

## SOME ASPECTS REGARDING CROWDFUNDING AS AN ALTERNATIVE SOURCE OF FUNDING PROJECTS IN POLAND AND ROMANIA

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**Abstract:** *Even if it is still at the beginning in some countries the concept of crowd funding gains, slowly but surely, field as a source of financing for projects from different areas with the help of the community.*

*This study proposes to present some aspects regarding crowdfunding and the possibility to finance projects, the benefits of this concept, the impact on the society, the areas where it is frequently used and a short analysis/characterization of the main crowdfunding platforms from Poland and Romania.*

**Key words:** *crowdfunding, projects, funding source*

### INTRODUCTION

Beside traditional financial sources for projects funding provided by banks, business angels, venture capital firms or others a new way has established in recent years to acquire money online for financing projects. [1, 2]

Crowdfunding (named also participative funding or funding by the crowd) is a financing method of the projects involving the usage of the internet as a communication channel between the project initiators and the persons who want to invest in these projects. The crowdfunding is largely used in present days due to its simplicity in the current context where it is sometimes difficult to find the financing sources for relatively small projects, at start-up level. [4]

The crowdfunding is an advanced form of fundraising (fund collecting) which eliminates the classic donation system replacing it with a compensation type method. In this way the project initiators create a network with members paying money for the products or services generated by the project. [7]

According to Muellerleile and Joenssen crowdfunding, which is used in different commercial and noncommercial domains, enables innovators to reduce the risks linked to the development and market introduction of an innovation. Successful project financing no longer hinges on engaging a few, powerful intermediaries, but on engaging many people who can directly support projects with small amounts of money. Furthermore, project initiators will receive direct feedback from the crowd, and may hence better estimate their idea's market potential. Crowdfunding dynamics, as well as geographic crowd dispersion, enables project initiators to overcome financing barriers and utilize globalization for successful financing. [3]

When crowdfunding is used as source of financing projects there are to parties involved:

- The sponsor – the one who is supporting financially the project
- The project initiator – the one who does not have the necessary funds to realize the project and for different reasons does not access other financing sources.

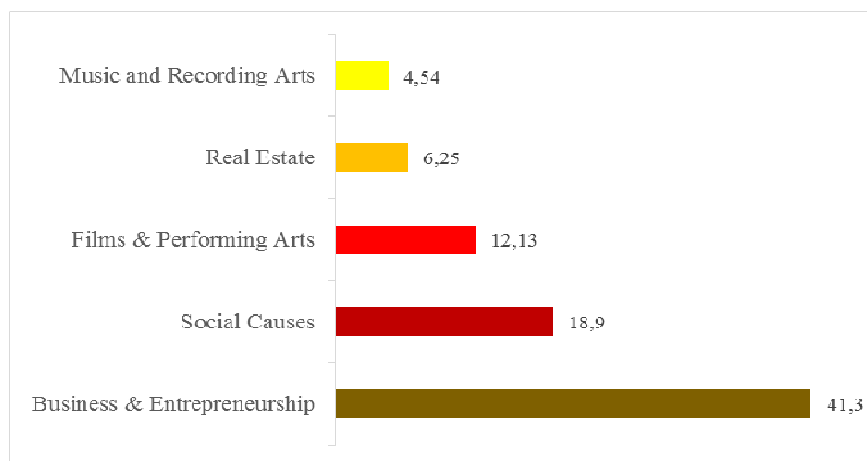
The meeting between the two parties takes place on the internet using a crowding platform where the initiators present their projects and the sponsors choose to support the preferred projects with the desired amount of money. The simple functioning method offer the advantage of transparency for the sponsors because they know exactly what they are financing. The most important advantages of this source of financing for projects are: [6]:

- the financing is realized without generating a debt, the money received is not paid back, even if the beneficiary has to give something for every penny received (for example mentioning the names of the sponsors on a page, public thanks or even offering the project results);
- the identification of the potential clients, after the crowdfunding campaign can generate notoriety which can transform in material gains (can be associated with an early promotion of the project);
- high quality market research because a crowdfunding campaign can be also a market research (for example if the crowdfunding is not successful one of the reasons can be the inappropriate idea of the project, on the other hand if the campaign is successful can be a reason for putting into practice the project).

The reasons for projects' financing are:

- The pleasure to contribute to the putting in practice of some projects;
- The desire to be involved in projects (to “see” something from the backstage of projects);
- ”the compensations” offered by the initiator, goods and services the sponsors want to acquire.

This financing method is addressed to all types of projects (cultural, social, environmental, business, innovative) and to all those who want to financially support a project and to get the “compensations” offered by the initiator.



Source: 2014 CF – The Crowdfunding Industry Report

**Figure 2 Crowdfunding Platform activity across the most active categories**

According to 2014 CF – The Crowdfunding Industry Report the “top” projects found on the crowdfunding platforms are:

- Business & Entrepreneurship 41.3%
- Social Causes 18.9%
- Films & Performing Arts 12.13%
- Real Estate 6.25%
- Music and Recording Arts 4.54%. [5]

## MATERIALS AND METHODS

Studying some sources from the specialized literature, sources which were mentioned in the biography section, authors present main aspects regarding crowdfunding as an alternative source of funding projects in Poland and Romania. The stages from the realization of the article were: setting the purpose of the article, study of the specialized literature, setting the targets and conclusion stating.

## RESEARCH RESULTS

Lately the crowdfunding started to be more and more used as a source of financing for some projects. So, in Poland the main crowdfunding platforms are:

- wspieram.to - the biggest platform
- beesfund.com
- myseed.pl
- wspólnyprojekt.pl
- wspólnicy.pl
- crowdangels.pl
- polakpotrafi.pl
- megatotal.pl
- clipontheroad.pl
- crowdfunders.pl
- wspieramkulture.pl
- ideowi.pl

Also, the areas of projects which are funding through crowdfunding are: music, books/scriptures, comics, computer games, games without electricity, initiative, different events, film/photography, design, cosplay, education, fashion, theatre/dance, technologies, tourism/expeditions, sport, parenting/children, startup.

In Romania, crowdfunding is a relatively new source of projects' financing, mainly of business ideas. So, the projects financed using crowdfunding platforms are: business projects (usually small businesses), charity projects, educational projects, projects with social impact, CD launching, book launching, events, sports, travel/expeditions, environmental projects.

Currently in Romania, the crowdfunding platforms are few and not very developed, but this area has high chances to develop in the near future. The most known crowdfunding platforms from Romania are:

- crestemidei.ro
- multifinantare.ro
- potsieu.ro
- we-are-here.ro
- kazuun.ro
- bursabinelui.ro
- crowdfunding.alumni.ubbcluj.ro

Each platform has its policy. In general, the projects are financed if the entire amount of money was raised, if not the amounts return to the sponsor. The percentage retained by the crowdfunding platforms from the raised amounts is between 0 and 10%, according to each crowdfunding platform policy.



**Figure 2 Main areas of projects funding through crowdfunding**

## CONCLUSIONS

Crowdfunding is one of the most interesting methods for financing an idea/a projects with the help of the community/network of known or unknown people who believe in that idea. Even if in present days crowdfunding is not used very often as source of financing projects in Poland and Romania, definitely this financing method for projects will gain more and more field also in these countries by educating the population to financially help/support a viable idea.

Generally in Poland and Romania similar project categories are financed using crowdfunding platforms.

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