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CROWDFUNDING AS AN ALTERNATIVE METHOD OF RAISING CAPITAL

KATARZYNA WIERZBICKA¹

Abstract

Crowdfunding is a method of financing new ventures, commercial, cultural or social, often in return for future products or actions, engaged in by many investors. Currently, it is an important element in the structure of available sources of financing for investment projects. Despite the interest of potential investors, individual social sponsors and large-scale activities of institutions promoting knowledge about the functioning of crowdfunding aimed at encouraging and promoting it as a source of capital for new ventures, there is a lack of knowledge and, consequently, experience on its development and achievement. The aim of this study is to analyze this source of financing, assess its development globally and in Poland. In the preparation of the article, a critical analysis of foreign and Polish literature was carried out, and descriptive and comparative research methods applied. The research task undertaken in the study was to analyze the crowdfunding market globally and in Poland. The Polish crowdfunding platforms were detailed and compared in terms of value in relation to the largest global platforms. The source for analyses of crowdfunding development in Poland was available literature on the analyzed topic and secondary data from the websites of specialized internet platforms. The article depicts a new, but important, aspect of financing the activity of enterprises, which is crowdfunding. It should be emphasized that there is still insufficient knowledge about this type of institution and, as a result, the importance and role that social financing plays in the financial market.

JEL classification: G14, G23, G24

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INTRODUCTION

For several years, we have been observing the dynamic development of alternative methods of project financing. There is an increasing number of those seeking capital, especially those in small businesses. Social changes and technical innovations are driving us towards new perspectives of financing social, cultural and business ventures. The position of traditional financial institutions is weakening. Alternative financing is a way to bypass such funding sources as banks, charitable institutions or the state where obtaining funds involves a long preparatory process. Alternative finance (AF) is an innovative segment of the financial market whose goal is to provide consumer loans, finance start-ups, and provide capital to the SME sector. The basic distribution channels are new technologies, i.e. internet platforms and social networks. In a broader sense, alternative finances are used to stimulate economies and finance charity campaigns or socially important activities (Wardrop, 2015). Along with the growing demand and growing expectations of the market, entrepreneurs strive to develop by looking for better, modern, risky solutions to be able to meet the expectations that the market and the environment create. Omnipresent competition forces entities to constantly search for sources of competitive advantage. Enterprises, in relation to the above, are constantly looking for new opportunities, which often generate the need to incur high financial outlays. The undertaken projects can be financed from various sources, such as the organization's own resources, funds obtained from cooperation with other organizations (open innovation) or financed by the internet community, i.e. crowdfunding.

Crowdfunding is a new method of financing new ventures, often innovative (Prystrom & Wierzbicka, 2015, p. 156), enabling individual founders of commercial, cultural or social projects to demand financing for many people, often in exchange for future products or stock. Crowdfunding projects can vary considerably in both purpose and size, from small art projects to entrepreneurs who are looking for hundreds of thousands of seed capital funds as alternatives to traditional venture capital investments (Schwienbacher & Laralde, 2010, p. 4,5). Despite the interest of potential investors, individual social sponsors and large-scale activities of institutions promoting knowledge about the functioning of crowdfunding aimed at encouraging and promoting

it as a source of capital for new ventures, there is a lack of knowledge and, consequently, experience on its development and achievement (Agarwal, Catalini & Goldfarb, 2010, p. 64). We still know little about the dynamics of effective crowdfunding, as well as the general distribution and use of crowdfunding mechanisms. We are also not sure about the long-term effects of crowdfunding. The aim of this study is to present the source of financing through crowdfunding, assess its development globally and in Poland. In the preparation of the article, research methods were used, i.e. a critical analysis of foreign and Polish literature, descriptive and comparative methods. The research task undertaken in the study was to analyze the crowdfunding market globally and in Poland. The Polish crowdfunding platforms were detailed and compared in terms of value in relation to the largest global platforms. The source for analyses of crowdfunding development in Poland was available literature on the analyzed topic and secondary data from the websites of specialized internet platforms. The study analyzed the period up to 2015 due to the lack of data verifying the given segment (only estimates are available for subsequent years). The article depicts a new, but important, aspect of financing the activity of enterprises, which is crowdfunding.

The study consists of three parts. The first presents the essence of crowdfunding and the typology of crowdfunding models, the second presents the crowdfunding market globally, while in the third part, crowdfunding in Poland is shown. Conclusions are drawn in the final section.

CROWDFUNDING - DEFINITION AND THE ESSENCE OF FUNCTIONING

New ventures require resources to be successful, and financing is one of the most critical of them. In recent years, crowdfunding has proved to be a new way for entrepreneurial ventures to secure funds without the need to look for venture capital or other traditional sources of venture investment (Mollick, 2014, pp. 1-16).

Crowdfunding was defined in the European Commission's communication of 14/03/2014 as related to an open invitation addressed to the public, while the aim is to obtain financial resources for a specific project. These invitations are published and disseminated via the Internet, so they are only valid for a certain period of time. Crowdfunding draws inspiration from concepts such

as microfinance and crowdsourcing (Poetz & Schreier, 2012, pp. 245-256), but represents its own unique fundraising category, supported by the growing number of websites devoted to this topic. Schwienbacher and Larralde (2010, p. 4) define crowdfunding as an “open invitation, mainly via the Internet, to provide financial resources in the form of a donation or in return for some form of reward and / or voting rights to support initiatives for specific purposes.” In Polish literature on the subject, Dziuba (2012, p. 84) defines crowdfunding as any form of raising funds via a computer network (a broader approach), and also indicates a narrower definition, defining the process of collecting funds by enterprises, artists or non-profit organizations for their needs. The basic idea of crowdfunding is to raise money through a relatively small contribution made by a significant number of people (Bradford, 2012, p. 119). Using the Internet, an entrepreneur can communicate with potential investors who can share small expenses for a specific purpose. Companies do not have an intermediary: anyone with a good idea can become an entrepreneur, anyone who has a small amount of money can become an investor.

Crowdfunding is a type of collection and allocation of capital transferred for the development of a specific undertaking in exchange for a specific return service that involves a wide range of capital providers, characterized by the use of ICT¹ and a lower barrier to entry and better transaction conditions than generally available on the market (King, 2014). Etymologically the term derives from English, from merging the words crowd and funding (financing). It specifies the collection of funds from the (Internet) crowd (Dziuba, 2014, p. 12). The goals, types and essence of collections are different, and in practice, several types of crowdfunding have developed (Kordela, 2015, p. 145).

It should also be mentioned that crowdfunding as a new mechanism for obtaining funds is distinguished by certain features that allow it to be distinguished from public collections, donations and other traditional forms. The first feature is the transfer of cash, as a consequence of raising capital, always in a dematerialized form, i.e. using ICT solutions. The goal of the crowdfunding project is clearly defined, and the appropriation of the funds and the effects of their spending are clearly defined. Crowdfunding does not require the consent of any state body and may be run for personal, business or public purposes. The terms

of raising capital as part of crowdfunding are beneficial to the recipient due to the lack of bureaucratic constraints, making it available to the average citizen. Another feature is the existing wide community of message recipients. This is followed by another feature, i.e. no restrictions on access to project support. The possibility of project support is presented in an open manner, addressed to an unmarked addressee. The last very important feature that distinguishes crowdfunding is the occurrence of a return benefit for providing financial support (Kozioł-Nadolna, 2015, p. 672).

It is necessary to specify several types of crowdfunding, and these are (Report from ... 2017, p. 139):

1) Donation Model - in this model support is provided to patients, but also artistic projects, sports, cultural events or social campaigns. In a traditional donation model, participants are not rewarded; in a modified (sponsor) model, they receive material prizes, for example, CDs or books, for support. In this model, one can distinguish the model without rewarding participants (**non-rewards model**) and rewarding participants (**a reward-based model**, also called **a bonus model**).

2) The Lending Model - consists in granting loans, generally in small amounts, between persons, one of whom is interested in investing cash (lender, investor), and the other most often obtaining short-term capital from external sources (borrower, beneficiary). Transactions take place via online websites without the participation of financial institutions.

3) Investment model (Equity based) - in this model funds are transferred in exchange for a promise of participation in the company or in profits. In addition, the following can be distinguished as the beneficiaries and the funders receive participation units in the share capital of the beneficiary company, currently only accredited investors and debt, where the financing of the beneficiaries is repayable, i.e. the beneficiary is obliged to return the funds provided by the funders.²

The generally accepted division of crowdfunding concerns the role of the donor, hence the division into non-equity and equity crowdfunding. In Crowdfunding's Potential for the Developing World, the World Bank has

2 At this point, one should also emphasize the basic difference between crowdfunding and peer-to-peer platforms, because they are incorrectly indicated as identical forms of financing. Crowdfunding finances a specific product, project or project, and P2P platforms are used to transfer funds from entities with financial surpluses to entities reporting the demand for these funds for a specific remuneration in the form of interest (Waszkiewicz, 2016, p. 140).

1 information and communications technology.

divided crowdfunding into two main models, in which five schemes operate (Crowdfunding's Potential, 2013, p. 20):

- 1) Donation crowdfunding (donation-based) - known from public collections for charity and reward based - when the supporters receive rewards.
- 2) Investment crowdfunding is divided into equity crowdfunding - it involves the possibility of acquiring shares or stocks, based on loans (lending-based) and based on trust funds (royalty-based).

Practice has developed several types of crowdfunding. Above are the individual crowdfunding models that should not be considered as disjoint sets. Some platforms were created to raise funds for charity, but gradually they transformed into professional institutions with business goals (Gadomski, 2014).

THE DEVELOPMENT OF CROWDFUNDING GLOBALLY

It should be noted that the importance of crowdfunding grew with the development of the Internet and various social platforms, however, the beginning of public financing dates back to the end of the 19th century, when funds were raised among the French population to fund the Statue of Liberty for the American nation (financing was carried out without Internet, however, it was carried out among the public). Another important event took place in the 1990s, when the band Marillion received financial support from their fans for their concert tour. The first online platform, ArtsistShare, was founded in 2003 by Brian Camelio, a Boston musician and computer scientist, and was devoted to artists who, like Marillion, received financial support from their fans (Freedman & Nutting, 2015, p. 15). After the success of Barack Obama in 2009, one of the largest crowdfunding platforms in the world - Kickstarter - was launched. The development of social media, such as MySpace, Facebook, Instagram or

Twitter, also played a significant role in the development of crowdfunding (Kordela, 2016, p. 145).

At the end of 2015, the value of transactions carried out on the crowdfunding market amounted to over USD 34 billion. The US market is a leader because it saw over 56% of all transactions. China occupies the second position in terms of the number of registered transactions. In 2014, the value of crowdfunding in Asia increased by 320% compared to 2013, and thus the continent had the second largest transaction value after North America, although already in 2015 the increase compared to the previous period was 201%. It should be added that in all analyzed periods the United States remained the leader of crowdfunding platforms with more than twice the value of transactions in relation to China in 2014 and over 1.5 more in value for 2015.

There may be several reasons for this. First, there is the development of the Internet, which cumulates a wide range of recipients, both individual and institutional. Secondly, the years 2007 and 2008 were characterized by the overwhelming crisis in the financial markets, which resulted in the departure of investors from traditional forms of capital investment. They started looking for new methods of investing capital, often those that did not involve a high financial burden, as well as which were not burdened with too extensive legal regulations, which are often incomprehensible to a potential investor.

The share of North America and Asia is over 90% of all transactions. Europe's share in global social finance is 16%. The smallest share in the crowdfunding market includes areas of Oceania and Africa. It should be mentioned that Australia, which belongs to the area of Oceania, does not have a greater share in crowdfunding financing, while Africa remains at a low level of economic development. The structure of the crowdfunding market is shaped primarily by the US, Asia (mainly China) and Europe (mainly in Great Britain) (Kordela, 2016, p. 676),

Table 1: The value of crowdfunding transactions globally in 2010-2015

Specification	Value (USD billion)	Growth rate (%)
2010	0,90	-
2011	1,48	64,40
2012	2,67	80,40
2013	6,10	128,50
2014	16,20	165,60
2015	34,40	112,34

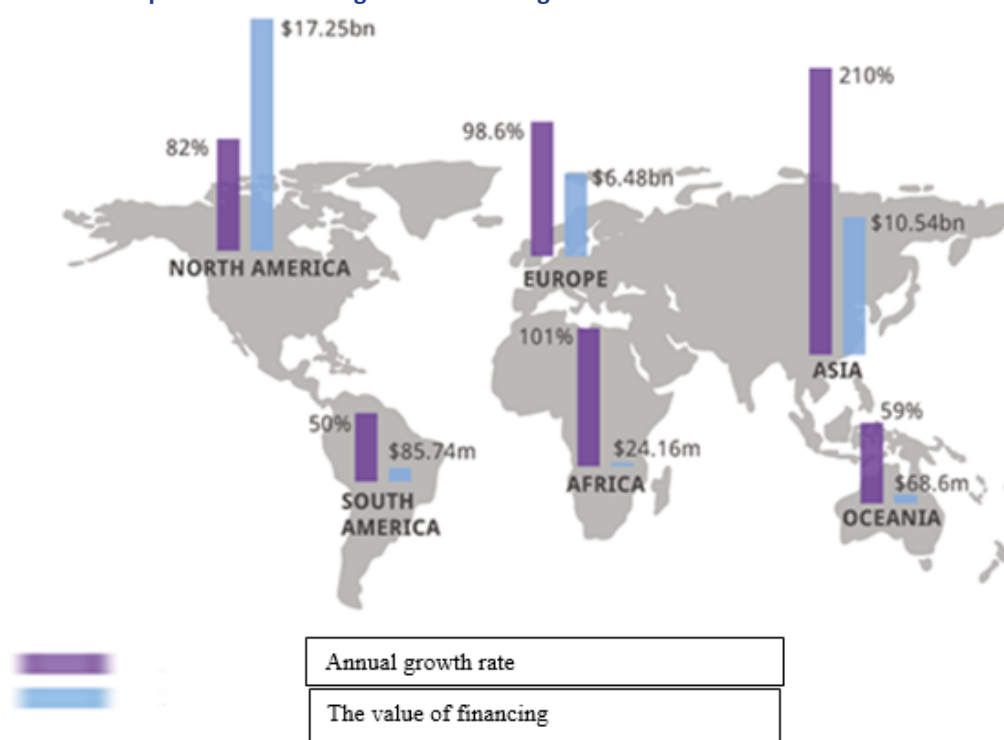
Source: Study based on: <http://crowdexpert.com/crowdfunding-industry-statistics/>, Access 20.09.2018 r.

Table 2: The value of crowdfunding transactions in individual regions of the world

Specification	Transaction value in billion USD		Increase in transaction value in%	
	2014	2015	2014/2013	2015/2014
North America	9,46	17,25	145	82
Asia	3,40	10,54	320	210
Europe	3,26	6,48	141	98
South America	0,057	0,085	167	50
Oceania	0,043	0,068	59	59
Africa	0,012	0,024	101	101

Source: Study based on: <http://crowdexpert.com/crowdfunding-industry-statistics/>, Access 20.09.2018 r.

Graph 1: Crowdfunding in individual regions of the world at the end of 2015



Source: Based on: <http://crowdexpert.com/crowdfunding-industry-statistics/>, access 21.09.2018 r.

which is the leader among European countries as of 2015 (Crowdfunding Industry Statistics, 2015 2016 , 2017).

With the development of the crowdfunding market, the structure of using individual models has also changed significantly. At the beginning, the model was based mainly on charitable actions, with a small share of the investment model. This situation was justified in the absence of legal regulations concerning the functioning of platforms, which means that investors did not make investments using the crowdfunding method (Report, 2017, pp. 130-139). Initially, the shareholders were focused on participation in crowdfunding on non-returnable and charitable support.

It was only the introduction of legal regulations in 2012 and subsequent in 2014 (Crowdfunding Report, 2014) that changed the layout in the platform models available on the market. With the development of the market, the loan model of crowdfunding, which is currently the most important model among those available, started to gain importance.

It should be noted that although there is currently a small share of the investment model on the market, however, according to economists, this area may be competition on the seed capital market, i.e. business and venture capital angels (Mollick & Kuppaswamy, 2014).

Table 3: Share of individual crowdfunding models in 2010-2015 (in%)

Function of crowdfunding platforms	2010	2011	2012	2013	2014	2015
Donation	54,65	48,93	36,81	22,05	11,96	8,28
Bonus	1,86	4,45	14,41	11,95	8,20	7,79
Investment	5,92	6,44	4,35	6,50	6,84	7,44
Loan or lending	37,57	40,18	43,97	56,61	68,31	72,95
Mixed	0,00	0,00	0,47	2,90	4,69	3,53

Source: Study based on: <http://crowdexpert.com/crowdfunding-industry-statistics/>, access 20.09.2018 r.

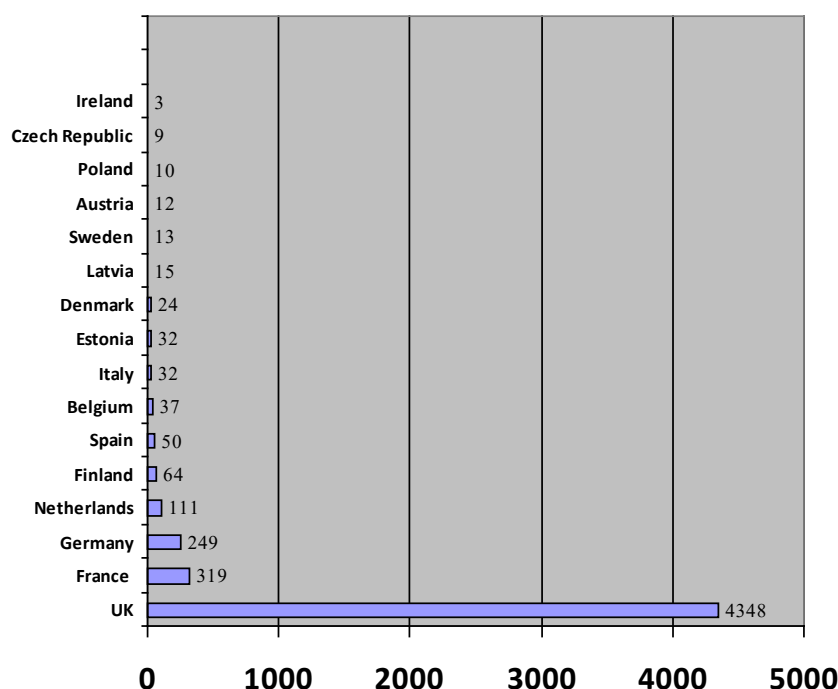
On the European market, the first crowdfunding platforms was created in 2010. Among the European countries, the United Kingdom is their leader (about 90%). France ranks second, while Germany ranks third in terms of the market value of crowdfunding.

On the European market, alternative methods of financing rapidly grew, and the market size reached over 5,4 billion euros in 2015. The two most-visited types of crowdfunding platforms by Europeans are share-based crowdfunding and awards. In 2015, alternative equity-based financing methods had a transaction value

of almost EUR 160 million. Enterprises in European countries have reached for a new way to raise funds to supplement more traditional bank loans. In 2015, the distribution of financing received through crowdfunding by small and medium-sized enterprises in the UK showed that about 27% of such companies gained from 100 to 249,9 thousand. British pounds. At that time, Funding Circle, Ratesetter and Thinats were the most popular loan platforms in the UK.

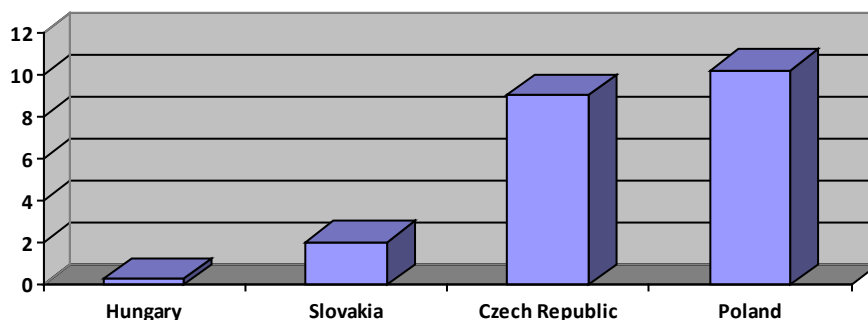
It is assumed that the Polish crowdfunding market is much smaller than the market in Great Britain, France or

Graph 2: Alternative Finance Volume by Country 2015 (Euro)



Source: Zhang, B., Ziegler, T., Burton, J., Garvey, K., Wardrop, R., Lui, A., James, A. (2016). *Sustaining momentum, The 2nd European Alternative Finance Industry Report*, University of Cambridge. Study based on: https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2016-european-alternative-finance-report-sustaining-momentum.pdf, pp. 28-32, access 12.11.2018.

Graph 3: Alternative finance in selected countries of Eastern Europe in 2015 (Euro)



Source: Ziegler, T., Shneor, R., Garvey, K., Wenzlaff, K., Yerolemov, N., Zhang, B., Hao, R. (2017). *Expanding horizon, The 2nd European Alternative Finance Industry Report*, University of Cambridge, pp. 30-36. Study based on: https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2018-02-ccaf-exp-horizons.pdf, access 12.11.2018.

Spain, and definitely smaller than the US market, however its development is very dynamic. Against the background of the countries of Central and Eastern Europe, Poland is the country with the largest crowdfunding market.

Analyzing the Eastern European market, it should be mentioned that Poland is developing the fastest. Only the Czech Republic is characterized by a little less value. Next with a big difference are Slovakia and Hungary. It should be assumed that the crowdfunding market in Poland will continue to grow dynamically due to the fact that the financial market in Poland has already been in place over 25 years, investment awareness is increasing, and there are more and more successful platforms, i.e. there is a higher success rate.

THE DEVELOPMENT OF CROWDFUNDING IN POLAND

The first platform enabling crowdfunding financing in Poland was PolakPortafi.pl, which was established in 2011. As of the end of the first quarter of 2017, there were 21 platforms in Poland enabling social financing. This survey was based on a review of available platforms, which involved the identification of crowdfunding platforms, operating models, fees, as well as collection of data on the value of funds collected. The table does not list all funds collected for individual platforms due to the fact that there are no data sources for this topic, which means that it is not possible to provide the sum of crowdfund collected funds collected in Poland.

Table 4: Crowdfunding platforms in Poland, at the end of the first quarter of 2018

Name of platform	Type of financing	Commissions	Value of collected funds (in PLN)
Beesfund.pl	investment	platform commission is 6.9% of the collected amount, commission on payment of up to 3.5% of the amount paid, additionally Users can make payments using Bitcoins	5 521042
Crowdangels.pl	investment	administrative fee PLN 499, commission commission: 8% of the collected net amount	No data
Do>more.pl	donation	Commission 5%, additional fees for the payment system - about 2.4%	No data
Fundujesz.pl	donation with rewarding participants	platform commission: 5.5% of the collected amount commission on the payment: 2.5% of the collected amounts	No data

Fans4club.pl	donation with rewarding participants	platforms: 5% of the collected amount, plus the commission of the payment operator	117 590
Kokos.pl	loan	The installment consists of a commission and a fee and interest rate on the loan (currently the interest rate is 10% per annum)	155 300 000
Megatotal.pl	donation with rewarding participants	No data	brak danych
Mintu.me	donation with rewarding participants	platform commission: 7.5% on the collected amount, additional payment fees: 2.5% on each transfer to the payment operator	No data
Odpalprojekt.pl	donation with rewarding participants	platform commission 4.9% or 6.9% of the collected amount 4.9% * ("All or nothing") / 6.9% ("You take how much you collect")	250 000
Patronite.pl	Donation based on prizes, subscription	a commission of 5% on the collected amount	No data
PolakPotrafi.pl	donation with rewarding participants	platform commission: 7.4% of the collected amount, additional commission on payment: 2.5% of the collected amount for the operator	16 000 000
Pomagam.pl	donation	platform commission 5% of the collected amount	
Pomagamyim.pl	donation	Commission in the amount of 3.5%, additional handling fees	1 226 000
Siepomaga.pl	donation with rewarding participants	platform commission: up to 6.0% of the collected amount	124 000 000
ScienceShip.pl	donation with rewarding participants	Commission 6% from the project being carried out	No data
ShareVestors.com	shareholder financing	depends on the financial objective of the investment	1 439 740
StwórzMistrza.pl	donation	Commission max. 12%	117 590
Wspieram.to	donation with rewarding participants	platform commission: 8.5% on the collected amount commission on payment: 2.5% on the collected amount	13 000 000
Wspieramkulture.pl	donation with rewarding participants	platform commission: 11% of the collected amount	1 621 234
Wspolnyprojekt.pl	donation with rewarding participants	commission for the administrator 7%	No data
Zrzutka.pl	donation	fees are paid for advertising and transfers in various amounts	13 000 000

Source: Report (2016). *Trendy w polskim biznesie internetowym*, Business Insider Polska, Warsaw, p. 66. Retrieved from: <https://www.slideshare.net/BusinessInsiderPolska/trendy-w-polskim-biznesie-internetowym-61953082>.

When analyzing the table, it should be emphasized that financing in the donation model prevails in Poland, which is expressed by the number of platforms and, above all, by the value of the funds collected on them. The largest platforms are Siepomaga.pl and PolakPotrafi.pl, which were created on the Polish market first. The highest amount of funds was collected on the SiePomaga portal, because over PLN 124 million was accumulated

there, thus providing support for more than 3,000 charity projects. PolakPotrafi.pl is another website with the highest collected value of funds. The website functions in a donation model, which consists in financing “all or nothing”, which means that if the project does not achieve the assumed financial goal before the planned time for obtaining funding, the donors will be reimbursed.

Three platforms, i.e. Beesfund.pl, Crowdangels.pl

and ShareVestors.com, belong to an investment group, i.e. funds are transferred in exchange for a promise of participation in the company or in profits. This is a relatively small share compared to the percentage breakdown listed in Table 3.

Another model that occurs in Poland is the loan model, which is represented by one platform, Kokos.pl, which started its activities in 2007. Currently, the value of transactions that took place via the portal is over PLN 155 million. It should be emphasized at the same time that Kokos.pl is the only lender of its kind in Poland, which is a different situation compared to the global structure, where the loan model is the basis for crowdfunding.

Investment crowdfunding in Poland is in the early stages of development. Its development was stimulated by the Zortrax 3D printer manufacturer, who in 2013 collected over 180,000 dollars on Kickstarter for the production of the first series of devices. This showed the potential organized through platforms. An example of a portal that engaged in the promotion of share crowdfunding is the crowdangels.pl portal, which was the first to obtain financing for the company with o. O., and then successfully offered its shares for sale.

Nevertheless, awareness of the existence and development of the phenomenon itself in the domestic market is slowly developing. Over a dozen crowdfunding platforms are visible, including several dedicated to investment crowdfunding: www.beesfund.com - share crowdfunding (shares and bonds), crowdcube.pl - share crowdfunding, www.crowdangels.pl - share crowdfunding (shares, stocks), ideas.pl - share crowdfunding, wspolnicy.pl - share crowdfunding. The platforms have financed only a few projects whose financial objectives ranged from several dozen to over one hundred thousand. Due to legislative restrictions, the preferred form of organization are companies with o.o. from which platforms expect

registration documents. There is one real estate market in Poland - sharevestors.com, investing in land, buildings and apartments for rent. Through it, 3 projects in real estate have been implemented so far, for a total amount of PLN 1.439.740.00 (Mazurek 2016).

As mentioned before, there are no aggregate data on the value of transactions carried out in Poland. The crowdfunding market in Poland is developing dynamically, taking into account the number of transactions, the value of funds and the number of platforms created. At present, there is no possibility of comparing Polish portals with the western ones, but analyzing the table, one can compare how the crowdfunding market in the United States is developed and what part of these are Polish platforms.

It should be emphasized at the same time that the largest and oldest Polish and American platforms operate on the basis of the same model. Significant and very significant differences are the fact that the American and Polish user markets are two extreme poles because of the number of participants, habits and preferences. A characteristic feature of investors in the United States is the use of high-risk financial market instruments, which means that they are more likely to use credit cards. Another important issue is the scale of activity of the financial market, as well as the history of the existence of this market, which undoubtedly created a different culture for investing in available instruments on the market.

SUMMARY

The crowdfunding market is characterized by a short history of existence. It should be emphasized, however, that this is one of the dynamically developing ways of financing business projects. This is not a typical form of financing, but its role is growing every year. Considered,

Table 5: Comparison of the largest platforms in the United States and Poland in 2015

Name of Platform	Date created	The sum of funds raised
Kickstarter	2009	2 346 379 468 dollars (about 8 949 844 522 PLN)
PolakPotrafi.pl	2011	3 578 469 dollars (about 12 598 185 PLN)
Wspieram.to	2013	1 657 894 dollars (about 6 300 000 PLN)

Source: Report (2016). *Trendy w polskim biznesie internetowym*, Business Insider Polska, Warsaw, p. 66. Retrieved from: <https://www.slideshare.net/BusinessInsiderPolska/trendy-w-polskim-biznesie-internetowym-61953082>, data pobrania 20.07.2018 r.

until recently, a small niche that does not matter much, it attracts more and more attention of retail clients and institutional investors. This does not apply only to small, unknown companies or charitable and social activities. The originators are guided by various motives, choosing the method of financing analyzed. The market is the fastest growing in the United States and, as noted in the survey, it is characterized by the largest share of the loan model in a structure that differs from the Polish market, where the donation model of charity, social or business nature continues to prevail. The aforementioned situation may indicate insufficient knowledge of potential investors about crowdfunding³.

On the basis of literature review and analysis of crowdfunding platforms in Poland, dynamic development of social financing can be noticed. It can be an important alternative source for raising capital. However, it should be noted that the crowdfunding market in Poland is still in development and is still a new method. At the same time, it is worth emphasizing that with the development of the financial market in Poland, and consequently greater interest in available financial instruments, interest in crowdfunding methods will start to increase, which may pose a threat to other avenues, such as venture capital or even bank loans. Such a state may be caused by ease of entry and exit, simplicity of access, lower transaction costs, and, more importantly, geographical scope, and, what is extremely important, lack of regulations regulating crowdfunding activities. Lack of regulation can of course be perceived as an advantage, and so some investors will perceive it, but it should be remembered that it can pose a huge threat. In addition, what should be emphasized, access to the Internet has an increasing community, which

only intensifies the activity and will increase the number of crowdfunding shareholders. Success achieved through crowdfunding for a potential investor is a sign confirming a positive public perception of the project and should be an important argument for the investment decision.

The dynamics of development of this market allow us to assume that in the near future traditional financial institutions will have to start noticing the competition from this sector. The innovations appearing on it, both in the area of products and technology platforms as well as business models, designed from the beginning in terms of flexible adaptation to the needs of customers, constitute an attractive alternative to services offered by traditional financial institutions. On the other hand, for traditional financial entities, solutions available on this market can be an inspiration for development.

Undoubtedly, the primary determinant of the development of the alternative financial instruments market, including crowdfunding, was technological development, as mentioned earlier. As a result, some barriers to access to markets offering these types of instruments were liquidated. Another important event affecting the crowdfunding market were the years 2007 and 2008, when the financial crisis shook the world. Confidence in traditional financial intermediaries then declined. This negative state was compounded by the tightening of the criteria for assessing the credibility of clients by traditional financial institutions, and the complicated procedures which made it very difficult to obtain funding for their activities and needs⁴, which in a way widened the pool of investors willing to use crowdfunding.

3 According to the Report Crowdfunding from an investor perspective, only about 2% of the population can define social funding. Most people who can say what crowdfunding is about belong to the 34-44 age group, but there is a tendency that more people will be interested in the future in the 18-34 age group, Crowdfunding from an investor perspective June 2015. Retrieved from: https://ec.europa.eu/info/sites/info/files/file_import/160503-study-crowdfunding-investor-perspective_en_0.pdf access 20.05.2018, p. 55.

4 Both individual and institutional investors use bank loans. In times of crisis, this access was very limited, which drew attention to crowdfunding. For example, in the UK alone, the estimated gap between demand and supply of loans to SMEs ranged from GBP 26 billion to GBP 59 billion (Pekmezovic & Walker, 2015, pp. 66-75). In addition, according to the Beuhurst report on the UK capital investment market in 2015 estimated at £ 4.9 billion, the number of transactions increased by 26% compared to the previous year and most of them were generated by share crowdfunding, which became the dominant form of investments in companies at an early stage of development. It involves the resale of a certain number of company shares to individual investors using the platform, at the same time entitling them to participate in profits generated by the project. It can be observed that there has been a significant decrease in the number of transactions made by PE and VC, with a simultaneous sharp increase in transactions carried out by investment crowdfunding. The value of transactions carried out in this way increased by 295% compared to the previous year. The average value of investments in companies at their earliest stage was 650,000. pounds with an average valuation not exceeding £ 2 million. In 2015, British companies invested in investment crowdfunding and gained 332 million pounds in comparison to 84 million in the previous year, Mazurek A., Crowdfunding: nowa nadzieja, Retrieved from: <https://www.cxo.pl/news/Crowdfunding-nowa-nadzieja,406058.html>, access 20.12.2018.

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