

**Sheiko I.A.,**

*PhD, Associate Professor of Department of Economic Cybernetics  
and Management of Economic Security,  
Kharkiv National University of Radio Electronics*

**Murzabulatova O.V.,**

*PhD, Associate Professor of Department of Economic Cybernetics  
and Management of Economic Security,  
Kharkiv National University of Radio Electronics*

**Obeid Lara Hodor,**

*Post-graduate student,  
Kharkiv National University of Radio Electronics*

## ONLINE CROWDFUNDING PLATFORMS IN EUROPEAN UNION

Crowdfunding platforms are online platforms that enable interaction between fundraisers and the crowd (investors). Financial pledges can be made and collected through the crowdfunding platform. Fundraisers are usually charged a fee by crowdfunding platforms if the fundraising campaign has been successful. In return, crowdfunding platforms are expected to provide a secure and easy to use service. At figure 1 the principal scheme of crowdfunding via online platform is represented [1].

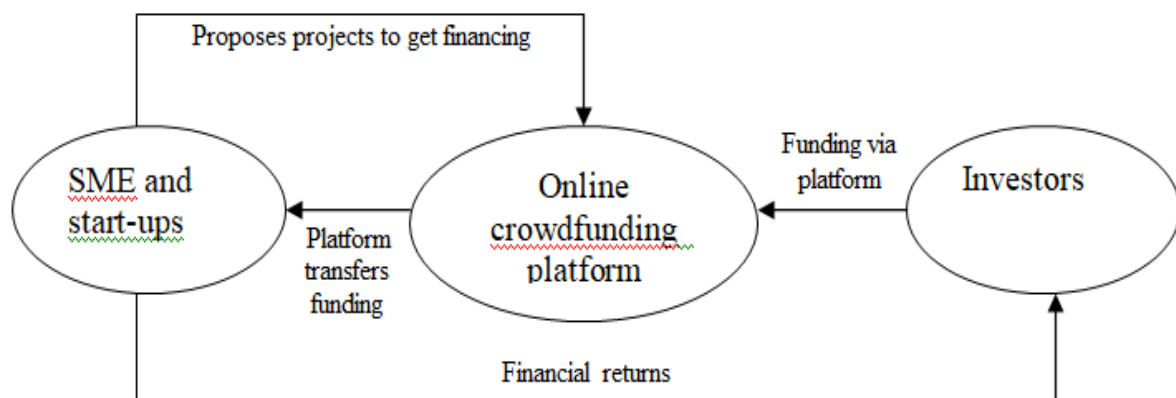


Figure 1 – Scheme of crowdfunding via online platform

*Source: authors modifications based on [1]*

Many platforms operate an all-or-nothing funding model. This means that if you reach your target you get the money and if you don't, everybody gets their money back – no hard feelings and no financial loss.

Different forms of crowdfunding exist:

- peer-to-peer borrowing: the crowd lends money to a company with the understanding that the money will be repaid with interest. It is very similar to traditional borrowing from a bank, except that you borrow from lots of investors.

- equity crowdfunding: sale a part of a business to a number of investors in return for investment. The idea is similar to common stock transaction on a stock exchange, or to a venture capital.

- rewards-based crowdfunding: individuals donate to a project or business with expectations of receiving in return a non-financial reward (goods or services).

- donation-based crowdfunding: individuals donate small amounts to meet the larger funding aim of a specific charitable project while receiving no financial or material return.

- profit-sharing / revenue-sharing: businesses can share future profits or revenues with the crowd in return for funding now.

- debt-securities crowdfunding: individuals invest in a debt security issued by the company, such as a bond. Hybrid models Offer businesses the opportunity to combine elements of more than one crowdfunding type.

As European market of crowdfunding, it is underperformed, comparing Asian and North America markets (figure 2). Equity based (when investors receive their money back) and reward-based (non-financial reward) crowdfunding are very popular at global level [3].

European champion on crowdfunding models is United Kingdom – in UK donation-based models are very popular. On peer-to peer business lending the UK in 2020 transferred 3.2bln USD, on second place was Italy – 808 mln USD, on third place – France – 412 mln USD.

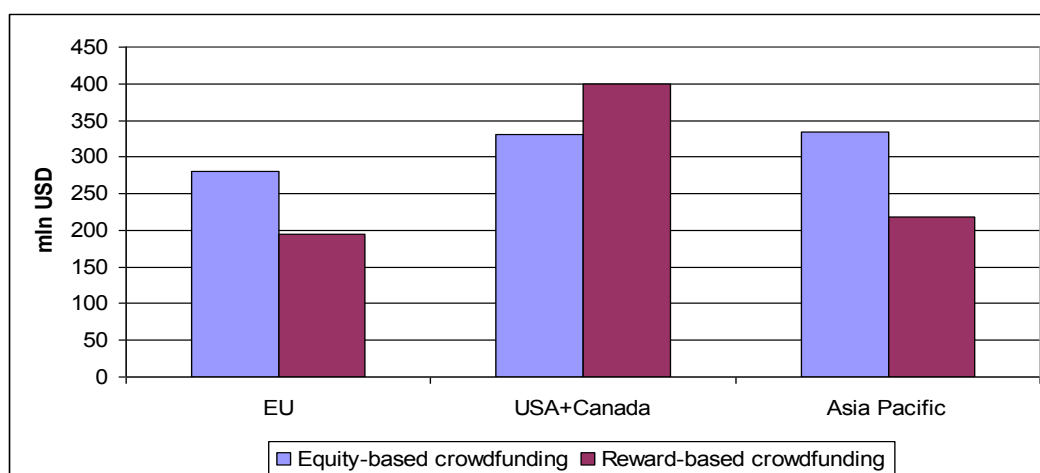


Figure 2 – Regional volume of different forms of crowdfunding

Source: constructed by authors on data [3]

Small firms and start-ups also can receive non-financial rewards from crowdfunding: assessment of projects quality and financial potential; access to other forms of financing (using crowdfunding as a preliminary stage to prove the market power of the project that make easy receiving bank loan on further stages); powerful marketing tool to present a new product, new service, new company.

### References

1. Creating a more competitive and innovative financial market. URL: [https://ec.europa.eu/info/sites/default/files/180308-action-plan-fintech-factsheet\\_en.pdf](https://ec.europa.eu/info/sites/default/files/180308-action-plan-fintech-factsheet_en.pdf) (дата звернення: 24.10.2022).
2. European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, *Crowdfunding explained: a guide for small and medium enterprises on crowdfunding and how to use it*, Publications Office. 2017. URL: <https://data.europa.eu/doi/10.2873/313319> (дата звернення: 24.10.2022).
3. Cambridge Centre for alternative finance. The 2<sup>nd</sup> Global Alternative Finance market benchmarking report URL: <https://www.jbs.cam.ac.uk/wp-content/uploads/2021/06/ccaf-2021-06-report-2nd-global-alternative-finance-benchmarking-study-report.pdf> (дата звернення: 24.10.2022).