

## **CROWDFUNDING AS MODERN PLATFORM FOR FINTECH DEVELOPMENT**

Kyiv National Economic University named after Vadym Hetman

**Abstract:** *The article examines the current state of crowdfunding and its role within FinTech process. The particular attention is paid to the crowdfunding mechanism that is able to overcome many business and human development challenges and direct more funds to satisfy the most urgent social, economic, cultural and environmental needs. The examples of global crowdfunding platforms are provided. The current situation with crowdfunding activity in Ukraine, considering crowdfunding platforms at the national level, is described.*

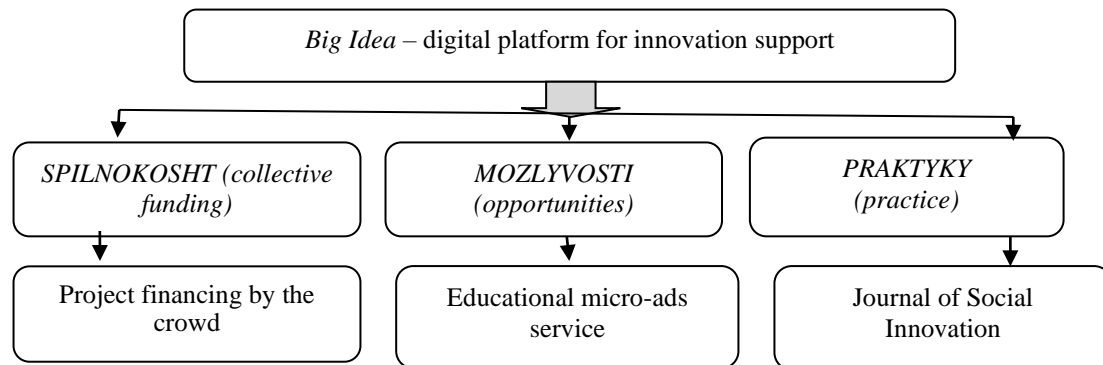
**Key words:** crowdfunding, innovative development, financing, FinTech.

Nowadays, the issue of integration of digitalization and financial service has received considerable critical attention due to the increasing role of digital tendencies within gaining a sustainable competitive business advantage. For instance, the financial technologies, namely FinTech, cause disruptive changes within to financial services, virtualizing each aspect within financial sector. Such tendencies are driving financial start-ups and technology firms' activity, covering a wide range of financial processes, including credit scoring, customer interaction, robot-advisory, market research, fraud detection. FinTech tendencies enable the widespread of a wide range of applications with different functionalities, including those available for mobile payments, marketplace financing, robo-advising, smart contracts and innovative sources of financing provision [2, 3]. In particular, practitioners and regulators are interested in intelligent information technologies due to the need of innovative regulation elaboration and development, concerning rather innovative and decentralized FinTech process. On the one hand, intelligent information technologies can play an important role in addressing the issue of business, concerning its ability to attract more financial resources from a wide range of sources. On the other hand, intelligent information technologies have a pivotal role in modern investors' activity, providing a digital platform for further activity and growth. Due to practical advantages of using intelligent technologies within financial sector, the theoretical researchers and experts are also particularly interested in these novel technologies and changes that impact organizations and even broader financial system.

Determining the impacts of innovative financial resources and mechanisms is becoming more crucial than ever before for the future of business, social sector and creative industries development worldwide. In particular, crowdfunding platform development and their influence on modern society is the question of particular attention within theoretical researches and applied reports. Due to the practical experience, the crowdfunding mechanism is able to overcome many business and human development challenges and direct more funds to satisfy the most urgent social, economic, cultural and environmental needs. The particular interest should be paid to crowdfunding platforms. For instance, such globally famous platforms as GlobalGiving, Indiegogo and Kickstarter are able to raise annually about 34 bn. USD within the global crowdfunding industry [4, 5]. In 2019, nearly 6,445,080 crowdfunding campaigns were hosted globally. Moreover, in accordance with Fundly reports, the crowdfunding market is expected to witness a growth at a CAGR of over 16% during the timeframe of 2020-2025. There are also estimations on crowdfunding market potential to triple by 2025 [6].

Crowdfunding is concerned as an innovative digitalized model for funding a variety of programs, allowing individual founders of for-profit, high-tech, cultural or social projects to request funding from a wide range of individuals, often in return for future products or equity [7]. The recent research mainly put the light on the digital nature of crowdfunding and the parameters of crowdfunding platforms and projects success, considering the projects nature and alternative models of their crowdfunding financing. In particular, it is defined that crowdfunding platforms success is highly dependent on a measure of external and internal factors, including legislative environment, information support of crowdfunding companies, project quality and amounts of crowdfunding financing. However, there is still a question on crowdfunding eligibility to be a digital alternative for project financing on a regular basis.

Currently, Big Idea ([biggggidea.com](http://biggggidea.com)) and Na Starte are two famous Ukrainian crowdfunding platforms that act within national economy. The largest Ukrainian crowdfunding platform "Big Idea" was created with funds raised through crowdfunding technology (UAH 38,260 instead of the required UAH 35,000). However, other projects presented on the platform collect very small amounts (maximum - 25 thousand UAH) [8]. Currently, the main projects for which financial resources are raised within the platform are projects in the fields of education, healthcare, literature, music, journalism and research. The potential of the crowdfunding platform "Big Idea" is the transformation of innovative areas of promotion of ideas of human development and innovative growth (Figure 1).



**Figure 1. Innovative directions of Big Idea development: the potential of financial support in digital society**

"SPILNOKOSHT" (collective funding) is a typical example of a national platform for raising financial resources to implement a project to build a strong and open society. The key goals of the platform are to find start-up capital for business and social sector, fundraising to develop an invention, shooting a film, etc.

"MOZLYVOSTI" (opportunities) presents relevant educational mini-ads, mostly for socio-cultural projects. That is, the direction of "opportunity" characterizes the potential for the implementation of the information function through the crowdfunding platform. "PRAKTYKY" (practice) is represented in the form of an electronic journal of social innovations. It is a common space for innovative views and interaction with collective knowledge. The resource highlights the trends shaping the social services industry, creative entrepreneurship and innovation ecosystems. Within this direction, attention is paid to: ecology of life, technologies and systems, enterprising leadership, cooperation, info space. This direction forms the potential for integration of the national crowdfunding platform with the system of global social priorities.

Thus, the potential for building a crowdfunding platform "Big Idea" is not only in the increase of financial resources that can be raised through the platform, but also in the functional transformation of the promotion of human development and economic growth through crowdfunding.

In light of recent trends of crowdfunding, it is more difficult to find studies that provide a comparative analysis of crowdfunding platforms and their effectiveness indicators, considering intelligent information technologies use in financial sector globally. Thus, it is important to highlight the both the theoretical essence of crowdfunding and applied tendencies of crowdfunding platforms' development.

#### REFERENCES

1. Sugumaran V. Intelligent Information Technologies and Applications, Oakland University, Oakland, 2008. doi: 10.4018/978-1-59904-958-8
2. Calic G., Mosakowski E. Kicking off social entrepreneurship: how a sustainability orientation influences crowdfunding success, *Journal of Management Studies*, 53(5) (2016): 738-767.
3. R. Adner, R. Kapoor, Value creation in innovation ecosystems: How the structure of technological interdependence affects firm performance in new technology generations, *Strategic Management Journal*, 31(3) (2010) 306-333.
4. Crowdfunding development aid would direct funds where they are needed most. Financing for development aid, (2016) URL: <https://www.theguardian.com/global-development/2016/sep/13/crowdfunding-development-aid-funds-globalgiving-kickstarter>. Accessed 21 Dec 2019

5. Gernego Iu., Petrenko L., Dyba M., Tsarov V. Innovative financing of creative projects on the Kickstarter platform: Ukrainian and Polish experience, E3S Web of Conferences, 166 (13019) (2020). <https://doi.org/10.1051/e3sconf/202016613019>
6. Crowdfunding market - growth, trends, and forecasts (2020-2025). Mordor Intelligence. (2019) URL: <https://www.mordorintelligence.com/industry-reports/crowdfunding-market>
7. Mollick E. The dynamics of crowdfunding: An exploratory study, Journal of Business Venturing 29 (2014): 1–16. <http://dx.doi.org/10.1016/j.jbusvent.2013.06.005>
8. Велика ідея: веб-сайт. URL: <https://biggggidea.com/>

***Gernego Iuliia O.*** – Doctor of Economics, Associate Professor, Associate Professor of the Corporate Finance and Controlling Department, Kyiv National Economic University named after Vadym Hetman, Kyiv, e-mail: [iuliagern@ukr.net](mailto:iuliagern@ukr.net)

***Dyba Mykhailo I.*** – Doctor of Economics, Professor, Professor of the Corporate Finance and Controlling Department, Kyiv National Economic University named after Vadym Hetman, Kyiv, e-mail: [dyba\\_m@ukr.net](mailto:dyba_m@ukr.net)