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CROWDFUNDING DEVELOPMENT PERSPECTIVE IN SERBIA

Perspektiva razvoja crowdfundinga u Srbiji

Abstract

Crowdfunding is a transparent, efficient and inexpensive method to raise money from a large number of generally small investors. Compared to the traditional sources of funding (e.g., bank loans), crowdfunding represents an alternative way of financing various projects (entrepreneurial, environmental, humanitarian and etc.). Fundraising from a large number of investors (community) existed as early as the Middle Ages, when, for example, in order to print a book, the authors asked a large number of interested people to support the printing by giving a small amount of money. However, crowdfunding in the modern sense emerged at the end of the last decade of the 20th century, while the conceptual framework of this method of funding developed thanks to the affirmation and availability of the Internet. Today, crowdfunding is implemented in many countries, where it is used in various sectors, especially in the gaming industry and the video game industry. With this in mind, the paper analyzes the perspective of the crowdfunding development in Serbia and supports its findings by appropriate empirical research.

Key *words: crowdfunding, platform, backer, campaign, start-up*

Sažetak

Crowdfunding je transparentan, efikasan i jeftin način prikupljanja sredstava od većeg broja uglavnom sitnih investitora. U odnosu na tradicionalne izvore finansiranja (npr. bankarski krediti), grupno finansiranje predstavlja alternativni način finansiranja raznovrsnih projekata (preduzetničkih, ekoloških, humanitarnih i sl.). Prikupljanje sredstava od velikog broja ulagača (zajednica) postojalo je još u srednjem veku, kada su, na primer, pisci da bi štampali knjigu, tražili manje iznose sredstava od velikog broja zainteresovanih pojedinaca. Međutim, crowdfunding u savremenom smislu je nastao tek krajem poslednje decenije XX veka, dok se konceptualni okvir ovog načina finansiranja unapređuje zahvaljujući afirmaciji i dostupnosti interneta. Danas, crowdfunding se primenjuje u velikom broju zemalja, pri čemu je zastupljen u različitim oblastima, najviše u gejming industriji i industriji video igara. S tim u vezi, u radu je analizirana perspektiva razvoja crowdfundinga u Srbiji, pri čemu je sprovedeno adekvatno empirijsko istraživanje.

Ključne reči: *crowdfunding, platform, finansijeri, kampanja, startap*

Introduction

Significant turbulences in the financial and economic sphere during the 21st century brought about the need to search for alternative sources of funding. The emergence of the global financial crisis in 2008, the COVID-19 outbreak and the start of the Ukrainian crisis (later the Russo-Ukrainian War) made it much more difficult to finance numerous projects, primarily business ventures related to start-ups and small and medium-sized enterprises. Crowdfunding, as an increasingly accepted form of alternative funding, represents a model of collecting capital from a large number of small investors by using modern Internet technologies. More precisely, crowdfunding is a way of financing projects using a large number of individual financial contributions, collected via specialized online platforms. Therefore, crowdfunding relies on the number of individuals and the strength of the community and represents the collective effort of people to finance numerous development initiatives. The collected money is most often used to finance various projects and business ideas, but it can also be used to solve a current social, environmental or cultural problem [31]. This alternative model of funding has originated and developed in the USA, however, it is currently being significantly developing in other world countries as well. The stable and sustainable growth and development of crowdfunding in the 21st century may also indicate the resilience of this funding method against external shocks.

For a long time, crowdfunding was relatively unnoticed and implemented only in the music, film and video industries. However, the funding of specific projects with the help of small donations or sponsorship(s) provided by a large number of individuals has become more common over time. Today, crowdfunding is used to finance numerous non-profit projects, but also various entrepreneurial ventures [18, p. 4]. In this regard, crowdfunding is increasingly proving itself as an alternative source of financing and an effective complement to private capital and venture capital. In recent years, a large number of crowdfunding platforms have been created on which small companies and start-ups (or creative individuals with a good idea) raise necessary financial resources. The intensive growth and development of crowdfunding during the 21st century can be attributed to the accelerated development of web applications and applications for mobile phones [10, p. 9]. With roughly 2.5 billion users worldwide and revenue of over $150 billion in 2019, the video game industey significantly surpasses the results of the traditionally popular film and music industries. New technologies, in particular the mass use of smartphones, influence the expansion of the potential of this industry [34]. Almost half of the start-ups nowadays in Europe belong to the digital economy: 48.9% of start-ups are related to advanced technologies [35].Therefore, it can be considered that the "modern history of crowdfunding" began when new communication channels enabled traditional money flows to be realized via advanced web technologies, i.e., the Internet [17; 36].

Accordingly, crowdfunding as a form of funding is in great expansion. The expected annual growth of this method of financing at the global level in the period from 2018 to 2022 was 29% [12]. However, crowdfunding has not managed to attract sufficient attention from the scientific and professional public yet [11; 32]. In other words, the limitations and challenges faced by this alternative way of funding have been scarcely represented in the relevant scientific literature thus far. Quantitative research is few and far between, while the studies conducted so far have generally focused on crowdfunding models and on the analysis of the main participants in this process. Many of the theoretical papers lack empirical support. There is a significant gap between theoretical and empirical papers concerning crowdfunding that cannot be found in any other area relating to the entrepreneurial financing literature [30]. In this regard, consideration of the crowdfunding process and its development perspective on the example of Serbia is of great theoretical and practical importance.

The significance and the key features of crowdfunding

Crowdfunding involves the process of pooling the financial strength of a large number of individuals in order to finance various projects that most likely could not be realized using the traditional funding sources [16]. In this way, the community supports the implementation of projects, while at the same time the complicated procedures that are related to other methods of raising money are avoided [36]. Unlike traditional financing methods, crowdfunding allows project creators to appeal to a group of individuals and ask them to support their ideas via online platforms [16]. This method of funding is especially suitable for entrepreneurs who have just started their ventures, since they have limited access to traditional sources of financing. In this regard, crowdfunding represents an alternative to financing that is realized through the services of professional financial institutions (banks, angel investors or venture investors). In other words, crowdfunding entrepreneurs raise funds from a large group of individuals instead of relying on a smaller number of professional investors. Some of the most important advantages of crowdfunding compared to other funding methods are the speed of project implementation, transparency and global character [31]. In addition, crowdfunding is a good way to test products and sell them in advance. Namely, when a large number of people around the world are interested in a specific project, idea, product, or service and at the same time provide support for the implementation, it can be considered that the research of market opportunities has been successfully carried out [36].

Therefore, crowdfunding is a form of funding where entrepreneurs make an open call via the Internet in the hope of attracting a large group of investors. Open call and investment take place on online platforms that provide all the necessary conditions needed to perform transactions [2]. In this regard, standardized online platforms have significantly influenced the growth and development of crowdfunding. These platforms provide transparent mechanisms that allow individuals to invest in young and promising companies. Crowdfunding platforms act as neutral participants and facilitate transactions between project initiators (campaign initiators) and investors (backers). Most platforms offer only a physical (internet) platform, websites for project presentations, verified procedures and software used to collect financial resources. However, there are also platforms that make greater efforts and provide advice, organize public relations, arrange meetings with microtransaction providers and the like. In addition, platforms can offer other services, such as consulting, searching for investors, forming a pool of investors, and etc. In this regard, when the crowdfunding campaign ends, the platform requires the project creator to pay a fee for the services provided, as well as all other fees related to the campaign [15].

Starting and running a campaign on a crowdfunding platform requires serious preparation and a well-organized team [36], therefore, it is generally a complex and stressful job. In this regard, a certain percentage of campaigns fail, so some projects end up unrealized. The most significant reasons for the failure of crowdfunding campaigns are: large initial investments (preparation costs), mistrust in the campaign, strong competition, mistrust in online payments, duration of the campaign and high platform fees and banking costs (which together make up about 10% of the collected funds) [31]. For the campaign to be successful, it is necessary to continuously invest in promotion, in order to attract as many backers as possible. On the other hand, a larger number of backers implies a larger number of different expectations and requirements, which can further complicate the process itself. Bearing in mind the complexity of the process, education and training activities play a very important role in the crowdfunding application process, in addition to the already mentioned promotional activities. These activities help entrepreneurs to design a successful crowdfunding campaign and identify the type of crowdfunding that best suits their project, as well as assist backers to choose the appropriate campaign. Educational efforts can also include the formation of national strategies by state agencies in order to explore the possibilities of applying crowdfunding in cultural and other creative projects [10].

Crowdfunding types and models

There are many different types of crowdfunding in practice, however, all these types can be categorized according to certain criteria into the most prevalent types and models.

Based on the manner in which the main participants in the process interact, crowdfunding can be direct or indirect. Direct crowdfunding refers to a direct appeal for funding which fundraisers communicate to a group of individuals, for example, on a company's *website*. The success of direct crowdfunding depends on whether the person collecting the funds (entrepreneur) is able to directly address a large enough number of individuals via his/her own website. In this regard, there is no strictly defined minimum group size that decisively affects the success of crowdfunding. However, [20] believes that a group size of 5000 participants should be sufficient for the success of a crowdfunding campaign in the field of entrepreneurship. In contrast to direct crowdfunding, which involves only basic participants, indirect crowdfunding implies the involvement of intermediaries in the fundraising process. In terms of the indirect crowdfunding, the open call is announced on specialized electronic platforms, therefore, three groups of stakeholders are distinguished in this type of crowdfunding: project initiators who seek funds for the realization of an idea, investors who are willing to support a specific project and platforms that play the role of intermediaries and bring together the mentioned interested parties [10, p. 10]. In modern business environment, crowdfunding campaigns are conducted indirectly, i.e., using the services of electronic platforms [5].

As regards crowdfunding, investors can be rewarded in material and non-material terms. In material terms, compensation can be monetary or in the form of products and services. [4] show that the entrepreneur's decision whether to "reward" individual investors by a monetary compensation, that is, by offering him/her a share in profits, or by offering exclusive supply of products or services, is based on the size of the initial investment. If the size of the initial investment is small, the entrepreneur will prefer product delivery as a compensation model, while, if the size of the investment is large, he/she will prefer profit sharing. In an intangible sense, investors are rewarded with a certain form of social recognition. Considering the backer's investment motive, i.e., the type of compensation for the particular investment, four basic models of crowdfunding are distinguished [5]:

- donation-based crowdfunding model,
- reward-based crowdfunding model,
- lending-based crowdfunding model, also known as crowdlending,
- equity-based crowdfunding model, also known as equity crowdfunding or crowdinvesting.

Donation-based crowdfunding is primarily intended for humanitarian and non-profit campaigns. This crowdfunding model helps non-profit organizations in terms of financing specific projects and basic costs, but it can also help finance creative and socially useful projects. Donation-based crowdfunding is mainly used for the development of socially useful projects and encourages a culture of giving [43]. Concerning this model, the backers generally do not receive any material compensation in return. However, in terms of crowdfunding, the donors (backers) are rewarded with some form of compensation for their investment. Therefore, concerning the donation-based crowdfunding, the compensations given for the provided support include: a thank-you letter, an artist's autograph, an invitation to a film screening or to an art exhibition, etc.

Reward-based crowdfunding is the most familiar and the most widespread crowdfunding model. As for this type of crowdfunding, a reward is offered in exchange for the financial support; this type of reward is called a perk. Perks can be of small and symbolic value, e.g., a letter of appreciation, badges or t-shirts, however, perks can also be valuable prizes, like smart devices [43]. Reward-based crowdfunding is most often used to fund creative business projects or smaller consumer products, where basic pre-production funding is tied to initial demand testing. In this regard, if a sufficient number of individuals enter the process of providing financial support, the entrepreneur receives market confirmation concerning the profitability and correctness of the business moves he/she has made.

As regards *lending-based crowdfunding*, the investor receives the defined interest and the payback after a certain period of time; however, compared to bank loans, crowdfunding can provide loans on more favorable terms [36]. This type of crowdfunding model offers the possibility of long-term lending based on the profit-sharing. In this case, it is the creditor who approves the risky loan; the creditor does not get interest but receives, after a certain period of time, an amount corresponding to a certain percentage of the project's profit. This amount can be several times higher than the original loan amount, but it can also be equal to zero. At the global level, the loan-based crowdfunding market is larger than all other types of crowdfunding markets combined [43].

Equity-based crowdfunding or investment crowdfunding is more complex than all other forms of crowdfunding. Here, the backers receive a share in potential profits, i.e., securities, for the funds they have invested in projects or ideas [36]. In other words, backers invest in an equity stake in a company, while the rewards for taking the risk are company shares, dividends or voting rights [18, p. 19]. The global equity crowdfunding market has grown exponentially, becoming an important source of alternative finance for entrepreneurs [9]. Given that it involves the sale of securities [6], the regulatory framework pertaining to this type of crowdfunding is more stringent compared to other forms of crowdfunding. The public offering of securities is strictly regulated in many countries and requires the publication of a prospectus that must be approved by the Securities Commission. In addition, the procedures involved in this process are very complicated, so they are inaccessible for small crowdfunding projects [18, p. 20]. In terms of the OECD member countries, it is only in the UK, Ireland, France, the Netherlands, Switzerland and Australia where the crowdfunding platforms are allowed to sell shares to small investors [2].

Based on the mentioned four basic models of crowdfunding, it can be concluded that the reasons why backers support a project (campaign) can be rational and emotional in nature. Reasons of a rational nature refer to equity-based and lending-based crowdfunding, because the motive for investment is profit (rational reason). In this regard, the financiers of such projects are mostly larger investors. On the other hand, reasons of an emotional nature are related to reward-based and donation-based crowdfunding. In these cases, the project is generally financed by a large number of small investors. Also, it is important to note that the donation- and reward-based crowdfunding models do not involve financial flows, therefore, they do not actually compete with other forms of financing (banks and markets). On the other hand, the lending- and equity-based crowdfunding models include financial flows, that is, they represent models that are based on investments (investment-based models). These four models of crowdfunding are the most represented ones in the literature, however, theoretical research on the lending-based crowdfunding and donation-based crowdfunding lags behind that on the reward-based crowdfunding and equity-based crowdfunding [29]. According to [23], "there are three distinct drivers for entrepreneurs to engage in crowdfunding: raising capital, increasing awareness, and gaining validation. Each of these motives influences which model of crowdfunding best serves the needs of entrepreneurs and the life-cycle stage of their start-ups. Whereas entrepreneurs motivated by capital tend to employ crowdlending, for example, entrepreneurs motivated by the aim of building awareness or seeking validation tend to employ rewards-based crowdfunding".

Based on the model that crowdfunding platforms operate, the models "all-or-nothing" and "keep-what-you-raise" are represented. The "all or nothing" model is suitable for fundraisers who need 100% of the planned funds to successfully realize their idea or project [31]. If the target amount of funds is not collected, there is no inflow of funds, because investors only promise to pay the specified amount of money, provided that the threshold value is reached within the specified period. In more advanced models, pledged funds are paid into a neutral account, and the platform manages a website where the status of the project, the amount of funds reached and the number of investors can be monitored. If the threshold value is reached within the specified period, the funds are paid from the neutral account to the project account; otherwise, funds are returned to investors' accounts. In contrast to this model, the "keep-what-you-raise" model is more flexible and allows fundraisers to keep the amount of funds raised, regardless of the fact that the target amount of funds has not been raised. The difference between the two most popular crowdfunding platforms in the world - Kickstarter and Indiegogo – is the crowdfunding model they operate. Kickstarter only offers "all-or-nothing" option, while Indiegogo also offers "keep-what-you-raise" option.

In addition to the abovementioned models and types of crowdfunding, another model applied in practice is civic crowdfunding. Civic crowdfunding involves fundraising from a large number of citizens for the implementation of projects of public interest that, as a rule, benefit the wider social community (landscaping of a local park and/or small green areas, support for local entrepreneurs, improvement of sports fields, etc.) [33]. This type of crowdfunding has been developing intensively in Europe, the USA and Canada, i.e., in those countries where the legislative framework allows it. In Serbia, the legislative framework does not explicitly prohibit such activities of local self-governments, however, due to the unavailability of foreign platforms and a small number of domestic ones, this method of financing is insufficiently represented [33].

Having in mind that a large number of crowdfunding campaigns fail or end up partially implemented, it is very important to choose an adequate crowdfunding model. The choice of a model can affect the ability of a project creator or a crowdfunding campaign organizer to raise the needed funds, but it can also influence the way the risk is going to be allocated between the project creator and the group of investors. In this sense, the critical problem that the project creator faces is the difficulty to determine the real value of his/her own project, while investors face the problem of assessing the ability of the project creator to deliver on his/her promise [13]. In addition, a key challenge for the sustainable development of crowdfunding is the information asymmetry that can exist between investors and fundraisers [1]. Therefore, the distance between the different participants in this process can represent one of the potential dangers of this method of financing. In this regard, several empirical papers have analyzed the role of asymmetric information in crowdfunding and possible ways of how the entrepreneurs can try to mitigate this problem [24; 25; 30].

Crowdfunding platforms

Crowdfunding platforms use modern web technologies and online payment systems to facilitate transactions between project creators and their funders. More developed crowdfunding platforms create special websites for projects which provide project analytics, project monitoring and tutorials prior to the launching of a certain fundraising campaign, as well as during the campaign. These platforms allow creative individuals to present their business ideas and raise funds via the Internet for the implementation of their proposed projects. Business ideas span across countless fields, from musicians seeking support for a new album or tour, to writers seeking support for book publication, to various entrepreneurial business ventures [16]. In order for an entrepreneur to launch a campaign on a crowdfunding platform, he/she must first develop a project profile, which generally involves creating a title of the project, providing a description of planned use of funds, funding goals, the duration of the campaign and a description of the compensation for the support provided (rewards). After the project is approved, the platform presents the project on a publicly available page where backers can choose to invest [21]. When a potential backer visits the website of an active project, they can access all the information relevant to the project. In this regard, potential backers can see the current funding status of the project, the target amount of funds, as well as the number of days left until the end of the campaign. In addition, the visitor can also see the list of backers, as well as the timing of the contributions paid [26].

Some of the largest and the most popular crowdfunding platforms in the world are: *Kickstarter*, *Indiegogo*, *Causes*, *GoFundMe* and *Patreon* [31]. Based on the different fundraising areas/needs, these are the 6 largest and the most popular crowdfunding platforms [22]: Best Overall - *Indiegogo*, Best for Startups - *SeedInvest Technology*, Best for Nonprofits - *Mightycause*, Best for Investing - *StartEngine*, Best for Creative Professionals - *Patreon* and Best for Individuals - *GoFundMe*. In addition to the mentioned platforms, [38] ranks the following crowdfunding platforms as the best ones: Best Overall - *Kickstarter*, Best for Shopify Story - *Crowdfunder*, Best for Small Businesses - *Fundable*, Best for UK and Europe - *Crowdcube*. As far as the civic crowdfunding is concerned, the best crowdfunding platforms are: *Spacehive* (the United Kingdom), *www.growfunding.be* (Belgium), *Patronicity* (Detroit), *Voor je Buurt* (the Netherlands), *Leih Deiner Stadt Geld* (Germany).

In 2018, the most famous crowdfunding platforms (e.g., Kickstarter and Indiegogo) changed their business rules, so since then a crowdfunding campaign can only be launched from the country where the selected platform operates. Before 2018, access to the Kickstarter platform was achieved by finding partners from countries that support this platform (e.g., USA, Australia, Germany, France, Italy, Switzerland, etc.) while the Indiegogo platform was open to the whole world. In this regard, up to 2019, the most popular crowdfunding platforms in Serbia were Indiegogo and Kickstarter. The success of campaigns launched from Serbia on these platforms varied significantly. Concerning Kickstarter platform, campaign success amounted to 37%, while on Indiegogo it was only 3% [36]. In addition to the aforementioned platforms, the following platforms are also important for the development of crowdfunding in Serbia: GlobalGiving, Fandrejzing.rs, Funderbeam, Dobri Dabar, Donacije.rs and Ventu.rs. GlobalGiving is one of the world's most popular platforms for donation-based crowdfunding. Fundrejzing.rs is a domestic platform organized by BelHospice. Funderbeam platform was originally developed in Estonia but it spread to other countries in a blink. This platform focuses on equity crowdfunding and enables the funding of small and medium-sized enterprises, especially innovative and start-up companies. At the end of 2016, Zagreb Stock Exchange and Funderbeam aiming to provide financial support to small companies from Croatia, Slovenia and Serbia entered into a joint venture, thus establishing Funderbeam SEE (South-East Europe), with Zagreb Stock Exchange owning 20% of Funderbeam SEE. Using this platform, Croatian company Include collected 1.47 million euros in 2019, thus realizing the most successful campaign that has ever been run on the Funderbeam platform at the global level [31]. Dobri Dabar is a platform primarily aimed at financing projects in the field of green economy, sustainable growth and employment. One of the most important criteria for launching a campaign on this platform is the importance of the proposed idea and project for the community and general social development. Donacije.rs platform is solely reserved for funding of the philanthropic or non-profit projects. This platform is quite convenient for financing humanitarian campaigns, such as cultural campaigns, helping vulnerable people and animals, etc. In this regard, Donacije.rs platform rapidly developed during the period of floods in the Balkans, thus earning its position as one of the more popular platforms in the observed area. Ventu.rs is the first platform for investment crowdfunding in Serbia [31]. This platform connects micro, small and medium businesses with investors. In terms of small businesses, Ventu.rs provides a new (alternative) way of financing, including the monitoring of the entire campaign development process as well as providing professional support. On the other hand, this platform gives investors the opportunity to support small businesses and make financial gains. The first successful campaign on this platform was realized in December 2020.

Regulatory framework of crowdfunding

On a global scale, crowdfunding has an important role in funding of numerous and diverse projects. A more intensive development of crowdfunding is not possible without the existence of adequate regulations and supporting institutions, however, the setting of stringent and rigid restrictions should be avoided. When defining the regulatory framework for this form of alternative financing, emphasis should be placed on defining precise rules related to the setting up and functioning of crowdfunding platforms. In this respect, these platforms should meet certain minimum requirements regarding their functionality, as well as the requirements related to transparency, safety and security of information and payments, user protection and etc. Furthermore, bearing in mind that with crowdfunding, investments can be made from a number of countries, clearly defined rules are required concerning the cross-border transactions.

The USA is a country with the oldest and the most developed market of alternative funding sources in the world. With this in mind, the Americas Alternative Finance Industry Report was published in 2017. The Report puts an emphasis on researching the experiences of participants in the crowdfunding market related to the existing regulatory framework, hence, against this backdrop, all crowdfunding platforms are divided into equity-based and debt-based, while the non-investment models (reward-based model and donation-based model) are excluded from the analysis. In the case of equity-based platforms, it was determined that 36% of platforms perceive the regulation as excessive and too strict, while approximately the same percentage of platforms consider that the regulation is adequate. The similar goes for debt-based platforms, considering the fact that 24% of platforms believe that the regulation is excessive, while 31% believe that the regulation is adequate. Such polarizations clearly indicate different experiences that platforms have with regulatory solutions pertaining to business operations. Nevertheless, generally speaking, the majority of platforms (59% equity-based and 31% debt-based) consider that the regulatory solutions applicable to crowdfunding in the observed area are adequate and appropriate [42, p. 68]. In accordance with the JOBS Act on the regulation of small and start-up companies funding in the USA, equity crowdfunding takes place through specialized brokers and platforms registered with the SEC and is accessible to all individuals [14]. In order to stimulate equity-based crowdfunding for start-ups and small and medium-sized enterprises in the observed area, a regulatory measure titled Regulation Crowdfunding was introduced in May 2016. Under this provision of the Securities Act, SMEs and early-stage companies can raise equity capital worth up to $1.07 million per year from accredited and non-accredited investors using registered crowdfunding platforms or broker-dealers, however, they are not required to register the issue of equity securities with the SEC. As a result of the introduction of Regulation Crowdfunding, significant results were achieved in the field of crowdfunding in the USA [37].

Starting from 2010, crowdfunding has started to develop intensively in Europe as well. According to the research of [10], the most mature crowdfunding markets in Europe are those operating in the United Kingdom, Germany and the Netherlands. However, the countries with the most developed crowdfunding in the observed area, in terms of the number of platforms and implemented campaigns, are the United Kingdom, France and Switzerland. The crowdfunding legislative act which regulates crowdfunding at the EU level titled EU Regulation No 1503/2020 on European Crowdfunding Service Providers for Business (ECSPR) was adopted in October 2020 [7; 27]. According to [3], among the EU countries, France is a country that has the best regulated crowdfunding market. This country has covered numerous issues related to the establishment and operation of platforms for equity- and lending-based crowdfunding by passing special regulations, as well as established appropriate protection mechanisms.

In terms of the Republic of Serbia, the specific legislative acts pertaining to crowdfunding have not been produced yet, nor has an adequate tax system been established for this type of investment. Also, the existing regulations greatly limit the transfer of money from abroad related to this type of financial transaction. Banks generally require additional clarifications from campaign organizers, that is, data and documentation related to foreign exchange inflows. In this regard, for the development of crowdfunding in Serbia, it is of particular importance to adapt the regulations related to foreign exchange inflow from abroad, bearing in mind that in most cases crowdfunding takes place on platforms located in a foreign country. Furthermore, regulations related to organizers of crowdfunding campaigns are of particular importance, because it is very important that organizers of campaigns appropriately determine their status. A natural or a legal person can be the organizer of a crowdfunding campaign in Serbia. The campaign is most often initiated by natural persons, mostly with the aim of realizing a non-profit project or start-up. However, in some cases, some profit interest may arise during the implementation of the project, so the campaign organizer must be registered in one of the legal forms (usually d.o.o. (limited liability company), entrepreneur or association). The choice of legal form affects the method of registration, business costs, business operations, scope of responsibility and applied taxes [12].

Therefore, in accordance with the intensive development of crowdfunding at the global level, it is necessary to define and develop the appropriate regulations at the national level. However, it should be emphasized that in many countries, crowdfunding markets, despite having a huge turnover and great importance at the global level, have scarcely received any significant attention concerning drafting and passing of adequate regulation [19].

Crowdfunding in Serbia

Of the former SFRY republics, the largest number of all raised funds through crowdfunding goes to Slovenia, followed by Croatia and Serbia [12]. In Serbia, crowdfunding is mainly used to finance humanitarian and artistic projects, while the participation of projects in the field of technology development and business financing is far smaller. However, in terms of developed crowdfunding markets, this alternative method of financing is already used by micro, small and medium enterprises, as well as numerous young and start-up companies. Startups and innovations represent a great chance for the accelerated economic development of Serbia. With this in mind, the first national strategy aimed at stepping up startup ecosystem development – the Startup Ecosystem Development Strategy 2021-2025, defines the primary goals for the next period which are as follows: improved startup operation framework, improved startup financing mechanisms, strengthening of support and local connectedness in the startup ecosystem, building startup/entrepreneurial capacity through formal educational programmes and promotion of startup culture and global visibility of the ecosystem [40].

Crowdfunding, as an alternative source of financing, can be an adequate replacement or supplement to traditional sources of financing (e.g., bank loans) [30]. There are more than 100,000 active small and medium-sized enterprises operating in Serbia, however, their operations are financed exclusively by bank loans [41]. The small business sector in the observed area is financed using their own assets, which may indicate that it is necessary to further develop alternative sources of financing. In this regard, since 2017, the German-Serbian Initiative for Sustainable Growth and Employment has been actively supporting the development of crowdfunding in Serbia, nevertheless, it should be kept in mind that it is very important to study equity crowdfunding platforms and the role these can have in equity crowdfunding markets as an engine of innovation and market growth [9].

Two start-up firms from Serbia, Player Hunter and StrawberryEnergy, managed to realize successful crowdfunding campaigns in 2018 [31]. In addition, at the beginning of 2022, Dobri Dabar platform was launched. This platform is the first crowdfunding platform that supports the ideas of individuals and legal entities registered in Serbia and makes it possible for the small and medium-sized enterprises to launch campaigns. Up to then, it was only organizations, associations and individuals that were allowed to launch campaigns. Projects that can be implemented via this platform are based on sustainable growth and development and ecology. By April 2023, 11 projects were successfully realized using this platform.

The following section of the paper presents the empirical research conducted for the purpose of determining to what extent the creative individuals are informed about the crowdfunding method of financing, as well as examining their readiness to use one of the models offered by this alternative method of funding ideas and projects.

Empirical research

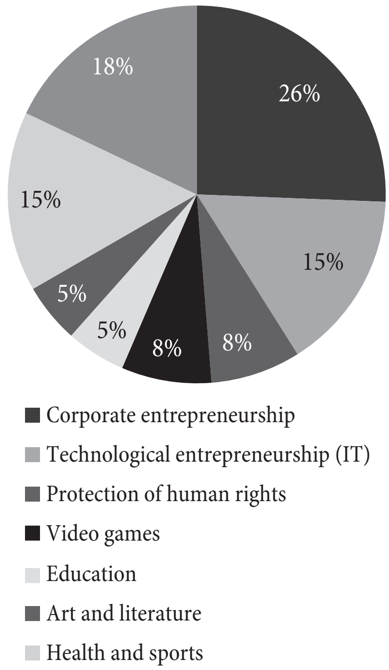
Methodology. Primary data were collected using the survey method. The survey was conducted among prospective entrepreneurs from Bosnia and Herzegovina, Montenegro and Serbia who came up with creative ideas that require alternative funding in order to be realized. More than 70 respondents between the ages of 18 and 28 participated in SEED Regional Workshop and SEED Fellowship in 2022 and 2023. SEED Regional Workshop was held in Kragujevac, in the period 19 - 26 February 2023, while SEED Fellowship was organized in the USA (New York and Buffalo) during April and May 2023. Southeast Europe Entrepreneurship and Development (SEED) is an initiative focusing on youth with entrepreneurial aspirations who are in the early stages of developing their business ideas. SEED is a non-governmental organization whose work is inspired by the experience and results of the international organization Network 20/20 based in New York. Regional workshop and Fellowship models are based on learning through work, interpretation of ideas, discussion and exchange of practical experiences with successful entrepreneurs from Serbia, the USA, China, Sweden, the United Kingdom and Bosnia and Herzegovina. This model will allow participants to experiment and test their knowledge, business ideas and create a basis for further dealing with their entrepreneurial endeavors over the course of a particular period of time. In cooperation with regional and global partners from the sphere of entrepreneurship, SEED facilitates the exchange of know-how, learning about potential models of financing business ideas and the introduction of progressive solutions in the regional start-up ecosystem.

The participants of the organized workshops were encouraged to take part in the survey, while the answers provided in the questionnaire were used exclusively for the purposes of scientific research. In addition, the respondents were informed that the survey was anonymous. The survey questionnaire contained a total of 19 questions divided into three groups. The first group of questions sought to determine the basic characteristics and the level of knowledge possessed by the individuals about the crowdfunding model of financing. The second group of questions referred to determining their readiness to use crowdfunding for the purpose of financing their own projects. The third group of questions was developed in order to find out which crowdfunding model was the most attractive and the best suited one depending on the respondent's business idea. The research was conducted in June 2023 in Kragujevac. A total of 39 valid questionnaires were collected from individuals coming from Serbia, Montenegro and Bosnia and Herzegovina.

Based on the collected and analyzed data, the following important conclusions can be drawn:

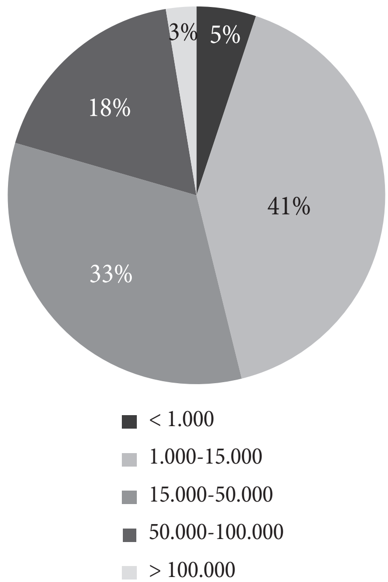
- Concerning the sample structure, the majority of the respondents come from Serbia (20), followed by Bosnia and Herzegovina (11) and Montenegro (8);
- About 2/3 of the respondents are between the ages of 18 and 25, with the majority being women;
- The majority of respondents hold some post-secondary degree, however, most of them do not have any work experience;
- Most of the respondents (79.5%) are familiar with crowdfunding as a funding method, however, 1/3 of the respondents consider other funding sources more favorable (startup business loans, angel investors, venture capital funds, business incubators, startup accelerators and etc.);
- As many as 82.1% of respondents consider IT sector as the most attractive to investors/backers. In this regard, about 1/4 of respondents have clear ideas about a new IT sector business they would like to start, while business ideas relating to other sectors have smaller shares (Figure 1.);

Figure 1. Sectoral dispersion of business ideas



Source: Authors

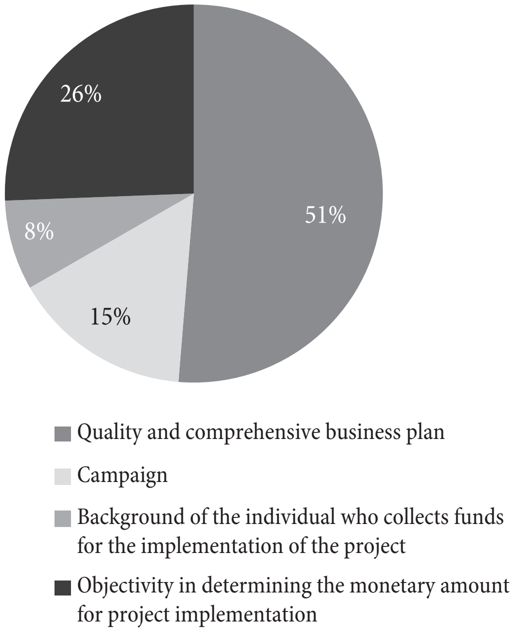
Figure 2. Allocated funds for the implementation of the project



Source: Authors

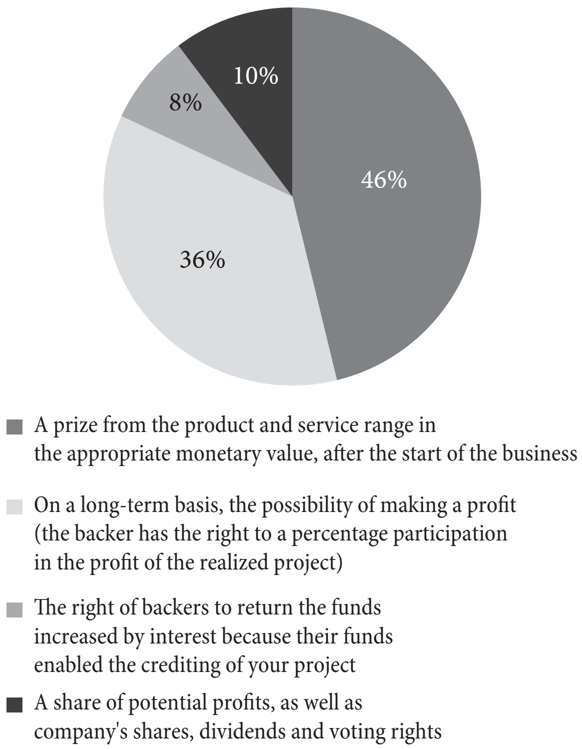
- The respondents' business ideas do not require heavy investments, for example 46% of the projects require up to EUR 15,000 to be realized (Figure 2.);
- About 2/3 of respondents find the "keep-what-you-raise" model better suited to their needs, because in this case, the realization of their projects is possible even if they do not collect the targeted amount of funds;

Figure 3. The parameter that has the greatest contribution to the success of a business idea



Source: Authors

Figure 4. Backers compensation during setting up a financing model of a business idea



Source: Authors

- Most of the respondents consider some form of a joint venture with a foreign partner as the efficient way of raising money for the project;
- A carefully thought-out and well-developed business plan, i.e., a quality and comprehensive one, is essential to the success of project implementation, where the selection of the appropriate crowdfunding model makes an important part (Figure 3.);
- The largest percentage of respondents (46.2%) share the opinion that the reward-based crowdfunding is the best financing model for them, while the equity-based crowdfunding is the most suitable financing model for 35.9% of respondents (Figure 4.).

Conclusion

At the global level, crowdfunding plays an important role in the process of financing numerous and diverse projects. Crowdfunding projects differ significantly, both in terms of the goals set and in terms of the project size. They cover a vast range of projects from small art ones to large entrepreneurial ventures. Thus far, thousands of crowdfunding platforms have been set up globally to facilitate the fundraising process. Crowdfunding platforms, unlike traditional fundraising methods, allow entrepreneurs to directly address a group of individuals. In this regard, one can say that banks and private investment funds have ceded a good part of the market to this type of financing and lending. The growing interest of investors in investing on crowdfunding platforms is a proof that crowdfunding represents a more flexible way of financing compared to traditional bank loans [28]. In addition, by connecting creative individuals seeking funding to realize their business ideas with communities that can support them in the realization of such projects, crowdfunding platforms encourage economic growth and the development of environmental and sustainable projects.

Most platforms have strict rules that govern crowdfunding campaigns. Kickstarter and Indiegogo are mostly reward-oriented crowdfunding platforms on which entrepreneurs can raise capital and in return offer individuals a reward for the received financial support. In most cases, the prize/reward is a product or service that the entrepreneur has produced using the money raised during the campaign. It is important to note that from 2019, crowdfunding via well-known platforms, such as Kickstarter and Indiegogo, is only possible from the countries where these platforms operate. In this regard, at the beginning of 2022, the first crowdfunding platform was established in Serbia, thus creating opportunities for small and medium-sized enterprises to launch their fundraising campaigns [43]. Prior to that, campaigns could only be launched by organizations, associations and individuals.

In terms of Serbia, Montenegro and Bosnia and Herzegovina, there is a great potential for the development of crowdfunding, since numerous small businesses are financed only from their own resources.

However, crowdfunding is still an insufficiently researched market lacking adequate regulatory framework. A more intensive development of crowdfunding in the observed area requires better education of all potential participants in this process and greater promotion concerning the general public. Obtained results should encourage other young people from Western Balkans with great ideas not to be afraid of crowdfunding and to launch a series of successful campaigns, which until now were almost as a rule mostly unsuccessful or insufficiently ambitious. Also, the conducted research should guide young people that there are organizations and initiatives through which they can learn how to access sources of funds for financing business ideas.

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