problems. At the moment, thanks to this platform 25,226,212 pounds are collected.

Website Kisskissbankbank.com is a leader on the French market. It encourages creative projects and projects associated with innovation and entrepreneurship. On this platform 971,109 donors are registered and 55,176,110 euros are collected for different projects.

This platform provides to its users an interesting statistic:

- 89 % of the projects that have managed to gather 21% from their financial goals, they achieve success;

- 97 % of the projects that pass the threshold of 41% of their financial goals, they usually reach 100 % of the required funding.

Every year the number of projects that reached their financial goals increases. Thus, according to the French crowdfunding platform Kisskissbankbank.com, percentage of successfully realized projects has increased from 34 % in 2010 to 67 % in 2016 (fig. 2).

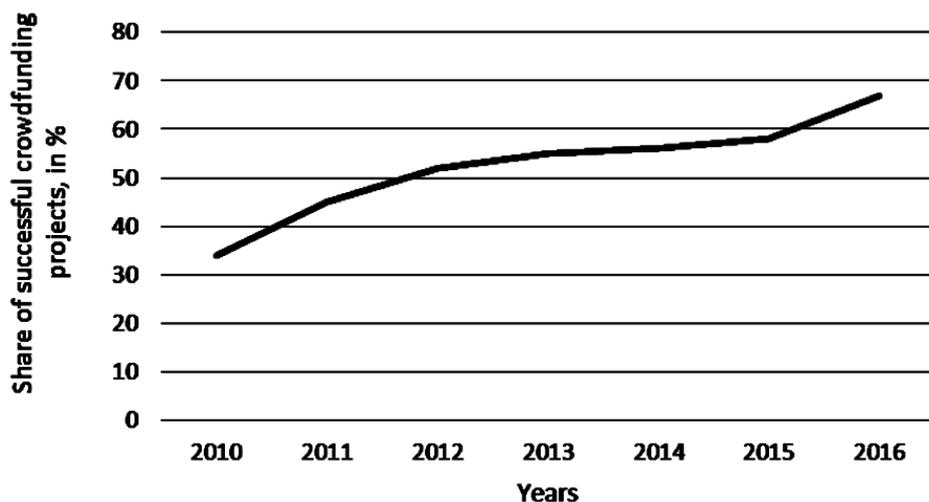


Fig. 2. Dynamics of share of successful crowdfunding projects on Kisskissbankbank.com
Source: [12]

One of the reasons for increasing in the proportion of successful projects is constant increasing number of potential donors. Active discussions about crowdfunding in social networks and media promotes awareness of people about this innovative method and its popularization among potential entrepreneurs.

Continued expansion of network of the Internet users is another important factor of crowdfunding development. Thus, according to the International Telecommunication Union 400 million people used Internet in 2000 or more than 6,5 % of the world population. In 2015 data changed significantly: at the end of 2015 the number of Internet users amounted to 3.2 billion, representing 43 % of the population [13].

In Ukraine, the most successful and probably the only valuable crowdfunding platform is bigggidea.com. Since the beginning of its foundation, namely in 2009, the site accumulated over 6 million hryvnas and successfully implemented more than 100 projects. The difference between Ukrainian and European or US crowdfunding. is that in developed countries people support cultural projects and business projects. In our country only cultural and social projects are financed. In addition to cultural projects, the projects related to social innovation, renewable energy and venture philanthropy are also [5].

Conclusions and recommendations for further research. Crowdfunding becomes actively used instrument for funds accumulation that allows to realize the social and business projects. A large number of crowdfunding platforms allow internationalizing projects and increasing their chances for success. Crowdfunding starts its development in Ukraine but Ukrainian trend is that our compatriots use US and European crowdfunding platforms.

The peculiarity of the Ukrainian realities is the lack of potential investors and low activity of businessmen, as they need a supportive ecosystem. That is why the creation of enabling conditions for crowdfunding is essential for appearance of domestic crowdfunding websites in Ukraine. We believe that following conditions must be created in our country: provision visionary regulation of crowdfunding activities, implementation of effective technological solutions, and creation of basis for development of high confidence and culture that are necessary for this innovative instrument.

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