EXPONENTIAL DEVELOPMENT OF CROWDFUNDING AS AN INSTRUMENT OF ENHANCING INNOVATION

Yelisieieva L.V.
Candidate of Economic Sciences, Associate Professor,
Senior Lecturer at Department of Environmental Economics and Economic Theory,
Lesya Ukrainka Eastern European National University

In the article, the features of exponential development of crowdfunding are investigated. The causes of appearance, forms, business models of crowdfunding are analysed. It is found that the causes of crowdfunding are exponential spread of Internet technology, reducing of free international capital and improving the criteria for financing start-ups, small business and more. According to Google Trends it was found that the growing interest in crowdfunding began in 2010, and most requests were registered in July 2015. The fastest growing of crowdfunding are in the USA and Europe. An important step in the spread of crowdfunding in the USA was signing the Jumpstart Our Business Start-ups Act by the President Obama, which simplified the regulation of small business and legalized crowdinvesting. We concretized that the main actors of crowdfunding service are donors (investors) and recipients whose cooperation is mutually beneficial. There are two models of crowdfunding – investment and donation – and different business model: donation-based, reward-based, equity-based, lending-based, royalty-based. It is found that the most famous business models are reward-based and equity-based business models. However, each of the crowdfunding business models provides benefits for investors: pre-sale, gifts, tax benefits, interest on capital and more. We investigated the activity of one of the leading crowdfunding platform – Kickstarter – and history of the most famous projects – innovations of Pebble. It is established that crowdfunding can mobilize available funds, human capital, creativity, talent and entrepreneurial culture. During the investigation it is found that crowdfunding become an alternative to bank lending, venture capital, financing of business angels. It creates favourable conditions for development of small businesses, startups, individual creativity and more.