

DEVELOPMENT OF CROWDFUNDING AS A NEW FINANCIAL INSTRUMENT FOR SUPPORTING ENTREPRENEURSHIP

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Анотація

У цій статті досліджується, як краудфандинг впливає на підприємництво, полегшуючи доступ до фінансування інноваційних проектів через онлайн-платформи. Незважаючи на свої переваги, краудфандинг стикається з такими проблемами, як регуляторні питання та захист прав інтелектуальної власності. Зміцнення ринку краудфандингу може сприяти економічному зростанню, особливо в Україні, надаючи альтернативний шлях фінансування для компаній на ранніх стадіях розвитку та сприяючи діджиталізації всіх секторів.

Ключові слова: краудфандинг, підприємництво, інновації, онлайн-платформи, виклики, інтелектуальна власність, економічне зростання, альтернативне фінансування.

Abstract

This article explores the way crowdfunding impacts entrepreneurship by facilitating access to funding for innovative projects through online platforms. Despite its advantages, crowdfunding faces challenges such as regulatory issues and protection of intellectual property rights. Strengthening the crowdfunding market can contribute to economic growth, especially in Ukraine, by providing an alternative financing path for companies in the early stages of development and promoting the digitalization of all sectors.

Keywords: crowdfunding, entrepreneurship, innovation, online platforms, intellectual property protection, economic growth, alternative financing.

Introduction

In the modern world, the economic development of society and its individual entities depends on many aspects, including the search for and attraction of financial resources for the development of innovative sectors of the economy. Innovative methods of obtaining financing through web services create greater competition for traditional methods such as bank loans. Globalization and the development of information technologies have created new forms of financing based on social networks and citizen participation. The realization that self-financing is a viable way to seek resources for self-development is becoming increasingly widespread in modern society. This document explores the potential of such an innovative fundraising tool as crowdfunding [4].

Research Results

Crowdfunding platforms are websites that facilitate interaction between fundraisers and the crowd, through which financial contributions are made and collected. After all, public fund-givers have the opportunity to donate money to your cause. Usually, all platforms take a commission fee from the funds raised if the fundraising campaign is successful. In such cases, these platforms must provide services securely and with ease of use. Most operability takes place on an all-or-nothing trail. If you reach your goal, you get the money, and if not, everyone gets the money back – no hard feelings and no financial loss.

Navigating a way through difficult financial situations can be hard when the government and non-profit sources don't provide enough money to assist you. It is in this that crowdfunding becomes a precious resource to consider. With this form of funding, anyone can easily reach out to their local community members for support they need without much hassle involved in going around seeking help from the government which is always bureaucratic hence time-consuming. Crowdfunding offers a platform where people can ask for financial donations towards various purposes including capital investments such as starting a business or an organization as well as personal expenses like medical bills among others [2].

Depending on the company's objectives, there are several variations of crowdfunding:

1. Charitable – when charity support is directed at non-commercial projects without any reward for donors.
 2. Reward-based – an investor gets repaid through gift or long-lasting subscription to corporation's service or product.
 3. Debt Based or Peer to Peer (P2P) – in essence it is a like loan where the later receives extra income after the end of term.
 4. Equity-based means when an investor has the opportunity to buy a stake in a company at an early stage.
- The world's most famous crowdfunding platforms are: Indiegogo, Kickstarter, GoFundMe, Patreon, SeedInvest Technology [1].

Supporters of crowdfunding argue that it helps good ideas that do not fit traditional that don't fit the mold of traditional financiers to break through and get money thanks to the wisdom of the crowd. If a project gains traction, meaning it successfully launches its fundraising campaign, this translates to even greater chances of success for the entrepreneur, as their potential future customers become involved in the business creation process and additionally, spread word-of-mouth promotion about the project. The only drawback is that the idea must be fully disclosed on the website to garner support from people, making it vulnerable to theft and interception by competitors.

The influence of crowdfunding on the development of entrepreneurship is reflected in a number of key aspects that contribute to the stimulation of innovation, the development of new projects and the support of entrepreneurs.

A fundraising campaign is a limited activity which is aimed at gathering finance as initiated on any Internet crowdfunding center. An individual is usually expected to have a target, but persuasive presentation and then look for potential donors or investors to support his campaign. crowdfunding market success is normally attached to the presence of it on social media, beautiful images and a distinct value proposition.

In spite of its success, crowdfunding confront a number of issues like regulation, security as well as competition with other financial products however it remains a significant instrument for assisting business start-ups and fostering innovative projects globally.

It is difficult to submit new ideas to crowdfunding sites because the sites may not be able to protect ideas adequately. The problem of using this funding option for submissions is that there's no protection of intellectual property on the platform. The solution to this is by doing all patents' forms before submitting them in the platform as well as resorting to copyright and trademarks. In fact these days, there are even other forms of protection such as creative barcodes supported by the World Intellectual Property Organization that can be also used [3].

Conclusion

Crowdfunding transformed fundraising by making it possible for everyone to access global audience using the internet. It supports projects and brings folks together, meaning that those seeking funds must be open with their information and must be able to tell an impressive story. But there are many difficulties that go along with this process such as being responsible for the donations received. However, at its very core it allows individuals without such privilege before gain entry into finance thereby nurturing new ideas through rewarding inventors and those who put their money towards something that they believe in.

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