

THE LEVEL OF RESEARCH CZECH CROWDFUNDING

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Abstract

A review article informs about the level of research in the field of crowdfunding, focusing on the Czech Republic. The first scholarly articles about crowdfunding, as a new phenomenon financing, started to come around the year 2006. The major articles that have appeared in the Web of Science, were published up to 2012. First research about Czech crowdfunding was published in 2013. That is roughly at the same time they began to appear the first successful Czech campaign. Because these studies narrowly focused only on the Czech market, there may be a space for the realization of research is comparative in all published fields (social impact, success factors campaign, contributor's structure, the importance of social capital). As a research sample surveys used in foreign campaigns executed on Kickstarter, in the Czech Republic, the campaigns provided by HitHit. The most cited article has 58 citations, 35 was in the year 2015. H-index of the most cited author E. Mollick is 4. Frequently cited articles on crowdfunding largely based in the Journal of Business Venturing. The journal Entrepreneurship Theory and Practice dedicated in January 2015 special issue of crowdfunding. Business Horizons magazine is preparing a special issue for April of this year.

Key words: crowdfunding, Czech Republic, research, review

JEL Code: G21, M19

Introduction

Crowdfunding is a new funding practice through which people, often living in different geographical areas, contribute to funding a project they share an interest in. Money is raised via online platforms, thus, utilizing the Web 2.0 technologies (Borello, De Crescenzo, & Pichler, 2015). Number of realized and published research is increasing every year.

1 Crowdfunding

Crowdfunding is a relatively new phenomenon. However, its growth rate in recent years has been substantial. Crowdfunding is other evolutionary form of micro financing. Crowdfunding

allows individuals to source their funding from a various amount of individuals from platforms that can be found from the internet (Bradley III & Luong, 2014).

1.1 Historical Crowdfunding

The beginning of this micro financing can be traced back to the 1700s when it was once called an Irish Loan Fund. Founded by Jonathan Swift, these loans were given to low income families in rural areas. These loans gained in popularity and peaked in the 1800s where over 20 % of all Irish households held an Irish Loan Fund.

The popular idea found its way to Bangladesh, India in 1976 where Dr. Mohammed Yunus provided banking opportunities to low income families on the same concept of the Irish Loan. Within five years of its inception, Dr. Yunus' banking program grew to over 30,000 members from the original 42 females. In 1983, the original idea made a transformation from the small program into what is known today as Grameen Bank (Bradley III & Luong, 2014).

The first account of crowdfunding can be credited to Marillion, a British rock band, in 1997. Marillion raised \$60,000 online through donations from their fans to go on a reunion tour ("The history of"). Brian Camelio started the first crowdfunding platform ArtistShare in 2000. ArtistShare allows fans of artists to fund the creation of new works from the artists ("About") (Bradley III & Luong, 2014).

1.2 Crowdfunding types

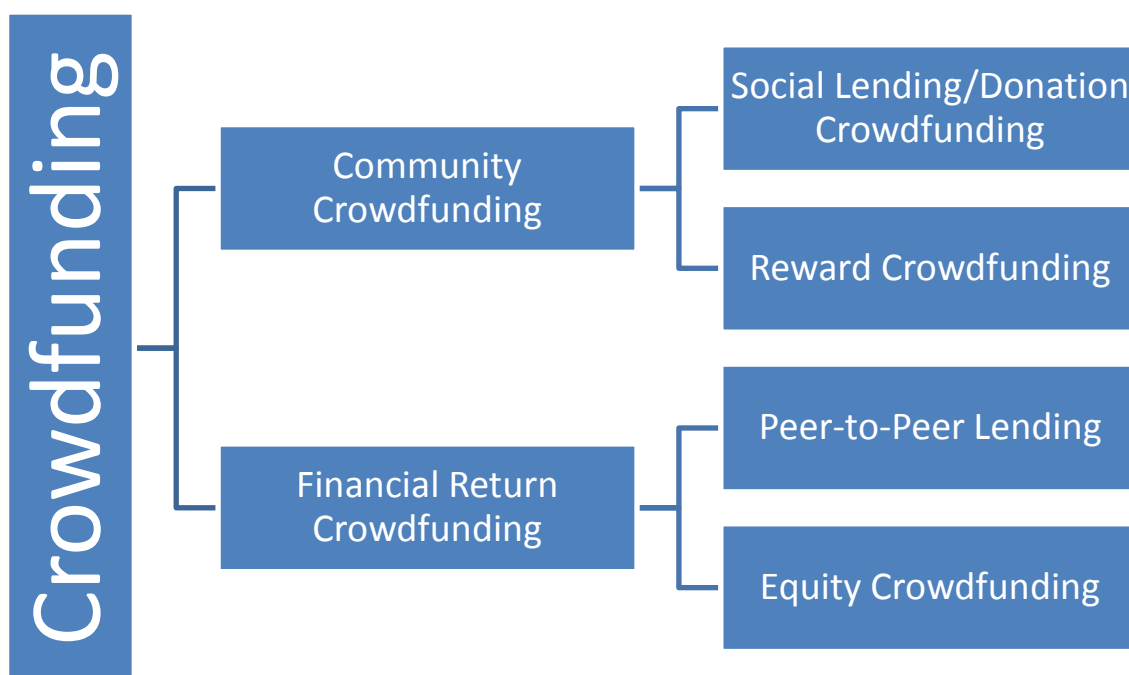
Crowdfunding originates from crowdsourcing, that is, the process of contributing to the creation and fulfillment of a new business idea (Poetz & Schreier, 2012).

Main characteristic of crowdfunding:

- (i) a business idea/project that requires funding;
- (ii) many investors, or backers, willing to contribute to the realization of that business. Backers should be mainly, or in some cases exclusively, non-professional investors;
- (iii) the online platform should connect backers and entrepreneurs (Borello et al., 2015).

Kirby and Worner (2014) propose classification for crowdfunding models (Figure 1):

Fig. 1: Crowdfunding models



Source: Kirby and Worner (2014)

Social lending/donation crowd-funding and reward crowd-funding are a way of fundraising for charitable causes, for example through angel investors, or pre-paying for a product from a business. These two categories of crowd-funding can be collectively referred to as “community crowd-funding”. The main difference between these forms of crowd-funding is that they do not provide any financial return in the form of a yield or return on investment (Kirby and Worner, 2014).

Consequently, peer-to-peer lending and equity crowd-funding can be referred to collectively as “financial return crowd-funding” or “FR crowd-funding”. Both types of FR crowd-funding are internet based. Peer-to-peer lending can be defined as the use of an online platform that matches lenders/investors with borrowers/issuers in order to provide unsecured loans. Equity crowd-funding is similar to peer-to-peer lending in terms of an online platform. Many individuals can invest in a business through the platform, gaining an equity stake. Once the online platform completes the equity raising, the crowd investors hold equity stakes in the firm and assume all the risks associated with investing in equity (Kirby and Worner, 2014).

Investors in both types of community crowdfunding platforms have similar motivations, i.e. a sense of belonging, ethics in investing, moral awareness (Borello et al., 2015).

1.3 Literature review

The existing literature on crowdfunding can broadly be separated into two categories based on their methodological approach, theoretical or empirical.

In the theoretical category, the only contribution known to the authors is that of Belleflamme et al. (2014), who investigate the economic factors behind the decision of an entrepreneur to turn to crowdfunding to raise money for her business idea or project. Belleflamme et al. show that entrepreneurs prefer pre-ordering crowdfunding in case they need relatively small amounts of money, while they turn to profit sharing crowdfunding if the funding need is much bigger (Borello et al., 2015).

In the empirical category is possible group those contributions that use an econometric model with the aim of investigating the determinants of crowdfunding. However, it should be noted that the main limitation concerning the empirical stream of literature on crowdfunding relates to the availability of public data on the projects seeking funds (Borello et al., 2015).

As for crowdsourcing, various definitions of crowdfunding exist of which none did receive overall scientific acceptance (Tomczak & Brem, 2013). Therefore, prominent existing definitions will be presented in the following table (Bouncken, Komorek, & Kraus, 2015):

Tab. 1: Definitions of Crowdfunding

Authors	Definition
Belleflamme et al., 2010, p. 5	Crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights.
Fiedler and Horsch, 2014, p. 92	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 (translated from German).
Hemer et al., 2011, p 5	Crowdfunding is a form of project and innovation funding with micropayments (translated from German).
Lambert and Schwienbacher, 2010, p. 4	An open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes.
Tomczak and	The act of taking a loan/funding traditionally performed by a designated

Brem, 2013, p. 338	agent and outsourcing it to an undefined, generally large group of people in the form of an open call.
Voorbraak, 2011, p. 1	The process of one party requesting and receiving money and other resources from many individuals for financing a project, in exchange for monetary or non-monetary return on investment.
Wenzlaff et al., 2012, n.p.	Crowdfunding is a type of fundraising for creative projects, but also for companies. Most important aspect is, that crowdfunding is open, uses the methods of web 2.0 for communication and has usually a type of material or immaterial rewarding (translated from German).

Source: (Bouncken et al., 2015)

The Czech authors use some of above mentioned definitions.

It shows that crowdfunding has evolved from pure p2p to p2b and b2b fundraising, even in equity crowdfunding where target companies are mainly represented by start-ups. (Borello et al., 2015).

The European Commission (2014) has recorded that crowdfunding platforms raised €445m in 2011, €735m in 2012, and €1bn in 2013 (Borello et al., 2015).

2 Crowdfunding research

The first scholarly articles about crowdfunding, as a new phenomenon financing, started to come around the year 2006. The major articles that have appeared in the Web of Science, were published up to 2012. First research about Czech crowdfunding was published in 2013. That is roughly at the same time they began to appear the first successful Czech campaign.

There are 370 articles with key word “crowdfunding” in Scopus (April 2016), 124 of them are cited minimally once and 72 of them minimally twice. On the first position is article Mollick E. The dynamic of crowdfunding: An exploratory study. 2014, which is cited 102 times. The article is from the empirical category and aimed to description of the underlying dynamics of success and failure among crowdfunded ventures (a dataset of over 48,500 projects with combined funding over \$237 M). On the second position is article Belleflamme et al. Crowdfunding: Tapping the right crowd. 2014, which is cited 49 times. The article is from the theoretical category, aimed to a unified model with two crowdfunding forms.

There are recorder 247 articles with key word “crowdfunding” in the Web of Science (April 2016), 61 of them are cited minimally once and 37 of them minimally twice. First

places are same as in Scopus: Mollick E. is cited 58 times and Belleflamme et al. 22 times. H-index of the most cited author E. Mollick is 4. Frequently cited articles on crowdfunding largely based in the Journal of Business Venturing.

There is one article from Czech authors in database EBSCO. Authors Hes, Srnec, & Drašarová, 2011, whose aimed to microfinancing, don't use data of Czech firms (Hes, Srnec, & Drašarová, 2011). There isn't article in database ProQuest.

As a research sample surveys used in foreign campaigns executed on Kickstarter, in the Czech Republic, the campaigns provided by HitHit. This article, which was written by Vojtěch Kuna, hasn't been published yet.

Conclusion

The number of crowdfunding's campaign increasing. Number of realized research, which is aimed to this new financial phenomenon, increasing too. Most of articles are aimed to crowdfunding in the USA. Some of them performing comparative analysis like (Borello et al., 2015) whose aimed to research of analysis of European financial return crowdfunding platforms. Crowdfunding became the target for research centers, for example the IOSCO Research Department (Kirby and Worner, 2014) realized research in two potential areas of financial innovation that have seen strong growth in recent years: peer-to-peer lending and equity crowd-funding.

Czech crowdfunding market still waiting for first professional article.

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