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CROWDFUNDING AS A NEW CHALLENGE FOR DOING BUSINESS

This paper aims at clarifying the process of crowdfunding as an alternative source of financing for small and medium businesses. Its identifies the definition of crowdfunding and distinguished its four main categories, lists their key benefits and risks both for sponsors and for beneficiaries. Also its outlines world crowdfunding ecosystem in terms of most popular categories for crowdfunding projects. The attention is drawn into the state of crowdfunding in Ukraine. In conclusion, its suggests possible directions for the development of crowdfunding projects in the field of small and medium business in Ukraine.
Keywords: crowdfunding, crowdfunding platform, crowdfunding project, small and medium business, investor, backer, beneficiary.

Statement of the problem. Crowdfunding over the past years has been touted as a financial innovation, the fastest growing industry and new big challenge for business fundraising. «Crowdfunding» typically describes a method of financing whereby small amounts of funds are raised from large numbers of individuals or legal entities to fund businesses, specific projects, individual consumption, or other needs. It involves bypassing traditional financial intermediaries and using online web-based platforms to connect users of funds with retail funders. Definitions of crowdfunding vary, but they often include the following key components: (i) raising funds in small amounts, (ii) from many to many, (iii) using digital technology [1].

Conceptually, Lambert and Schwienbacher described crowdfunding as «an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes» [2].

Some more definitions are provided below.

The Global Partnership for Financial Inclusion refers crowdfunding «to a market-based financing technique where funds are raised from large numbers of individuals or legal entities in small amounts, bypassing traditional financial intermediaries, and using mobile phones and online web-based platforms to connect with borrowers, whether to fund a business, a specific project, or other needs» [3]. International Organization of Securities Commissions stated that «crowd-funding is an umbrella term describing the use of small amounts of money, obtained from a large number of individuals or organizations, to fund a project, a business or personal loan, and other needs through an online web-based platform» [4]. The European Commission is exploring the potential of crowdfunding as «an emerging alternative form of financing that connects those who can give, lend or invest money directly with those who need financing for a specific project. It usually refers to public online calls to contribute finance to specific projects» [5]. The World Bank refers the crowdfunding as «an

Internet-enabled way for businesses or other organizations to raise money in the form of either donations or investments from multiple individuals» [6].

In other words, crowdfunding can be understood as voluntary cooperation of people aimed at financing the efforts of other people or organizations (crowdfunding projects), which are represented on the Internet on specialized sites (crowdfunding platforms) that mediate and organize their interaction.

The idea of matching people who need money with the people who have money to invest is not new; what is new is the way this concept of intermediation is facilitated (and made easier) by technology. Crowdfunding has the potential to transform fundraising as the use of technology, increasing connectivity through mobile phones and other devices, and could foster economic growth and entrepreneurship, especially in countries with less developed financial systems [1].

Analysis of the recent research and publications. There are different opinions about the characteristics of funding crowdfunding projects. Thus, the American scientist Ethan Mollick highlights four main contexts in which individuals fund projects. He said, that some crowdfunding efforts, such as art or humanitarian projects, follow a patronage model, placing funders in the position of philanthropists, who expect no direct return for their donations. The second model, the lending model, is one in which funds are offered as a loan, with the expectation of some rate of return on capital invested. In the case of microfinanced loans, the lender may be more interested in the social good promoted by the venture than any return generated by the loan, thus including patronage model elements as well.

The third approach, commonly called reward-based crowdfunding, in which funders receive a reward for backing a project. This can include being credited in a movie, having creative input into a product under development, or being given an opportunity to meet the creators of a project. Alternately, reward-based crowdfunding treats funders as early customers, allowing them access to the products produced by funded projects at an earlier date, better price, or with some other special benefit. The «pre-selling» of products to early customers is a common feature of those crowdfunding projects that more traditionally resemble entrepreneurial ventures, such as projects producing novel software, hardware, or consumer products.

Finally, crowdfunding efforts may also treat funders as investors, giving them equity stakes or similar consideration in return for their funding. Investor model crowdfunding can take forms, including, for example, equity crowdfunding, shares of future profits or royalties; a portion of returns for a future planned public offering or acquisition; or a share of a real estate investment, among other options.

Important, that mentioned above models of crowdfunding the nature of the funding effort can be extremely heterogeneous and allow funders to achieve several different goals simultaneously [7].

German scientist Joachim Hemer in his paper «A snapshot on crowdfunding» suggests the following categorization of crowdfunding models. The first model is about crowd donations. Although a donation is – in essence – an altruistic act without any obligation for the recipient to give the donor anything in return, one feature of crowd-funding is for donors to be given some «reward» for their support. These rewards are often just immaterial acknowledgements, ranging from a mere thank-you mail, an artist's autograph or mentioning the crowdfunder's name on the cover of a film DVD or music CD, through invitations to visit a film set or artist workshop or a party or dinner, up to being given a minor role in the film produced with the donor's money. Some rewards are in the form of small gifts like T-shirts advertising the project, or other assets of low value. The second model is crowd sponsoring, where the project initiator and the sponsor agree on a defined reward which the initiator is obligated to give. Often these rewards take the form of services like PR or marketing for the sponsor.

The next model is crowd pre-selling or pre-ordering, when donation is meant to help produce something (a book, a film, a music album, a theatre performance, software, some new technical product, an agricultural product, a service concept etc.) and the promised return is the delivery of an early version of the product or service. In such a case, crowdfunding is basically an advance order of a product and represents an early bird purchasing act. Crowd lending model suppose the rewards in the form of the interest and the payback after the lending period. One alternative to this is long-term lending based on the revenue sharing principle. Here, the creditor gives a risk-bearing loan. He does not get interest but receives, at the defined end of the lending period, an amount including an agreed share of the earnings of the venture, which could be a multiple of the original loan but could – in the case of bad performance – also be nothing. Crowd equity is variant of micro-investments and suppose the rewards are either shares of the venture, dividends and/or voting rights [8].

Thus, despite some differences in the proposed categorizations, scholars agree that the critical aspect of crowdfunding are the type of reward in the form of immaterial compensation, gratitude and / or financial earnings.

The specialists of the Consultative Group to Assist the Poor, the global partnership of 34 leading organizations that seek to advance financial inclusion, made deep analyses of some crowdfunding issues. They not only describe the crowdfunding models, but also describe advantages and risks for each of them [1]. They used the most common approach for the crowdfunding model classification described above based on of funders motivation to invest. They distinguished four main categories – donation, reward, debt, and equity based on [4].

Donations-based crowdfunding allows individuals (donors) to send money to people (or projects) in need (beneficiaries), with no financial (return) consideration in exchange for their money. This form of crowdfunding is used primarily in the nonprofit sector to support various causes (social, environmental, political, charitable).

Reward-based crowdfunding allows funders (donors) to contribute to campaigns in exchange for a nonfinancial reward like artist’s autograph, mentioning the donor’s name in the credits, T-shirt etc. or the pre-selling of a product or service according to the contributed amount. In this case donors expect a more tangible outcome of their investment.

This category of crowdfunding is primarily used to fund art (movies, music) and for the development of new products and innovations. In addition to financing, crowdfunding can serve marketing purposes: through the campaign, entrepreneurs raise awareness about new projects and products, and receive feedback from potential customers. For instance, a start-up may test interest in an innovative idea or an established company may test potential uptake of a new product.

Debt crowdfunding allows funders (lenders) to directly lend to fundraisers or invest in debt obligations issued through a platform. Debt crowdfunding is used to raise funds for all sorts of purposes ranging from individual consumption to business loans, wich defined different subcategories of debt crowdfunding like Peer-to-peer (P2P) lending, Peer-to-business (P2B) lending, Business-to-business (B2B) lending and even business-to-peer subcategory [1].

Debt crowdfunding platforms are diverse in their operational models, which largely depend on the legal and regulatory framework. Based on categorization introduced by IOSCO and other researchers [4], there are five major operational models of debt crowdfunding: (*a*) client-segregated account, (*b*) balance sheet lending, (*c*) notary, (*d*) «guaranteed» return, and (*v*) offline.

In the client-segregated account model, an individual funder is matched to an individual fundraiser through the platform, and a contract is set up between them. The platform is not a contractual party to the loan agreement between the funder and the fundraiser, and all funds from the funder and the fundraiser are separated from the platform's balance sheet through a legally segregated account. The platform derives its revenues and covers expenses, including debt collection and fundraiser screening, from fees and other costs charged to either or both the fundraiser (e.g., an origination fee, administration fee) and the funder (e.g., an administration fee).

In the balance sheet lending model, the platform lends directly to fundraisers and holds the loan on its balance sheet. Platforms generate their revenue through interest rate spread (the difference between the platform cost of borrowing and the interest rate it charges to fundraisers). The platform also charges additional fees as in other models, including fees for servicing loans sold to the crowd.

In the notary model, loans are originated by a partner bank and distributed through the platform. This model reflects the regulatory requirement that lenders need to be authorized (e.g., hold a license). The loans issued by the partner bank are held on its balance sheet for one to two days before they are purchased and resold by the platform to the crowd (funders) in the form of notes (which, in many jurisdictions, are regulated as securities). Funders receive repayments directly linked to the performance of the underlying loan proportional to their initial investment. This shifts the risk of default to the crowd away from both the issuing bank and the platform.

The «guaranteed» return model and offline model are both related (although not exclusively) to the Chinese crowdfunding market. In the guaranteed model, the platform guarantees a certain return agreed on with the funder. A third-party provider, who effectively insures the investment, guarantees the return. The provision fund is funded from mandatory contributions charged to fundraisers (or funders).

The «offline» model typically recruits fundraisers offline through direct channels and in-person sales techniques, including the process of creditworthiness assessment. Once the loan was funded and disbursed, the platform collected repayments in person on behalf of funders [9].

Equity crowdfunding allows individual and institutional investors to invest in legal entities (issuers) in exchange for shares in the entity. It is suitable for start-ups and small and medium enterprises (SMEs), in particular. If an investment target is reached, the deal is closed between the pool of funders, the issuer, and the platform. The platform charges a commission based on the amount raised and, in some cases, on the basis of future profit.

Different business models for equity crowdfunding have emerged, such as (*a*) a club model where platforms recruit potential funders as members of a closed «investment club» to avoid regulation of public offerings and investor protection typically enjoyed by «nonqualified» investors; (*b*) a cooperative model (also known as a holding model or vehicle model) where platforms create a special-purpose cooperative vehicle to pool money to be invested in an individual project;19 (*c*) an investor-led model (also known as syndicate funding), when an accredited lead investor carries out due diligence, negotiates the investment terms directly with the company raising finance, and invests own money. The crowd is then invited to co-invest alongside the lead investor. This gives other funders peace of mind by investing alongside professional investors, as equity crowdfunding can be very complex for inexperienced funders. Platforms benefit by taking a slice of the carry on deal; and (*d*) a coinvestment model, which allows funders to co-invest alongside established venture capitalists. The platform looks for deals and is responsible for due diligence and investment management; it usually sources, vets, and organizes investments and presents them to potential «backers», as well as invests its own funds. Some of these platforms also retain preemptive rights and provide a framework to help funders raise and investors invest additional funds in future rounds and follow-ons [10].

Unsolved aspects of the problem. Despite the numerous researches in this subject area there is a lack of practical recommendations about the implementation of crowdfunding methods in different economies, including in developing countries.

Statement of purpose. This paper aims to get the deep inside at the wide crowdfunding issues and formulate the ways how the crowdfunding can help Ukrainian businessmen to develop their businesses.

The main research.

Benefits of crowdfunding

Our first issue for research concerns the advantages of crowdfunding models for their investors and beneficiaries. Some of them are the same for all mentioned above models and listed below.

For first, for fundraisers the most important benefit is improved access to finance. They get access to the financial funds which are not be available in other cases. In this way crowdfunding fills a gap left by banks and has stepped in as an alternative to traditional lending as well as create incentives for traditional financial institutions to innovate.

Second, the benefit for beneficiaries includes access to cheaper funds compared with bank crediting and other forms of financing regardless of geographical barriers. It enables access to capital at a lower cost than traditional sources. Online platforms, unlike banks, have little need for a physical presence. This, coupled with the use of innovative algorithms to determine the creditworthiness of applicants, streamlined application and approval processes, and specialization in a limited number of products and services allow platforms to operate with a relatively low infrastructure cost, which reduces the cost of the loan to the fundraiser [11].

Also, backers can streamline online procedure to set up a campaign, using social media marketing, increased transparency. In addition, beneficiaries benefit from additional services provided by platforms, including the formalization of donations, basic accounting, advice, education and training, and marketing. Online platforms are accessible 24/7 from anywhere in any convenient way. Technology allows for less documentation, making application and disbursement processes quicker.

Also, on-line form of communicating lowering some of the psychological anxieties associated with traditional venture capital financing.

As for donors they have better possibilities to outreach and targeting because they are not constrained by their geographical location. They can realize their aims for nonmonetary values (for donation-based and reward-based crowdfunding) and relevant financial return for other models of crowdfunding.

At the next chapter we consider the specificity of crowdfunding models in the term of their advantages for donors and beneficiaries. Mainly, our review relies on [1].

Thus, the nonprofit character of *donation-based crowdfunding* limits the key benefits donors enjoy to nonmonetary values:

– Community participation and keeping in touch with the supported projects.

– Voting with money supporting certain views and preferences.

– Formalization of support, for example, for tax purposes or because project failure may also negatively impact the social relationship.

The benefits for donors of *reward-based crowdfunding* largely overlap with the benefits mentioned for the previous model with some additional points to mention:

– Pioneer status to obtain preferential access to the inventor (e.g., for updates, direct communication) and the invention (early-adopter status)

– Review new inventions by the collective ability of funders to spot and assess risks.

– Reward-based crowdfunding enables beneficiaries to access capital at a lower cost compared to traditional sources for some reasons:

– Monetization of assets since beneficiaries can leverage assets that are difficult to trade in traditional markets (e.g., nonpecuniary rewards, such as recognition).

– Getting customer feedback which can be serve as a particularly informative type of market research, provide feedback on the project, and predict potential demand for the product or service concerned.

Debt crowdfunding offers more tangible benefits to funders (investors):

– It cause better portfolio diversification, ultimately leading to reduced systemic risk as funders invest small amounts in diversified assets instead of over-relying on a single asset as well as depends on the relevant regulatory regime. It also widens access to an investment class not easily available to retail investors in the past. Putting aside institutional investors and professional lenders, some of the funders lending money over the platform to individuals and SMEs did not previously have this option and would instead place their savings in savings accounts, in collective investment schemes, etc.

– Crowdfunding offers a higher financial return for funders than savings.

The key benefits of *equity crowdfunding* are similar to debt crowdfunding, and it also retains the benefits of the donation and reward-based crowdfunding, such as community participation and voting with the money. In addition, there are more specific benefits for funders:

– Access to investment opportunities concerning start-ups and SMEs used to be restricted to traditional financial intermediaries and venture capitalists. Equity crowdfunding opens these opportunities to a much broader funder group.

– Unlike in debt crowdfunding, funders have (at least theoretically) the possibility to unlimitedly multiply their investment if they bet on a new start-up that becomes the next market leader.

– More than in any other category of crowdfunding, interests of funders and fundraisers are aligned because they share the same risks (including the risk of dilution and financial loss) and have similar options to exit the investment (a sale, merger, or initial public offering). This reduces conflict of interest between the two parties.

Among the advantages for fundraisers we would like to note following:

– The fundraiser is not burdened with unlimited liability for unpaid debts, and instead, funders take the hit alongside the fundraiser.

– It opens possibilities to access funding for entrepreneurs in countries with underdeveloped capital markets.

– A successful campaign may act as a signal to established investors (including venture capitalists), showing potential consumer demand, thus attracting additional sources of funding.

Summary of the crowdfunding advantages in context of individual models for investors and beneficiaries is presented in Table 1.

The second question for our research concerns risks associated with all forms of crowdfunding. We also would like to make emphasize on the most common its types. The obvious risk donors face is a fraud, either in the form of fake campaigns or cyber-attack. The risk of fake campaigns is particularly relevant when a campaign is not run by an institution, such as a charity, business entities, etc., that is often registered in a public register and subject to some minimum requirements.

Table 1 – Benefits of the crowdfunding

Benefits \ Models of crowdfunding	Donation-based Crowdfunding	Reward-Based Crowdfunding	Debt Crowdfunding	Equity Crowdfunding
Benefits for donors				
Community participation	+	+	+	+
Voting with money	+	+	+	+
Formalization of support	+	+	+	+
Philanthropy	+	+		
Pioneer status		+		
Higher financial return			+	+
Access to a new asset class			+	+
Unlimited potential for financial gain				+
Aligned incentives between funders and fundraisers				+
Benefits for fundraisers				
Improved access to funding	+	+	+	+
Access capital at a lower cost	+	+	+	+
Global reach	+	+	+	+
Better outreach and targeting	+	+	+	+
Technological innovations	+	+	+	+
Convenience	+	+	+	+
Additional services provided by platforms	+	+	+	+
Getting market research by the customer feedback	+	+	+	+
Lowering some of the psychological anxieties	+	+	+	+
Fills a gap left by banks	+	+	+	+
Monetization of assets		+		
Limited liability				+
Improved investment attractiveness				+

Risks associated with crowdfunding

Funders may lose their money if the fundraiser defaults. Also there are no regulatory safeguards, such as deposit insurance or investor protection schemes, to protect these investments. Safeguards common to consumer loans (standardized disclosure, a cooling-off period, the early repayment right, the right to access an effective complaints handling process, ban on unfair collection practices) may not necessarily apply to debt crowdfunding.

In addition, credit assessment methods used by platforms are largely new and untested through the credit cycle. In many countries crowdfunding platforms are not obligated to assess whether the fundraiser can afford the loan. To the contrary, platforms have incentives to make loan application as easy as possible because they derive their income from origination fees, which are not contingent on successful repayment. In other words, platforms face a conflict of interest because their incentive is to focus on volume, rather than on the quality of loans. To mitigate this risk, some platforms have established a reserve fund or introduced third-party guarantees.

The next risk is caused by the fact that crowdfunding displace out professional investors from the market. Angel investors and venture capitalists, who often bring additional value to the company, such as industry knowledge, professional networks, and status, may be crowded out by nonprofessional donors. Individual funders have a little incentives to conduct due diligence given typically small share [1]. It may cause additional risks for donors like following:

– Incompetence. Entrepreneurs may have little experience in building a product and dealing with logistics and suppliers, which may lead to delays or subquality products.

– Lack of due diligence because donors typically have a much smaller share and therefore less incentive to spend time and money investigating creators or in the long term, advertising and other issues can cause over-optimistic attitude about expected outcomes.

So, funders may wrongly assume the crowdfunding offerings. Moreover, investment in a crowdfunding loan may face a threat of illiquidity. Ordinary they are locked until the loan matures.

Then, beneficiaries face to have of the cost of the campaign. For first, beneficiaries need to spend extra money to design and run the campaign, administer donations and manage relationships with donors (e.g., send regular updates on how the donations have been spent). Crowdfunding can be more difficult and costly than most fundraisers anticipate, because running a successful campaign requires significant human and financial resources. Fundraisers should also consider opportunity costs when other sources of financing may be available. In addition, crowdfunding platforms typically charge fees.

Next, the regulatory requirements, with which fundraisers need to comply, may expose fundraisers to unwanted public scrutiny. Other sources of funding, including nonequity private debt, home-equity loans, and loans from friends and family members, allow fundraisers to keep their business know-how and innovation hidden from the general public, while crowdfunding requires a higher level of disclosure. In addition to the risk of disclosing too much information to competitors, this may have negative repercussions on intellectual property protection (patentability). So, beneficiaries can face risks of compromised intellectual property rights, because of beneficiaries disclose their plans and innovations in a public forum. This can create a risk of imitation and unfair competition and have repercussions on intellectual property protection.

There are also more general risks associated with crowdfunding platforms and the way they operate. For first, there is a risk of failure of the platform’s technology or closure of the platform, which may lead to loss of data and funds. Also platforms have limited access to credit history in many jurisdictions and need to rely on innovative, yet unproven, alternative ways of credit scoring [12]. As long as access to bank-generated data on credit and credit bureaus is limited to the banking sector, crowdfunding platforms have no option but to rely on alternative credit scoring methods. This may lead to inaccurate assessment of the default risk, but also to discrimination of a certain types of crowdfunding projects.

Current state of the crowdfunding market

The current state of the market shows that crowdfunding became very popular around the world. According to TheCrowdfundingCentre, the world's leading aggregator of information about leading crowdfunding projects and platforms, which tracked more than 537 600 projects since 01.01.2014, during this time it was raised $3,4bln from 38M backers [13]. The average data shows that 21,5% of ended projects were fully funded, they raised $25,364, 272 backers supported them, average pledge was $93. Unfortunately, data shows that business is not very popular category for crowdfunding. Historically the most prevalent categories become artistic and technological projects which are most understandable for the individual backers.

The Table 2 below shows the number of live projects that are currently tracking by TheCrowdfundingCentre at whole world in each category for all crowdfunding types at 28.08.2017.

Table 2 – The category of crowdfunding projects [13]

Category	Total	Percent of total
Film	1347	12.8
Technology	868	8.3
Music	862	8.2
Design	645	6.1
Fashion	619	5.9
Publishing	593	5.7
Art	562	5.4
Food	452	4.3
Video games	400	3.8
Community	381	3.6
Health	331	3.2
Gaming	330	3.1
Small business	264	2.5
Education	258	2.5
Writing	258	2.5
Charity	249	2.4
Theatre	193	1.8

This table confirms that only 2.5% of total number of all projects are engaged in small business, the most popular category at that moment are film, technology and music (12.8%, 8.3% and 8.2% correspondently).

The next Table 3 shows the number of ended projects in each category between 01.01.2014 and 28.08.2017.

Unfortunately, this data also prove that small business is not very successful in gaining funding through crowdfunding. Only 3.9% of all ended projects were small businesses, and only few of them were fully funded (0.1% of total). The most winning categories were again film, music, technology at the term of number of ended projects (12.2%, 9.2% and 8.9% correspondently), and film, music and design at the term of number of fully funded (2.8%, 2.8% and 1.6% correspondently).

Table 3 – Ended crowdfunding projects [13]

Category	Percent of total	Fully funded, percent of total	Underfunded, percent of total
Film	12.2	2.8	9.4
Technology	9.2	1.4	1.2
Music	8.9	2.8	6.1
Design	5.5	1.6	3.9
Fashion	4.3	0.8	3.5
Publishing	5.8	1.5	4.3
Art	6.1	1.5	4.5
Food	4.7	0.8	3.9
Video games	3.7	0.7	3
Community	7.2	1	6.1
Health	2.8	0.4	2.4
Gaming	2.8	1.1	1.7
Education	3.4	0.4	3.1
Writing	1.3	0.2	1.2
Small business	3.9	0.1	3.8
Charity	0.7	0.3	0.5
Theatre	2.3	0.8	1.4

Interesting analysis the project's success by category. The chart below shows the percentage of completed projects which ended or reached their target in each category between 01.01.2014 and 28.08.2017 (fig. 1). This data are based on the number of projects fully funded (100%+).

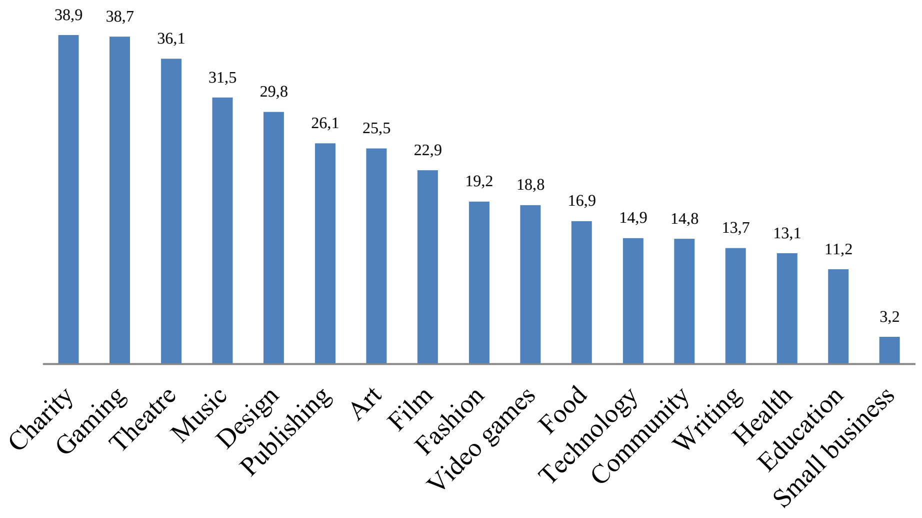

Figure 1 – Completed projects data [13]

This chart also shows that small business is not very popular category for crowdfunding, but still have chance for success. Only 3,2% of all small business projects were ended or reached their target during monitored period. In comparison, charity, gaming and theatre exceed this data more than 10 times.

Current state of the crowdfunding market in Ukraine

Crowdfunding in Ukraine is in its starting point, but its basics already exists and over time public funding will reach the same popularity as in developed countries.

Crowdfunding in Ukraine got special popularity in 2014 after Euromaidan, when the donations collected by crowdfunding platforms literally fed and warmed the protesters, although Ukrainian Philanthropic Marketplace and Spilnokosht platforms were founded in 2011 [14].

Today Ukrainian crowdfunding projects are mostly targeted to the development of civil society, social entrepreneurship and support for people in troubles. Some data about the Ukrainian fundraising campaigns on the main Ukrainian and international crowdfunding platforms are provided by the Table 4.

Table 4 – Ukrainian fundraising campaigns [14]

Platform name	Number of supported projects	Collected funds, $	Number of backers	Year of foundation	Average amount collected during the campaign, $	The average amount donated by each backer, $
Ukrainian Philanthropic Marketplace	1631	3581 171	514512	2011	2195	6.96
Spilnocosht	156	367551	21448	2012	2356	17.14
GoFundEd	20	22165	550	2015	1108	40.3
KickStarter	82	1458039	n/a	2010	17781	n/a
Indiegogo	2300	750000	4500	2008	119	166.67

Some experts have identified three main types of crowdfunding in Ukraine [14]:

1. Donation-based crowdfunding like fundraising for targeted assistance or for urgent mostly individual needs. Several charitable crowdfunding platforms, including org.ua and People's Project, were founded after Euromaidan, others, including the Ukrainian Philanthropic Marketplace and Tabletochki, existed before 2014.

2. Community-enhancing crowdfunding is focused on urban development and infrastructure, information exchange or educational projects, public broadcasting, etc. It includes Spilnokosht, Moy Gorod (Odessa social project realization platform) and GoFundEd (a new platform for educational projects).

Spilnokosht popularizes the culture of charity, when donors cares about the quality of the project because beneficiary need to report about the money spent (so-called strategic philanthropy). Moreover, Spilnocosht gives the opportunity for projects to get institutional assistance from the backers to improve the sustainability of non-profitable innovative solutions. During its activity Spilnokosht realized 191 successful projects and gain 12830898 UAH from 25432 sponsors in average near 500 UAH from each of them [15].

GoFundEd is a new crowdfunding platform for educational projects that enables teachers to raise funds for their innovative school projects aimed to developing critical skills for schoolchildren. Rewards-based crowdfunding, which offer pre-order option to backers, are just evolving in Ukraine. However, Ukrainians are actively using the capabilities of international crowdfunding platforms like Kickstarter and IndieGoGo, which offers the development of innovative ideas all around the world and the expansion the client base for business products produced in Ukraine.

For example, the Ukrainian crowdfunding platform Komobuk in exchange for funds, donated to the publication of the book, give the sponsors a copy. The platform Na Starte is also based on the idea of group buying as a way of financing innovative entrepreneurial ideas. An interesting service of P2P-crediting was offered by Privatbank at March 2016. The platform CUB (the country of successful business) enables every businessman to raise funds (up to 300000 UAH) for the development of small business. The service is designed for a SMEs, which lacks of working capital. The beneficiaries can present their projects at the platform (preliminary it should be approved by Privatbank experts), and any Privatbank clients can invest their money to the projects at 2-2.5% per month. Al control over the payment of interest is carried out by PrivatBank, part of the risks is assumed by the insurance company. During first year the number of loans issued by CUB exceeded 9000, 154 of which were given to the agro-industrial business. Beneficiaries were able to create about 151000 new jobs in Ukraine [16].

Research conclusions and recommendations for further research. As we can see from the data about Ukrainian crowdfunding projects and platforms, the main directions of the Ukrainian crowdfunding are philanthropy and community projects. However the Ukrainian business environment create the foundation for the rewards-based crowdfunding which is more than useful for supporting small and medium business. For our opinion to enhance the crowdfunding impact on the transformation processes in our country we should develop a targeted approach for its support, namely:

– organizations involved in promoting reforms should popularize crowdfunding as the effecting tool for diversifying the sources of funding as well as getting customer feedback and market research;

– backers should develop their skills in projects' analyses and take part in monitoring campaigns during and after the project;

– beneficiaries should expand their audience and attract new backers, as well as ways to more effectively involving existing ones.

In other words crowdfunding in Ukraine should become more conscious and business-oriented, and thus become an effective tool for the development of small and medium businesses. Our further research will cover the deeper inside in the Ukrainian crowdfunding market.

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Краудфандінг як новий виклик для бізнесу.

В статті розглядаються питання розвитку краудфандінгу в якості альтернативного джерела фінансування малого та середнього бізнесу. Наводиться визначення краудфандінгу, виокремлено його основні моделі, проаналізовано переваги та ризики, властиві як для інвесторів, так і для бенефіціаріїв краудфандінгових проектів. Зроблено аналіз сучасного світового ринку краудфандінгу в термінах найбільш популярних категорій проектів для краудфандінгу, зроблено наголос на стані розвитку краудфандінгу в Україні. Сформульовано шляхи розвитку українських краудфандінгових проектів в сфері малого та середнього бізнесу в Україні.

Ключові слова: краудфандінг, краудфандінгова платформа, краудфандінговий проект, малий та середній бізнес, інвестор, спонсор, бенефіціарій.

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