

Crowdfunding

How can Crowdfunding enhance Norwegian-Ukrainian business, cultural, and humanitarian collaborations?

Shneor, Rotem

What is crowdfunding?

Definition:

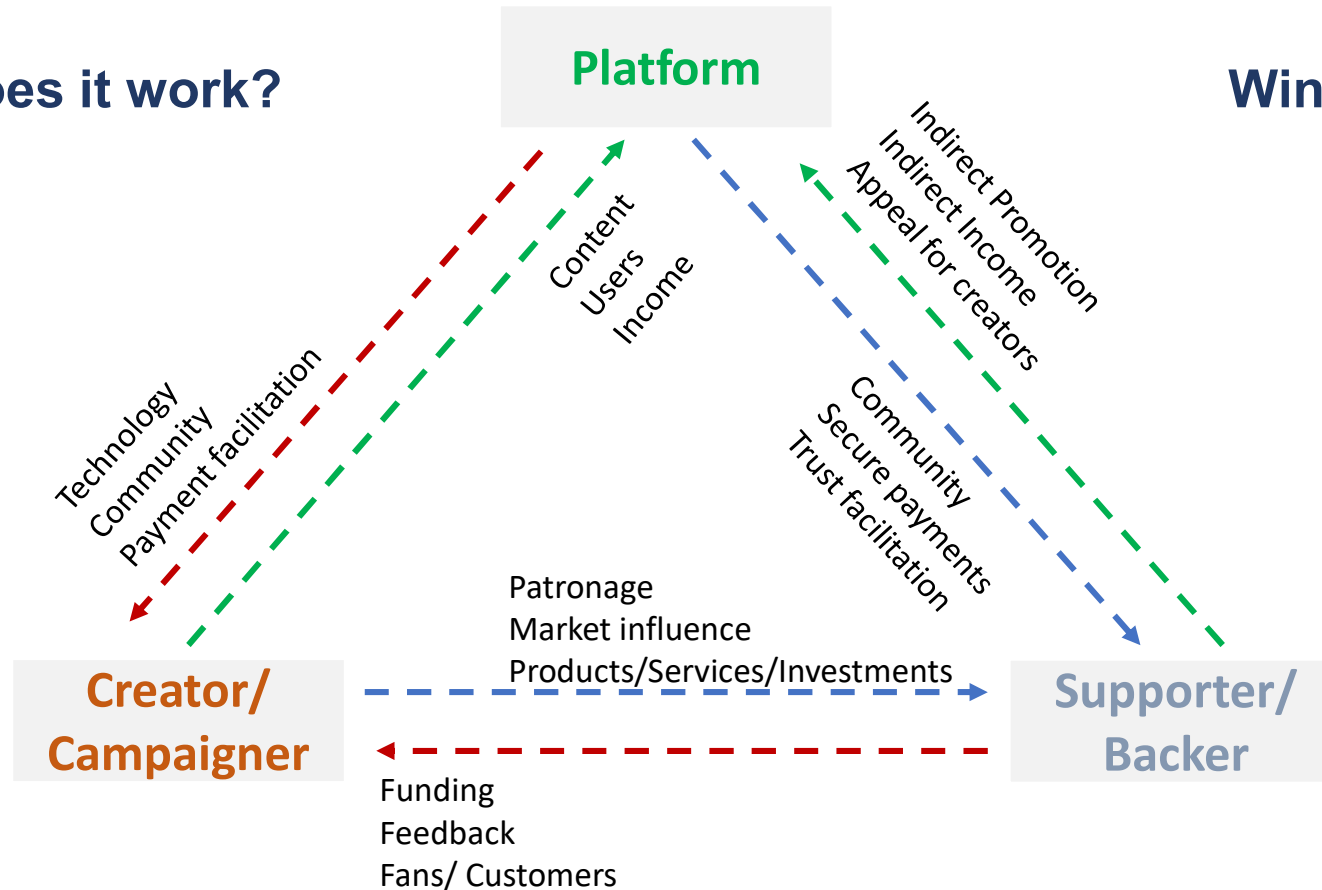
- “The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet”.
- (Oxford Dictionary)



Democratization Of Finance

- Allowing **more projects and entrepreneurial ventures** to launch.
- Allowing **more creativity and innovation** to be developed and tested.
- Allowing **more backers and investors** to contribute to exciting projects.
- Long-term possibility of **reducing inequality** in society via access to finance.

How does it work?



Win-Win Situation

(Source: Shneor R., Zhao L., Flåten BT. (2020) [Introduction: From Fundamentals to Advances in Crowdfunding Research and Practice](#). In: Shneor, R., Zhao, L. & Flåten, B.-T. (eds.) *Advances in Crowdfunding: Research and Practice*. Cham: Palgrave MacMillan, pp. 1-20.)

Where did this come from?

Market
Funding Gaps

Chronic shortage of funding to critical groups including entrepreneurs, artists and social activists, especially at early stages of their venture and project development.

Market
Evolution

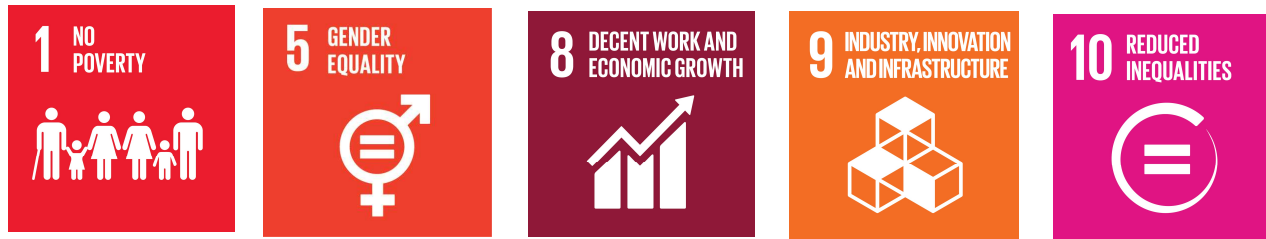
Waves of *crises in traditional financial* institutions.
Digitization of industries and transactions.
Internet and rise of Social Media drives a *Crowd economy*.

New Industry
Emerging

Fast growth and market adoption

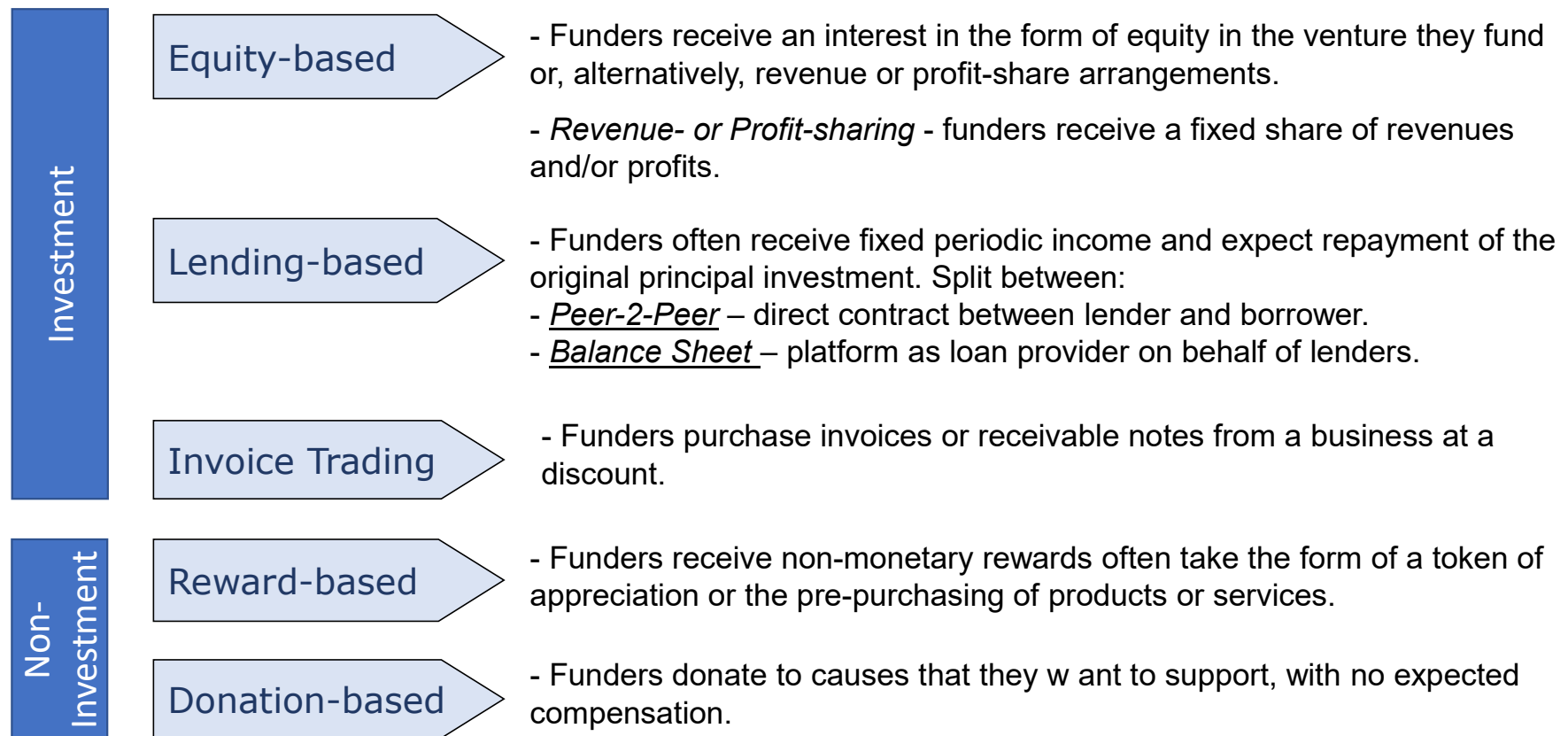


Crowdfunding as vehicle for sustainability:



- Improved access to finance for all.
- Democratization in the allocation of resources.
- Creation of new employment opportunities.
- Creation of new industries through innovation.
- New opportunities for capital build-up.

What are the different models of crowdfunding?



(Based on: Crowdsourcing LLC Report, 2012; EY-Cambridge Alternative Finance Report, 2015)

Crowdfunding Model Types

All of Nothing

- Raised funds released to fundraiser only if meeting or exceeding minimum set goal. If not, they receive nothing, and the money is returned or not charged from backers.

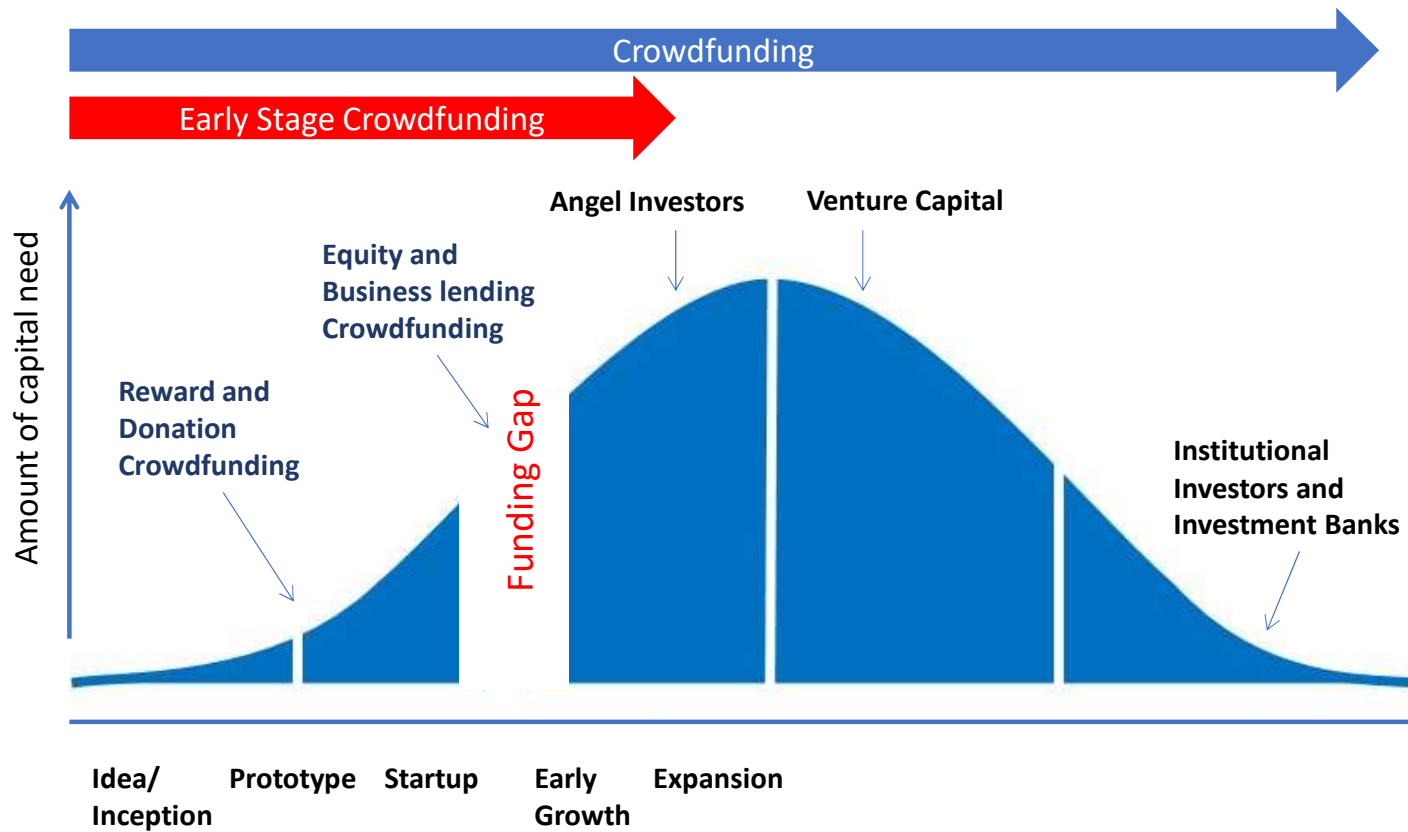
Take what you get

- All funds raised released to fundraiser regardless of whether reaching goal sum or not (most relevant in donation).

Strategy

- 1) Set minimum sum without which project cannot happen as target sum.
- 2) Inform about additional “stretch goals” – what will happen in addition if more money will be raised.
- 3) Only in donations better to “do some good” than “no good at all”.

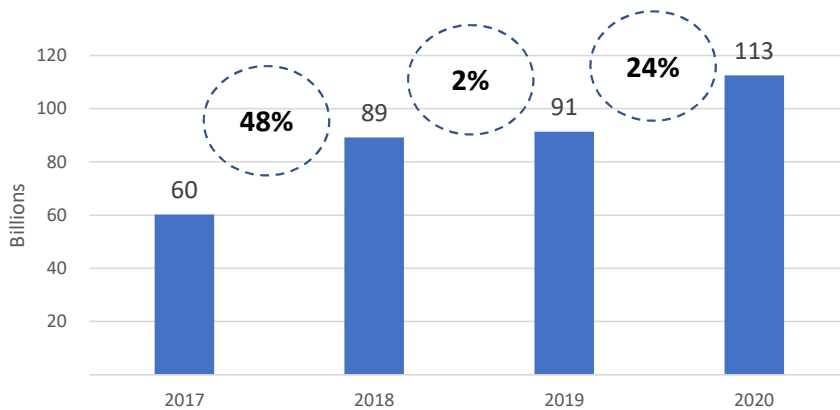
When to do Crowdfunding?



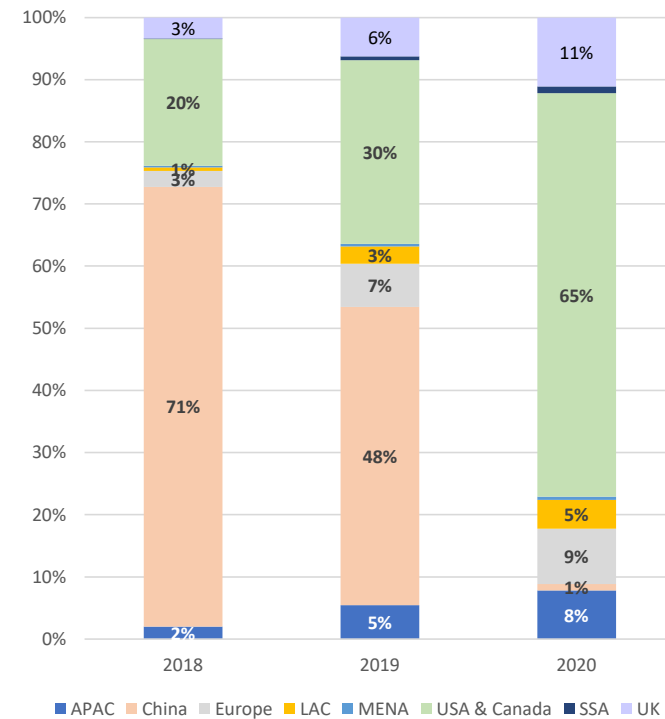
(based on: World Bank (2013) "Crowdfunding Potential for the Developing World")

- Overall, maintained international growth in recent years, already surpassing UN volume predictions for 2025 in 2020.
- China as unique case of collapse from peak volumes of USD 358 billion in 2017 to USD 1 billion in 2020, following government crackdown on unregulated actors.

**Total Volume (excluding China)
2017-2020, USD billion**

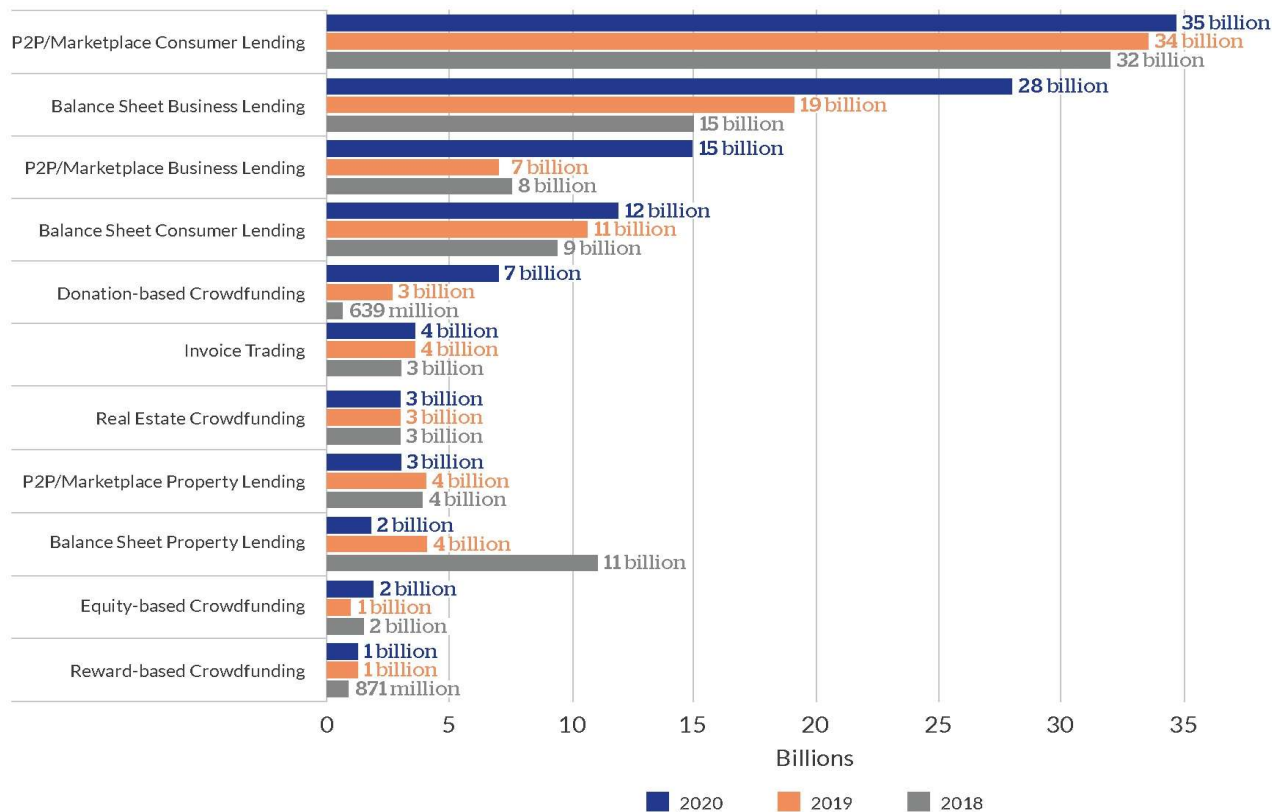


**Market Share of Alternative Finance
Activity by Region - 2018-20**



(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

Global Alternative Finance Volumes by Model 2018-2020 (excluding China)

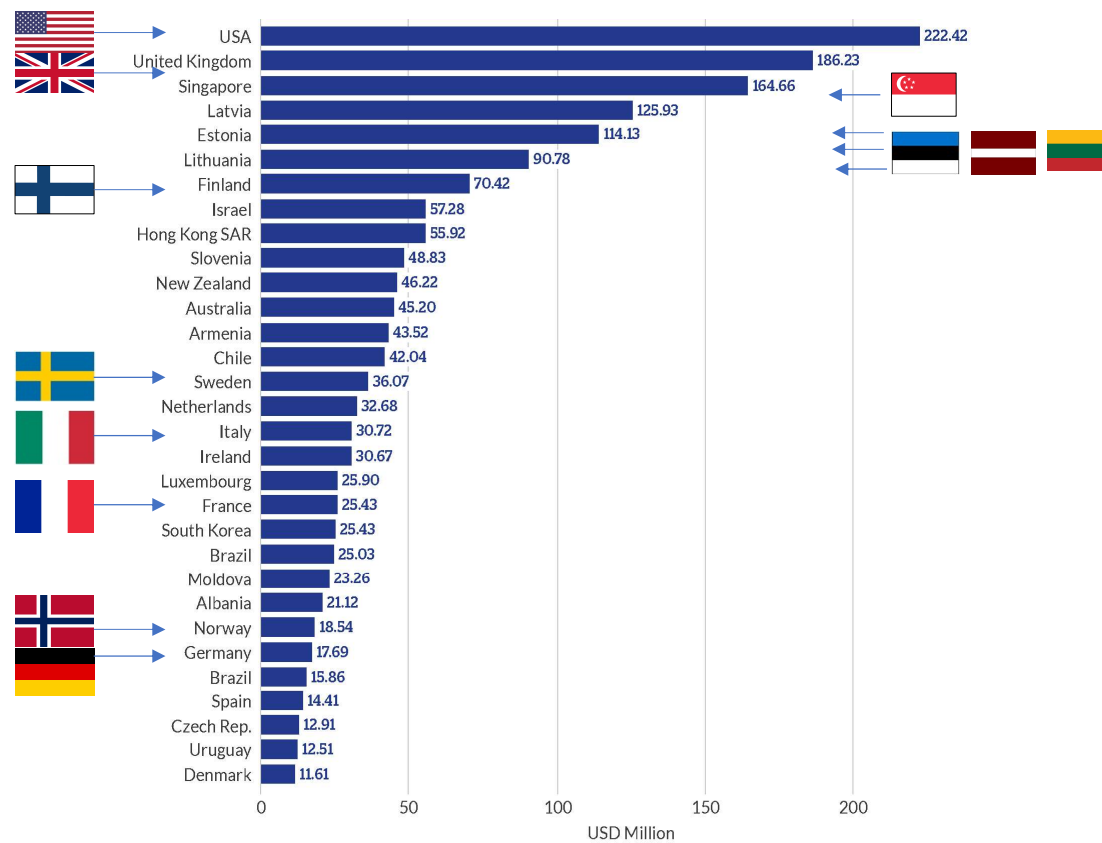


In 2020:

- **Lending dominates** alternative finance globally with USD 87 Billion, accounting for 77% of volumes.
- Equity models estimated at USD 5 billion, 4.4% of volumes.
- Invoice trading estimated at USD 4 billion, 3.5% of volumes.
- Non-investment models: Reward crowdfunding estimated at USD 1 billion, and USD 7 billion in donation.

(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

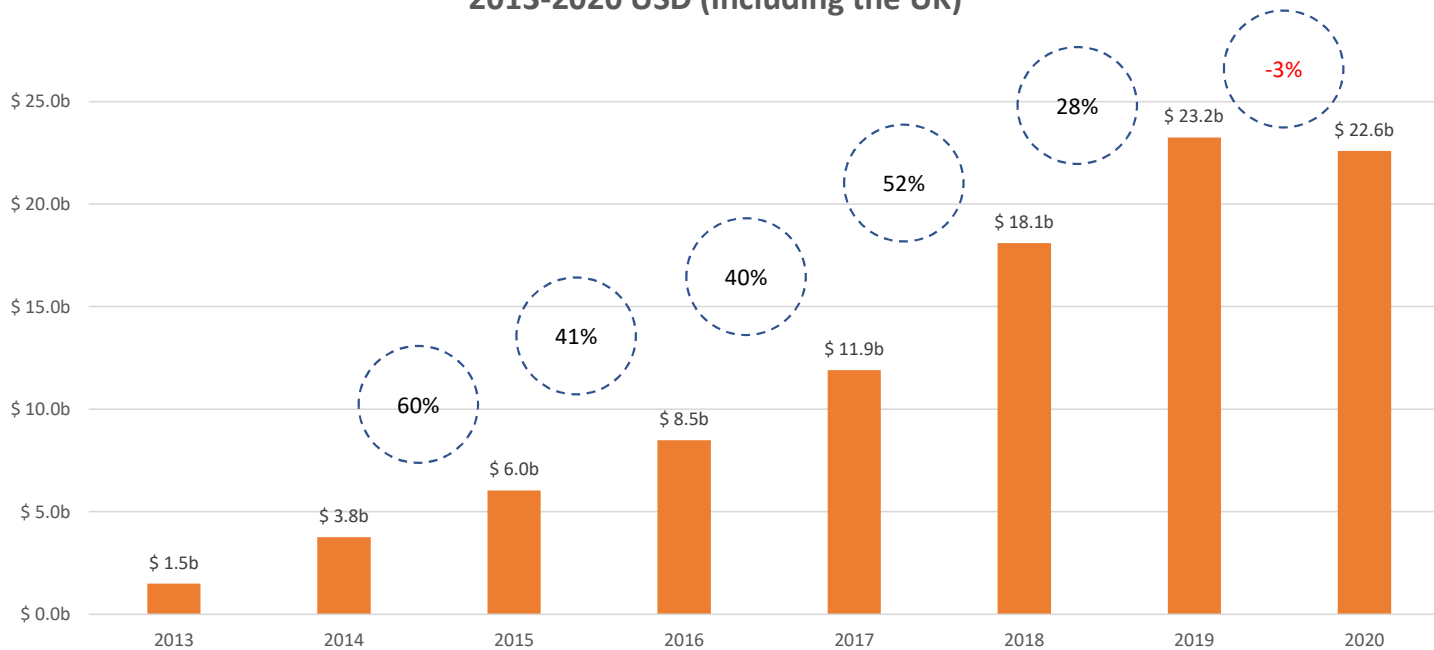
Top 30 Countries by Alternative Finance per capita 2020




 * Ukraine ranked
 37th with \$9.37
 per capita.

(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

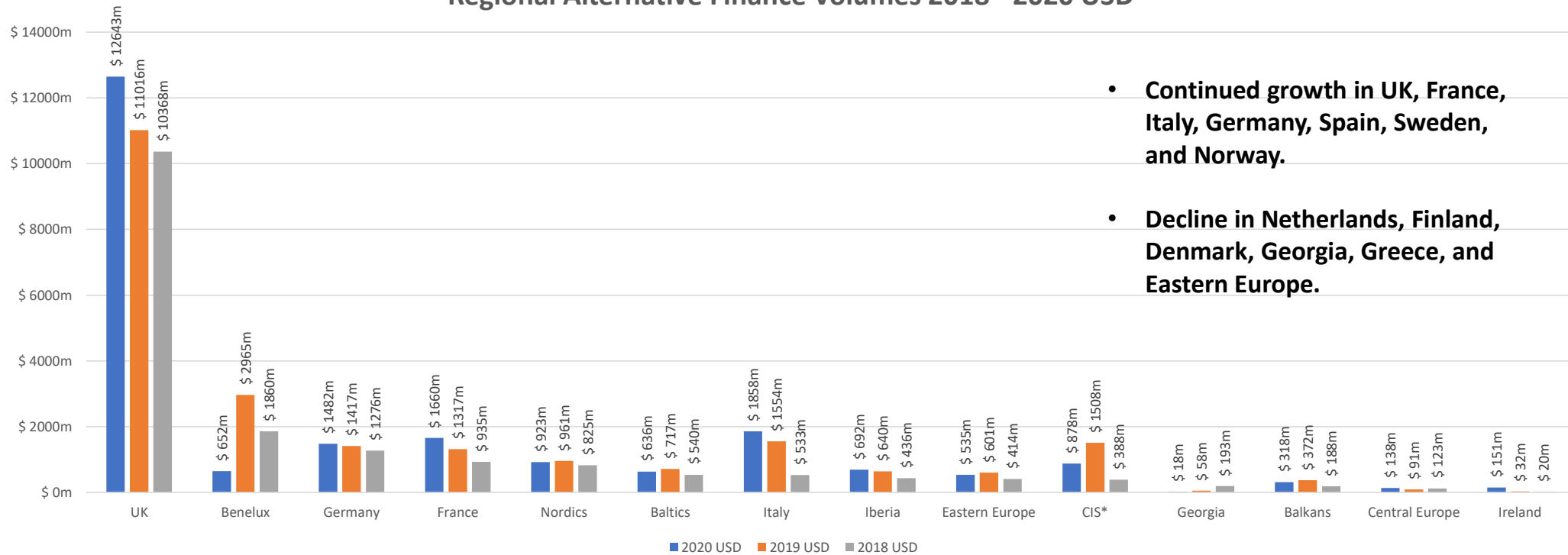
European Online Alternative Finance Market Volumes 2013-2020 USD (Including the UK)



- **UK market volumes at USD 12.6 billion. 56% of European market.**
- **Rest of Europe volumes at USD 10 billion. 44% of European market.**
- Most of decline in 2020 can be explained by non-response of certain platforms to survey.

(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

Regional Alternative Finance Volumes 2018 - 2020 USD



- Continued growth in UK, France, Italy, Germany, Spain, Sweden, and Norway.
- Decline in Netherlands, Finland, Denmark, Georgia, Greece, and Eastern Europe.

(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

Table 2.1: Alternative Finance Volume by Model in Europe (Excluding UK) 2015-2020, USD

	2020	2019	2018	2017	2016	2015
P2P/Marketplace Consumer Lending	\$2901m	\$4183m	\$2889m	\$1570m	\$771m	\$406m
Invoice Trading	\$2016m	\$1809m	\$803m	\$604m	\$279m	\$89m
P2P/Marketplace Business Lending	\$1844m	\$1481m	\$997m	\$526m	\$388m	\$235m
Real Estate Crowdfunding	\$822m	\$733m	\$600m	\$292m	\$121m	\$30m
Balance Sheet Consumer Lending	\$657m	\$608m	\$100m	\$3m	\$19m	\$0m
P2P/Marketplace Property Lending	\$500m	\$375m	\$145m	\$75m	\$105m	\$0m
Donation-based Crowdfunding	\$296m	\$112m	\$62m	\$107m	\$65m	\$3m
Equity-based Crowdfunding	\$280m	\$224m	\$278m	\$238m	\$242m	\$177m
Reward-based Crowdfunding	\$262m	\$195m	\$175m	\$179m	\$211m	\$155m
Debt-based Securities	\$130m	\$112m	\$188m	\$85m	\$25m	\$12m
Balance Sheet Business Lending	\$105m	\$33m	\$81m	\$24m	\$0m	\$0m
Consumer Purchase Finance/BNPL	\$57m	\$80m				
Revenue/Profit Sharing	\$26m	\$11m	\$4m	\$2m	\$9m	\$1m
Crowd-led Microfinance	\$18m	\$22m				
Mini Bonds	\$14m	\$6m	\$43m	\$60m	\$36m	\$24m
Balance Sheet Property Lending	\$10m	\$2250m	\$1378m	\$0m	\$0m	\$0m
Other	\$3m	\$0m	\$6m	\$33m	\$11m	\$0m
Community Shares	\$0m	\$0m	\$2m	\$0m	\$0m	\$0m
	\$9941m	\$12233m	\$7731m	\$3799m	\$2283m	\$1132m

European Market by Model:

- **62.9% Lending models.**
- **20.2% Invoice trading.**
- **11.3% Equity models.**
- **3% Donation crowdfunding**
- **2.6% Reward crowdfunding.**

**Within Lending:*

84% P2P models, 16% Balance Sheet models.

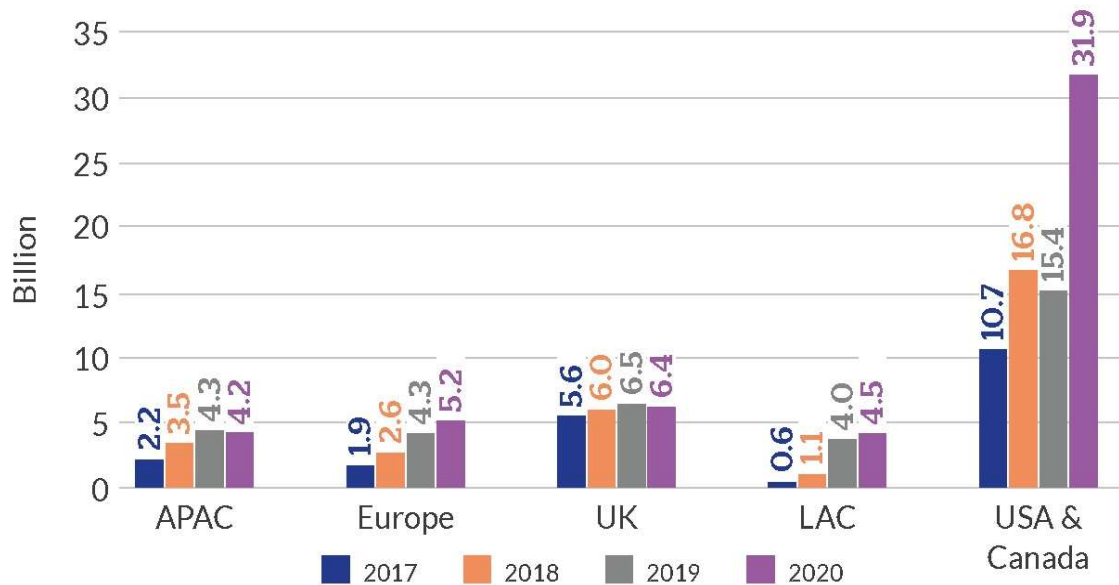
60% Consumer Lending

32% Business Lending

8% Property Lending

Alternative finance funds Small and medium firms

Global Alternative Finance Volumes for SMEs by Region
2017-2020 (excluding China), USD billion



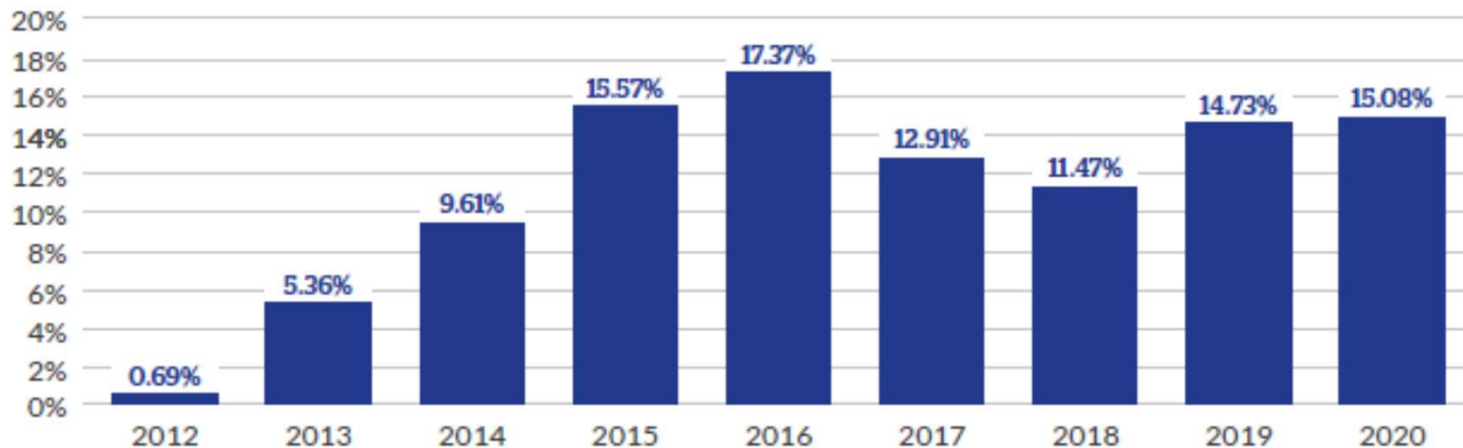
- 46% of total alternative finance volumes used to fund SMEs.
- 51% average annual growth in alternative finance volumes for SME funding.
- 94% of SMA funding activity based on lending models.

(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

Alternative finance takes substantial share of startup investments in the UK



Figure 2.13: Equity-based Crowdfunding as a Proportion of Total Seed & Venture Stage Equity Investment in 2012-2020

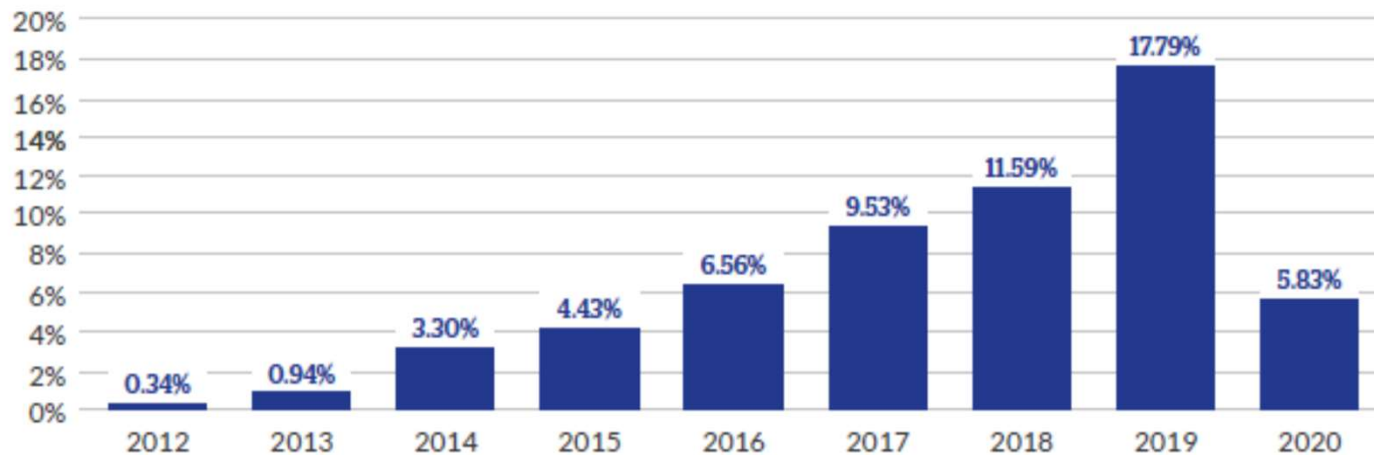


(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

Alternative finance takes substantial share of startup investments in the UK



Figure 2.15: P2P Business Lending as a Proportion of Total New Loans to SMEs by Banks in 2012-2020



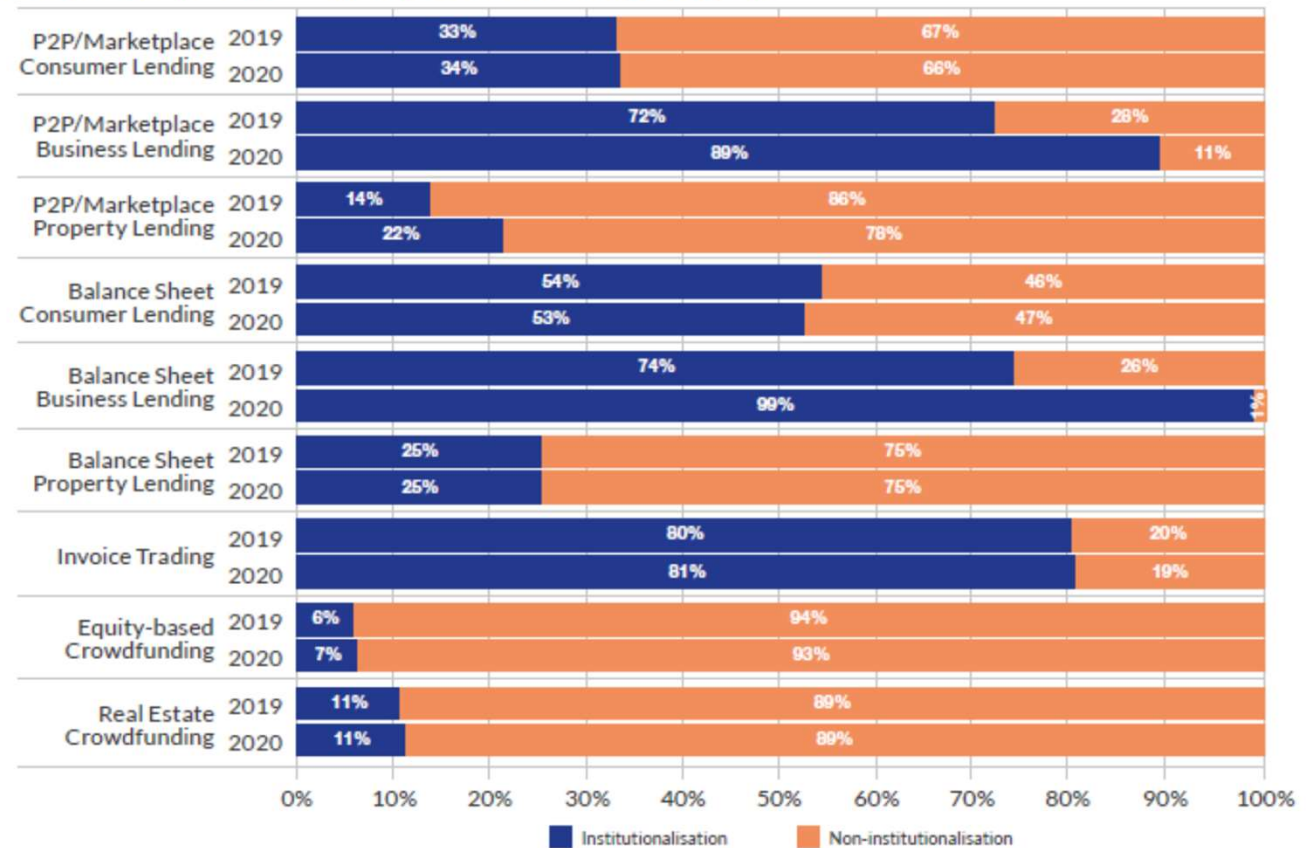
* Decline in share 2020 associated with increase in support schemes from traditional finance. The total amount has increase by ca. \$400 million through alternative finance lending.

(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

Increasing share of institutional funding

In all models except P2P consumer lending

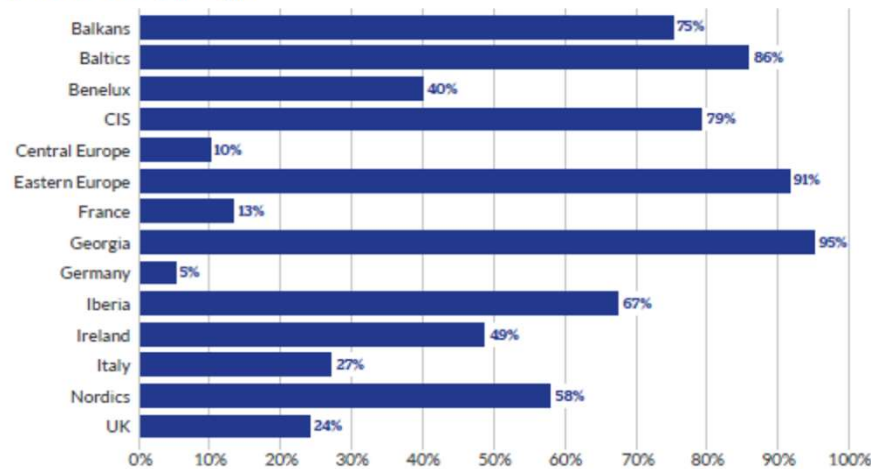
Figure 2.17: Institutionalisation Rate by Model 2019-2020 (Including UK)



(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

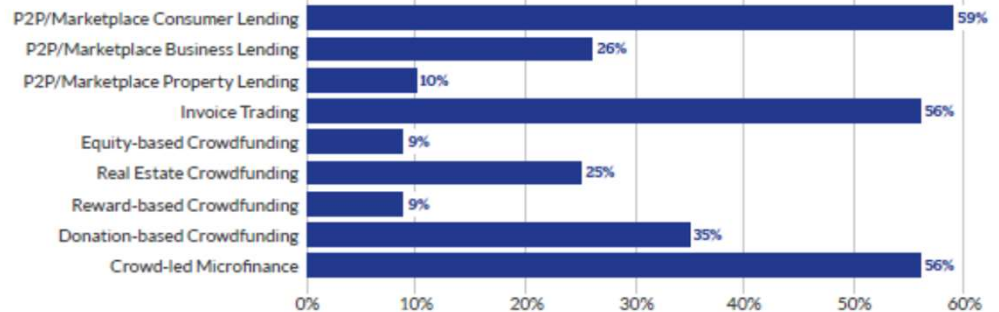
Alternative finance involves cross-border transactions

Figure 2.19: Inflow Rate by Sub-region



- The smaller the domestic market the greater the exposure to international transactions.

Figure 2.20: Inflow Rate by Models (Including UK)



- Models with largest share of international funding include P2P consumer lending, microfinance, and invoice trading.
- Models with lowest share of international funding include equity crowdfunding, reward crowdfunding, and P2P property lending.

(Source: Ziegler et al. 2021. The 2nd Global Alternative Finance Benchmarking Report. Cambridge: Cambridge Centre for Alternative Finance)

Key Facts – Europe 2018



Platform Onboarding

Approx. 10-20% of campaigns in investment models.
Approx. 55% of campaigns in non-investment models.



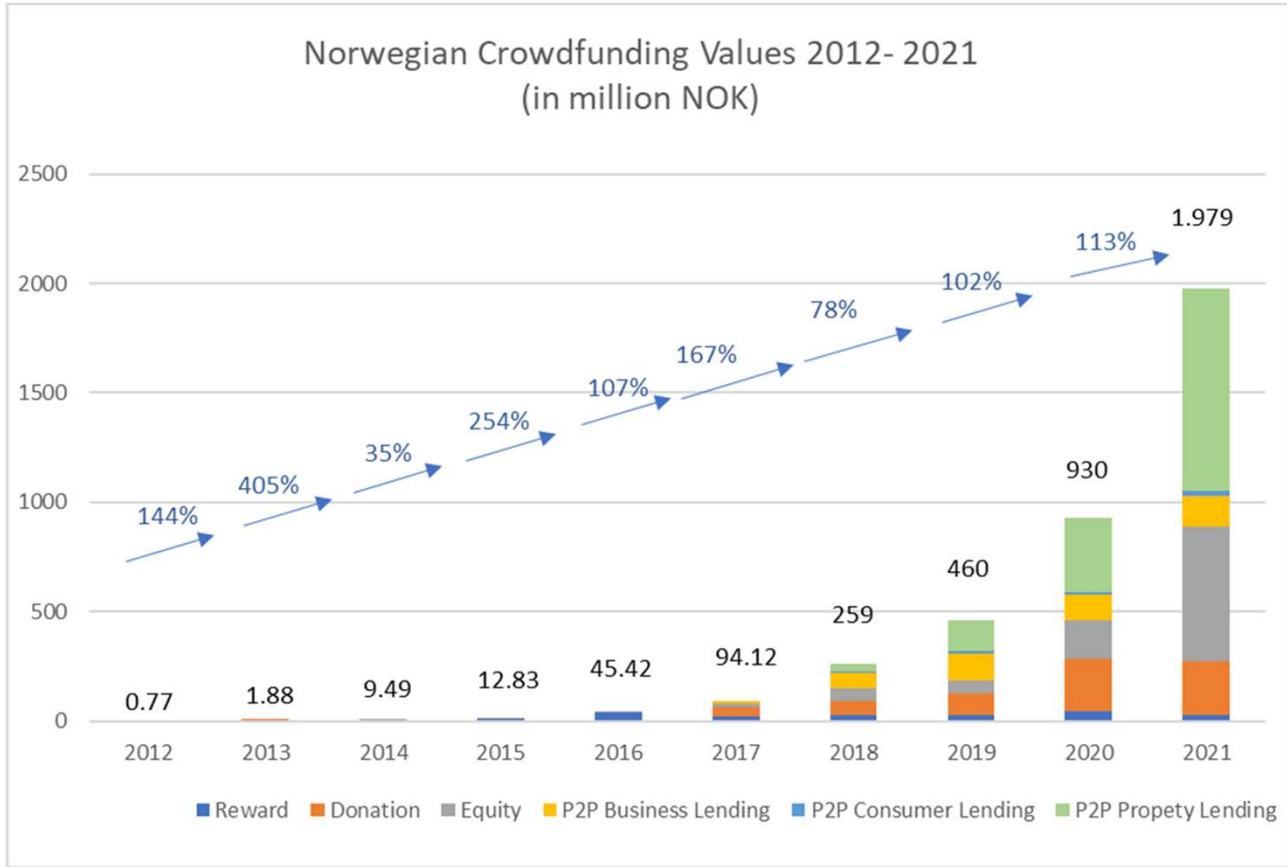
Success Rates

Approx. 90% of campaigns in investment models.
Approx. 65% of campaigns in non-investment models.



Traditional Finance in CF

Approx. 55% of volumes in P2P Business Loans.
Approx. 17% of volumes in Equity crowdfunding.
Approx. 5-10% of volumes in campaigns under non-investment models.



Prepared by Dr. Rotem Shneur (UiA Centre for Crowdfunding Research) for the Norwegian Crowdfunding Association

Highlights

2021 volumes reach close to NOK 2 billion, representing 113% growth from 2020.

NOK 623 m raised in Q4 2021. 62% higher volumes than in Q4 2020.

Q4 of 2021 becomes largest quarter on record, up 22% from Q3 2021.

Share of investment models in 2021 grew to 86.2% of volumes from 67.7% in 2020.

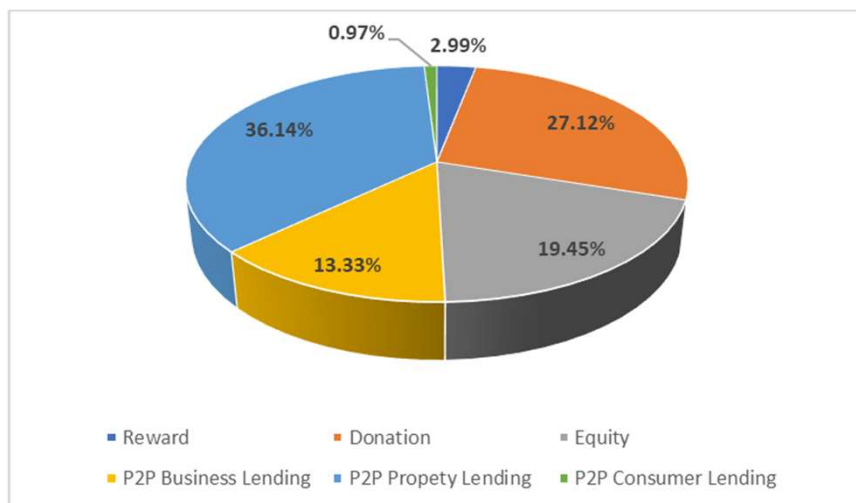
P2P Property Lending as dominant model with 46.8% of 2021 volumes, versus 32.2% in 2020.

Equity crowdfunding growing grows 255% from NOK 173 m in 2020 to NOK 616 m in 2021.

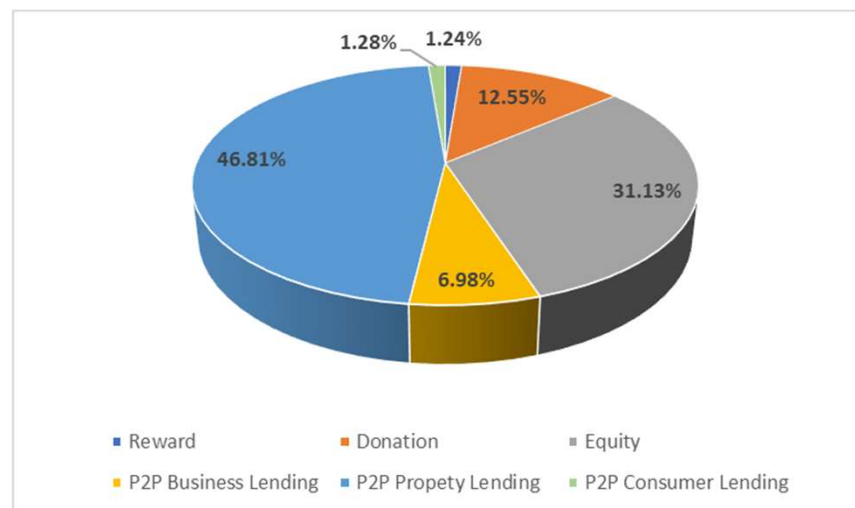
13.8% of 2021 volumes in non-investment models. 12.6% of which in Donations.

Norway Crowdfunding Facts and Figures 2021

Market Composition by Volumes 2020



Market Composition by Volumes 2021



Crowdfunding Volumes Ukraine 2016-2020



	Million USD	Consumer Lending
2020	400.685	99%
2019	542.58	99%
2018	26.989	96%
2017	1.989	13%
2016	0.509	0%

Ukrainian companies have been excellent at raising funds internationally for new product developments on Kickstarter.

But pre-purchase has its limitations, and real potential is in investment rather than consumption.

A need to shift away from consumer lending to business and property lending and equity investments.

Crowdfunding for Ukraine in Norway Today - Examples



SPLÆIS
fra SpareBank 1

Hva er Spleis?

For organisasjoner

Utforsk

Tips

Pris

Hjelp

Søk

Logg inn





Start en spleis

Støtt Ukraina

På denne siden kan du støtte en spleis eller starte din egen innsamling.
Det er gratis å samle inn og gi til ofrene i Ukraina på spleiser som er
startet før 1. mai 2022.

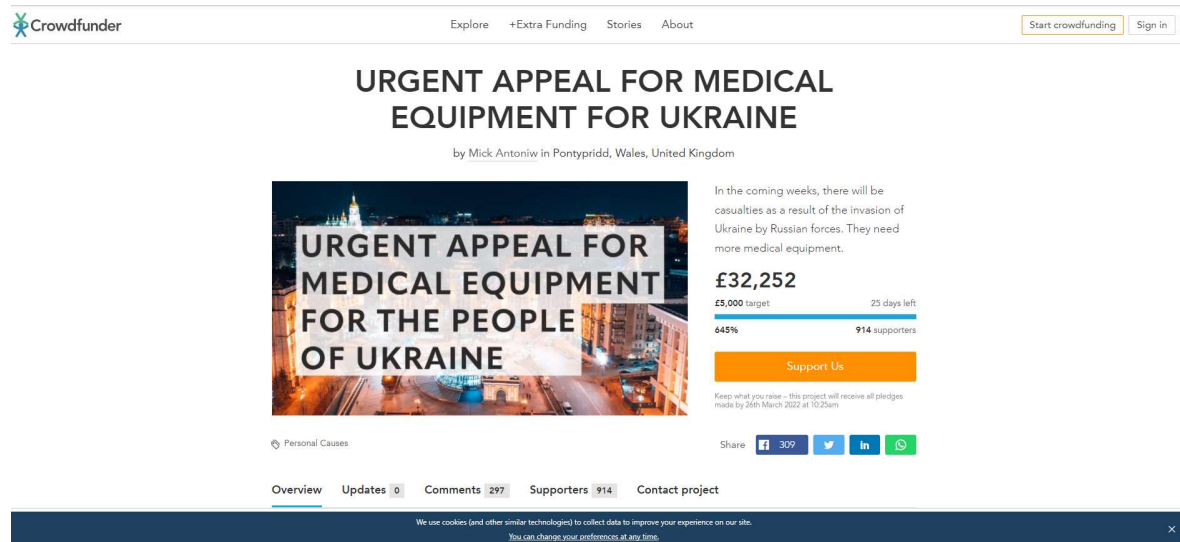
Har du lyst til å gjøre en innsats?

Du kan enkelt lage en spleis til ofrene i Ukraina gjennom disse organisasjonene:

 NRC FLYKTNINGHJELPEN NORWEGIAN REFUGEE COUNCIL	 Røde Kors	 unicef	 SOS BARNEBYER
Start en spleis til Flyktninghjelpen	Start en spleis til Røde Kors	Start en spleis til UNICEF	Start en spleis til SOS- Barnebyer



Crowdfunding for Ukraine from elsewhere



Crowdfunder Explore +Extra Funding Stories About [Start crowdfunding](#) [Sign in](#)

URGENT APPEAL FOR MEDICAL EQUIPMENT FOR UKRAINE

by Mick Antoniw in Pontypridd, Wales, United Kingdom

In the coming weeks, there will be casualties as a result of the invasion of Ukraine by Russian forces. They need more medical equipment.

£32,252
£5,000 target 25 days left
645% 914 supporters

[Support Us](#)

Keep what you raise - this project will receive all pledges made by 25th March 2022 at 10:00am

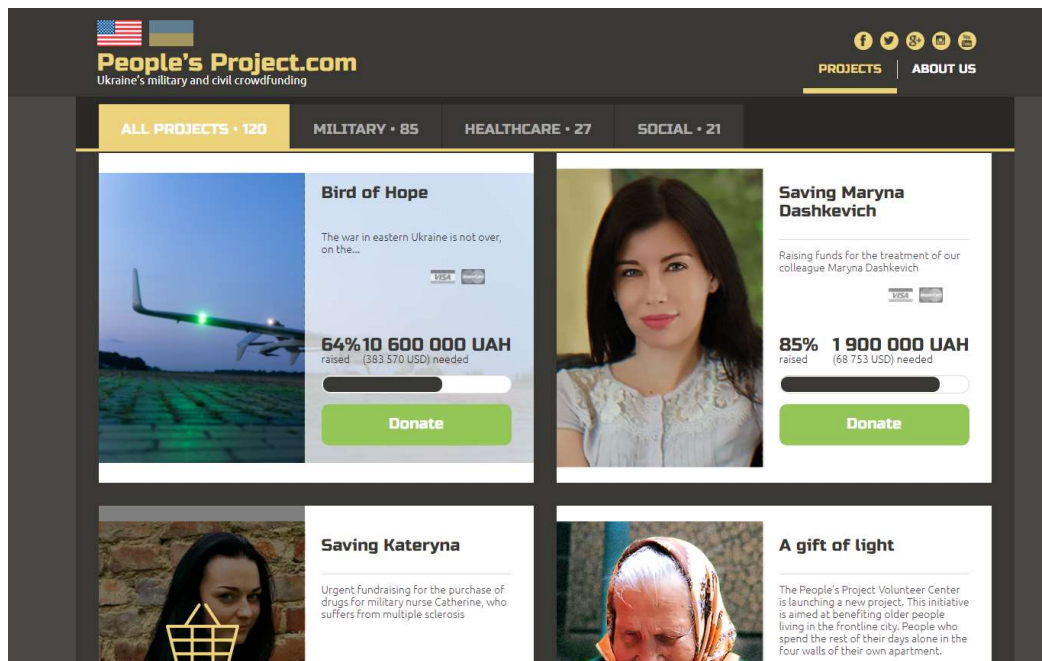
Share [f](#) 309 [t](#) [in](#) [g](#)

[Personal Causes](#)

[Overview](#) [Updates 0](#) [Comments 297](#) [Supporters 914](#) [Contact project](#)

We use cookies (and other similar technologies) to collect data to improve your experience on our site. You can change your preferences at any time.

Crowdfunding for Ukraine



People's Project.com
Ukraine's military and civil crowdfunding

PROJECTS ABOUT US

ALL PROJECTS • 120 MILITARY • 85 HEALTHCARE • 27 SOCIAL • 21

Bird of Hope
The war in eastern Ukraine is not over, on the...
64% **10 600 000 UAH** raised (383 570 USD) needed
[Donate](#)

Saving Maryna Dashkevich
Raising Funds for the treatment of our colleague Maryna Dashkevich
85% **1 900 000 UAH** raised (68 753 USD) needed
[Donate](#)

Saving Kateryna
Urgent fundraising for the purchase of drugs for military nurse Catherine, who suffers from multiple sclerosis

A gift of light
The People's Project Volunteer Center is launching a new project. This initiative is aimed at benefiting older people living in the frontline city. People who spend the rest of their days alone in the four walls of their own apartment.

ВЕЛИКА ІДЕЯ

<https://biggggidea.com/projects/>

RAZOMGO.COM

<https://razomgo.com/>



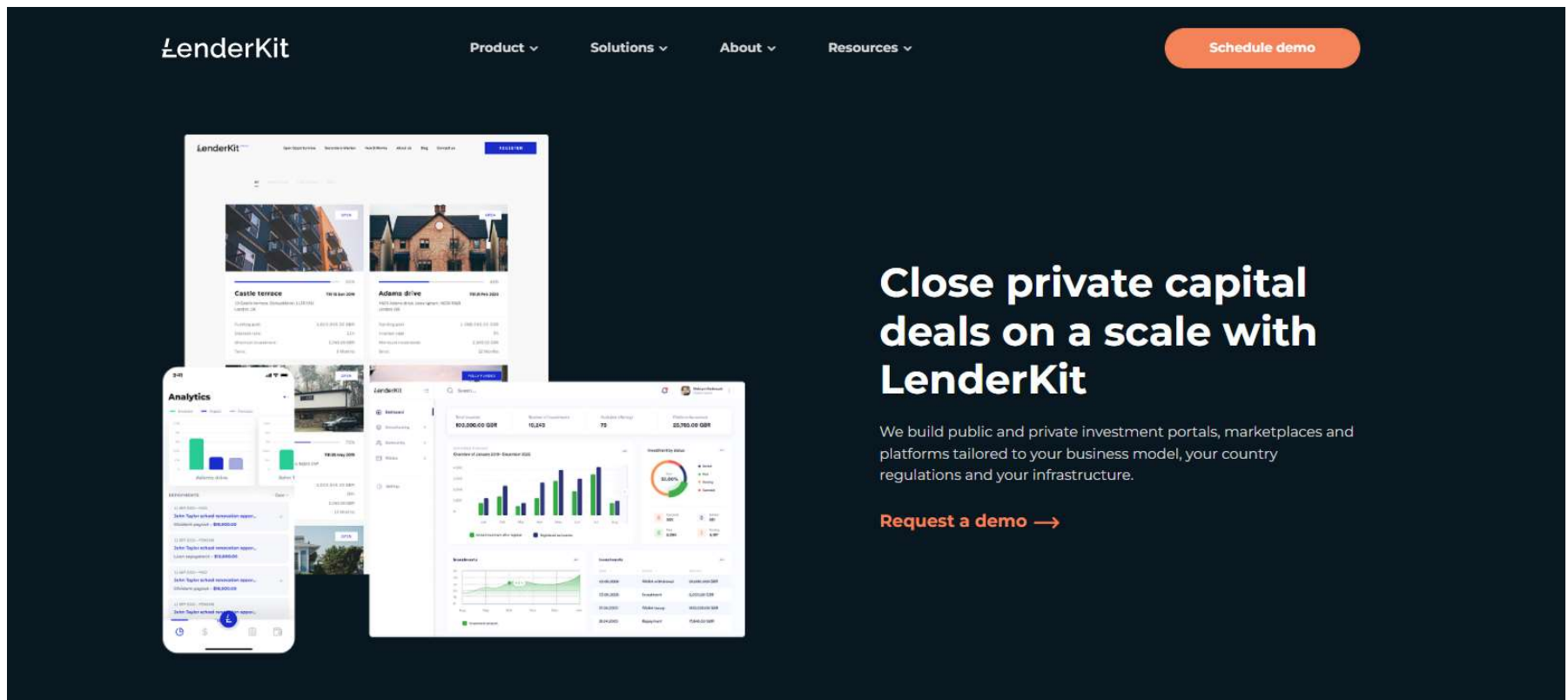
<https://gof.org.ua/en/>



<https://startera.org.ua/en/>

Crowdfunding Powerhouse in Ukraine:

Lenderkit: Powering Crowdfunding Platforms all over the world



The image shows a composite of the LenderKit website and mobile app. The website header includes the LenderKit logo, navigation menus for Product, Solutions, About, and Resources, and a prominent orange "Schedule demo" button. The main content area displays two crowdfunding listings: "Castle terrace" and "Adama drive", each with a photo and key financial details. The mobile app interface is shown in the foreground, featuring an "Analytics" screen with bar charts and a list of transactions.

Close private capital deals on a scale with LenderKit

We build public and private investment portals, marketplaces and platforms tailored to your business model, your country regulations and your infrastructure.

[Request a demo →](#)

Crowdfunding for Ukraine

 News • Business

Ukraine Crypto Crowdfunding Effort Hits \$20 Million: Report

Cryptocurrency donations sent to Ukraine following Russia's invasion have exceeded \$20 million, according to blockchain analytics platform Elliptic.

euronews.next

BIZTECH NEWS

MONEY

WORK

MOBILITY

HEALTH

HOME

OPINION

SERIES ▾

MONEY

Ukraine charities and NGOs raise \$4 million in crypto donations since the start of Russia's invasion

Feb 26, 2022 at 10:07 am ET ★

Ukraine Embassy Launches Crowdfunding Campaign to Buy Weapons

Regulation: **European Crowdfunding Service Provider Regime** *Harmonization – Proportionality – Fundamental Rights*

Scope

- Equity Crowdfunding
- P2P Business lending
- Offer involves call to fundraise a maximum sum of up to EUR 5 million per year.

Qualification

- Fundraiser has no criminal record.
- Fundraiser not established in non-cooperative jurisdiction.

Conflict of Interest

- CSP shall not participate in offers on their platform (conflict of interest).
- CSP employees not allowed to privately hold 20% or more in fundraising firms on their platform.

Regulation: **European Crowdfunding Service Provider Regime**

Harmonization – Proportionality – Fundamental Rights

Disclosure

- Issuer has to provide information in the Key Investment Information Sheet (KIIS), which is maximum 6 pages long.
- KIIS is a concise and short information about crowdfunding owner and the project, the crowdfunding process, key risks, financial instruments used and investor rights.

Shared liability

- The platform must have a quality assurance system for verifying completeness, correctness and clarity of such information
- KIIS does not have to be approved by regulator.

Regulation: European Crowdfunding Service Provider Regime

Harmonization – Proportionality – Fundamental Rights

Investor qualification

- Open for **all investors** including *non-sophisticated investors*.
- Non-sophisticated investors must:
 - **Pass knowledge test** confirming understanding and ability to bear loss.
 - Investment limit of either EUR 1000 or 5% of net worth, whichever is higher annually.
 - Before investor exceeds the limit, he/she receives a risk warning, and afterwards investor can invest

Looking into the Future: **Opportunities for Norwegian-Ukrainian Collaboration**

Find interesting
Startups

Use crowdfunding platforms to find interesting startups to collaborate with. Ukrainian IT expertise are needed in Norway to support own startups development.

Platform
Collaboration

Norwegian and Ukrainian platforms can cooperate in promoting projects across borders.

Fundraise in
Norway

Find relevant partners in Norway and collaborate in running crowdfunding campaigns in Norway in support of business, cultural, and social development in the Ukraine.

Looking into the Future: **Making lemonade from Lemons**

Reconstruction
and growth

Reconstruction and growth will create new business opportunities for both countries, using crowdfunding to fund them will be easier than ever.

Civic
Crowdfunding

Civic crowdfunding in partnership with public institutions such as municipalities, regional government, and local public services can tap into both local and international goodwill in more transparent and democratic funding initiatives.

Joint Venturing

Ukrainian IT expertise with Norwegian funding and branding can be a winning formula for future business development in general, and in the area of crowdfunding in particular.

Main campaign success factors



1

Pro-active Networking

- Dedication and persistence in social media interactions.
- Active networking throughout campaign process.
- Capitalize on existing fan and network base.



2

Attractive Presentation

- Attractive, good and clear project description.
- Use of images and videos.
- Highlighting unique aspects of concept.



3

Good Preparation

- Attractive and fairly priced rewards.
- Reasonable valuations and target/goal sums.
- Plan for communication via multiple media channels.



Thank you for the attention...

Rotem Shneor

Crowdfunding Research Center
School of Business and Law
University of Agder, Norway
E-mail: rotem.shneor@uia.no
www.crowdfunding-research.org

OpenAccess Readings



Shneor, R., Zhao, L. & Flåtén, B.-T. (2020). *Advances in Crowdfunding: Research and Practice*, Cham, Switzerland, Palgrave MacMillan.
<https://link.springer.com/book/10.1007/978-3-030-46309-0>



Ziegler, T., Shneor, R., Wenzlaff, K., et al. (2021). *The 2nd Global Alternative Finance Market Benchmarking Report*, Cambridge, UK, Cambridge Centre for Alternative Finance.
<https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/the-global-alternative-finance-market-benchmarking-report/>