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CROWDFUNDING AS AN INNOVATIVE TOOL FOR SMALL BUSINESS DEVELOPMENT

Due to globalization and active development of information technology, new ways of financing through the Internet are gaining popularity. Companies do not use borrowed funds very often and prefer self-financing. That is why the study of crowdfunding as an innovative tool for the development of small companies at an early

stage is vital. With significant prospects, crowdfunding may soon take a leading position in the financial resources market.

To begin with, it is appropriate to define the concept of crowdfunding. Crowdfunding comprises forms of capital supply, with which capital seeking companies publicly present themselves on specific internet based platforms to a big group of potential capital providers based on their innovative business idea and offer this group the opportunity to engage themselves with the allocation of funding [5].

While the definition of crowdfunding varies among researchers, the general concept of crowdfunding is a source of start-up capital in which small businesses solicit small amounts of capital from a large quantity of contributors facilitated through online social networks [7].

In addition to financing, this tool allows you to create customer loyalty, evaluate the market and make sales forecasts. It is necessary to conduct advertising and PR to attract as many investors as possible for the crowdfunding campaign to be successful. That is why social networks are a platform for such programs which help companies to get feedback and support from potential customers.

Crowdfunding began as an online extension of traditional financing by friends and family: communities pool money to fund members with business ideas. In less than a decade, crowdfunding has gained traction within a number of developed economies, including Australia, the United Kingdom, the Netherlands, Italy, and the United States. This exciting phenomenon is spreading across the developed world and is now attracting considerable interest in the developing world as well [2].

An important question relates to how crowdfunding interacts with other forms of entrepreneurial finance. Crowdfunding is an effective and innovative tool for small business development; it is already ahead of traditional sources of finance such as loans, venture funds and business angels.

Although these two forms appear to be similar to crowdfunding in terms of amount provided and stage of development, crowdfunding turns out to differ in many ways. Professional investors will more often make use of contractual covenants that are intended to protect their investment, such as liquidation preferences, preemption rights, veto rights on major corporate decisions, and, in addition to stage financing, milestone financing [3].

The digital era has made raising funds for your business idea, nonprofit cause, or personal needs easier with the use of online crowdfunding platforms. To date, people have raised more than \$34 billion worldwide using these platforms, with easy-to-use tools that provide a smooth experience for both fundraisers and their supporters [4].

As we can see in table 1 crowdfunding has become one of the most popular ways for individuals to raise money for a cause, project, or event.

The best crowdfunding platform of 2021 is Indiegogo, followed Kickstarter, SeedInvest Technology, Mightycause, StartEngine, GoFundMe and Patreon. Indiegogo is an accredited business with the BBB which has an A+ rating. It is a clear choice for best overall due to its track record of success in helping to fund more than 800,000 ideas all over the world since 2008 [1].

Table 1.

Crowdfunding Statistics [Updated for 2020]

Global Amount Raised by Crowdfunding	\$34 billion
Peer-to-Peer Lending	\$25 billion
Reward and Donation Crowdfunding	\$5.5 billion
Equity Crowdfunding	\$2.5 billion
The number of crowdfunding campaigns hosted globally last year (2020)	6,445,080
Global average success rate for crowdfunding campaigns	22,4%
The average crowdfunding campaign donation	\$99
The average amount a nonprofit crowdfunding campaign raises	\$9,237

*based on [4]

Therefore, the next important thing to investigate it is how it works. When companies use a crowdfunding site they will need to register and create a profile, then they can create their own personal campaign or fundraising page where companies can supply information of why they are raising money and what their needs are set up a fundraising goal, and start raising money. All these depend on the type of site companies decide to use then they can start fundraising.

Of course, some platforms also exist in Ukraine. However, there are problems that prevent crowdfunding from active developing such as [6]:

- lack of state regulation of crowdfunding;
- uneven access of citizens to the Internet on the territory of Ukraine;
- low income of citizens, people simply do not have the opportunity to allocate money to finance other projects, as well as the development of their own;
- low level of knowledge in the field of crowdfunding, which causes distrust in this method of financing.

Crowdfunding has no particular drawbacks, except that it is suitable for small projects that do not require significant investments. It can also contain experiments in different areas of activity and operate in different areas of science and economics. Crowdfunding is quite flexible, characterized by the speed of obtaining funds and the reliability of information about the project, this is what ensures its viability and gives reasons for its further study.

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