

# Alterantive finance as a solution for a better future

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**University of Zagreb**  
**Faculty of Economics & Business**  
**Bachelor Degree in Business**

**ALTERNATIVE FINANCE AS A SOLUTION FOR A BETTER  
FUTURE**

**Under graduation thesis**

**Talal Abedrabbo**

**Zagreb, September 2021**

**University of Zagreb**  
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**ALTERNATIVE FINANCE AS A SOLUTION FOR A BETTER  
FUTURE**

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**Zagreb, September 2021**



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I hereby declare and confirm by my signature that the final work is the sole result of my own work based on my research and relies on the published literature, as shown in the listed notes and bibliography.

I declare that no part of the work has been written in an unauthorized manner, i.e., it is not transcribed from the non-cited work, and that no part of the work infringes any of the copyrights.

I also declare that no part of the work has been used for any other work in any other higher education, scientific or educational institution.

Zagreb September 2021

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## 1. Introduction

After looking and discussing with colleagues about the potentials and the possibility of a fair way of financing projects that serves the community without the need of complicated long procedures of the commercial banks, and after I heard about the first try to establish an ethical bank in Croatia, and other things happening in the region like crowdfunding campaigns, that all encouraged me to do a detailed search about that topic.

When the project fails usually means the inability to generate positive cash flow to the investors, without looking if this project was delivering any social benefits to the community or society where it exists. therefore, the only value this project has is if it is still generating cash.

This is the reason why I like to use the term alternative financing, to show the method that cares more about the welfare of society, rather than just generating cash flows. So, what are the main parts or more precisely what is considered alternative financing. Alternative finance is an umbrella time period that covers a variety of very distinct methods from human beings lending cash to every different or to corporations, to human beings donating to network projects and corporations buying and selling their invoices. The differences among those models are critical as they vary highly withinside the kinds of human beings and groups that use them, the reason why they use them is the nature, shape, and quantity of economic transactions that take place.

Because of all stated above, it is possible to see the importance and relevance today of having Alternative finance. It can give and make the potential of lost power. All great ideas that you can find on all crowdfunding platforms will not actually exist. This proves that you can do something if it's a good idea and if there are people that want to support it.

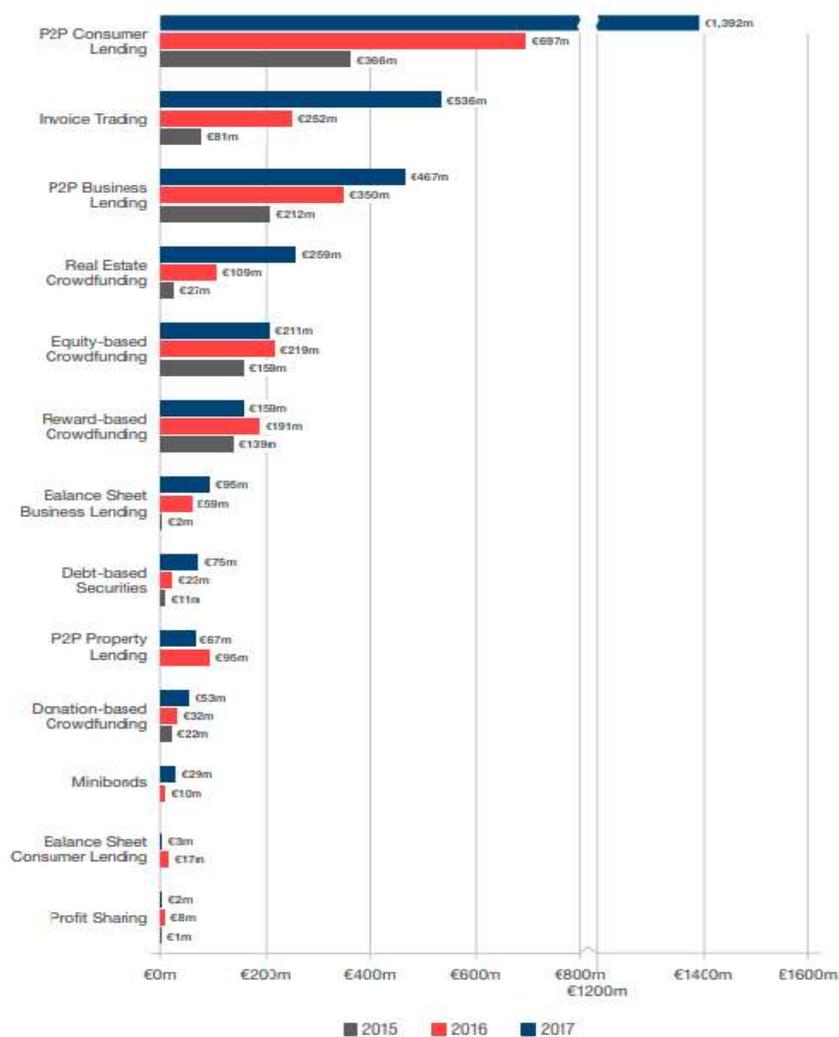
Those ideas are not necessarily profitable, but they do carry the welfare of the society as its core. Also, businesses in most cases want only profit, and that does not necessarily bring a good outcome to society. On the other hand, a bookstore or a community place is more useful for society but less or non-profitable, so banks will not finance them. In the next few chapters, I will make a review on Alternative finance models, define them and further explain each of them. I will try to show how these platforms doing in Europe especially in southeast Europe and Balkan, and to show how is Croatia doing in the alternative financing world.

## 2. Alternative finance models

This is mainly about financial channels, processes and tools that appear outside the standard finance system resembling regulated banks and capital markets (Cambridge Judge Business School, 2018). Extend fund is along-time period financing of framework and mechanical ventures based upon the anticipated cash streams of the venture instead of the adjusted sheets of its supports, Ordinarily, an extended financing structure includes a few value speculators, known as sponsors a 'syndicate' of banks or other loaning institutions give credits to the projects.

They are most commonly non-recourse advances, which are secured by the venture resources and paid totally from project cash stream, instead of from the common resources or the extend supports financial viability, a choice in portion upheld by monetary modeling. The financing is regularly secured by all the venture resources, counting the revenue-producing contracts. Venture loan specialists are given a lien on all these resources and can expect control of a venture on the off chance that the venture company has trouble complying with the credit terms.

Figure 1: Volume of alternative financing by model in €, 2013 – 2017



Source: Ziegler, T. et. al., 2018

Figure 1 graphically shows each of the previously mentioned AF Models by its' Volume in millions of Euros in years between 2013 and 2017 in all Europe. This chart also illustrates P2P Model, that has Volume of 1,392 m of Euros in 2017. has far more attention and share in Alternative Finance Models than for example Donation-based Crowdfunding, that has far more less, a 53 m Euros in the same year. Just to describe it a bit more contextually let's say that P2P Models are businesses oriented on profit while Community Shares, Debt-based Crowdfunding or a Debt-base Securities are not at all or not primarily profit oriented.

## 2.1 Peer-to-peer lending

Abbreviated as P2P disposition, is that the act of lending cash to people or businesses through online services that connect lenders and borrowers. Most of the peer-to-peer lending firms who are providing these services typically operate online, compared with traditional financial institutions, management fees are lower and services are cheaper. In short, P2P Businesses are debt-based transactions between people and existing businesses that are largely SMEs (Small to Medium Entrepreneurship) with several individual lender's tributaries to anyone loan (Nestea, 2018). Whereas consumer credit assumes that Participants borrowing through an online platform will borrow from several individual lenders, each lending a small quantity the vast majority of them is personal type loans.

This allows lenders to earn higher returns than traditional bank savings and investment products while allowing borrowers to borrow money at lower interest rates. And after the Peer-to-peer lending company has charged a fee for providing the match-making platform and credit score having checked the borrower.

There is a chance that the borrower will default on the loans obtained from peer lending websites. Many peer-to-peer loans, also known as crowdlending, are private unsecured loans, though some larger sums are lent to businesses. Secured loans are occasionally presented with the assistance of luxury items. As collateral, this includes jewelry, watches, classic cars, artwork, houses, planes, and various commercial company belongings. They are directed to a specific person, company, or nonprofit.

Other kinds of peer-to-peer lending include college debt, business, and real estate loans, payday loans, secured commercial enterprise loans, leasing, and so on. and Interest rates may be set by financial institutions having to compete for the lowest interest rate under the competitive bidding model, or by the intermediary based on the borrower's credit assessment (American Banker, 2018). Typically, the lender's expenditure on the loan is not backed by a government warranty. Lenders reduce bad debt risk for some services by selecting which borrowers to lend to, and they reduce overall risk by diversifying their investment opportunities between many different borrowers. P2P lending firm that keeps a separate special purpose fund, such as the RateSetter Provision Fund, that pays lenders in the occasion of borrower default, but the worth of such provision financing to lenders is in question (Shoffman 2021).

Credit intermediaries are for-profit businesses that generate revenue by charging borrowers a one-time fee on sponsored loans and a loan processing fee to investors (UK tax-disadvantaged borrowers) or mortgage holders (either a fixed annual amount or a percentage of the loan amount). Peer-to-peer lending is less volatile and less liquid in equity markets (Roth and Roth, 2018).

## 2.2 Invoice trading

Invoice trading platforms let companies sell individual invoices through online platforms to make better cash flow (University of Cambridge, 2021). It's a quick way to connect companies struggling with cash flow with investors looking for a short-term return via online auction sites. Invoice trading is one of several invoice financing solutions that emerged in the wake of fintech disrupting traditional banking models and is sometimes referred to as auction-based invoice financing. (Saylor, 2021).

Instead of waiting for bills to be paid, the company sells them at a discount to a group of individual or institutional investors (Nestea, 2021). Invoice finance platforms act as an intermediary between investors (who buy unpaid bills) and companies who sell their accounts receivable. Commercial claims are secured by auction technology. Companies looking for working capital register in the system, send their invoices by email, each of these documents is checked by the platform. No security measures such as personal guarantees or collateral are required. Acquire loans through tenders. Due to the special nature of this joint financing market, receivables can be bought by the crowd (University of Cambridge, 2021).

## 2.3 Community shares

The term community shares denote the withdrawable share capital; a unique form of social capital in the legislation of cooperatives and community services. This type of social capital can only be spent by cooperatives, not-for-profit companies, and not-for-profit companies (Nestea, 2018). Community shares can help save local retailers and pubs, fund sustainable energy plans, remodel community facilities, assist community food growing, fund new football clubs, restore heritage landmarks, and, most importantly, help build stronger, more independent communities. Giving community businesses the long-term funding, they require to get started and grow is an excellent way to support them. Since 2009, nearly 120,000 people have invested more than £100 million in 350 community enterprises across the United Kingdom (Anon, 2021).

A convenient way to support businesses that serve the community is Investing in community shares the equity is used to finance the company and, in return, there may be limited interest in your investment. If the crowd wants to get their money back, they can withdraw all or part of their share capital, but this is subject to the general terms and conditions. Community shares can only be issued by cooperatives and non-profit organizations. (“Community Shares for investors” 2021).

Members have only one vote regardless of how much they invest, and there are limits on how much they can invest to keep society from relying on a few large investors whose worth may fall if the company goes bankrupt. Because the primary reason for purchasing community shares is to benefit the community rather than for financial benefit, this type of share offering is exempt from financial sponsorship rules. To be ungoverned diminishes red tape and helps communities keep the cost of providing a stock offering affordable.

This, nevertheless, implies that the investment is not protected by the Financial Services Compensation Scheme and that you will not have the right to make a complaint with the Financial Ombudsman. (2021, "Community Shares for Investors"). Community shares are different from corporate shares. As a member, no matter how many shares you buy, you will get one vote. There is a legal limit to how much a person can invest in a company, and small businesses can set much lower limits so they don't depend on a few big investors. All companies that offer community shares have a rule that prevents members from generating income capital gains if the company is sold or closed. ("Community Shares for Investors," 2019). Investors can receive annual interest on their shares, but most companies have rules that set interest limits and only pay interest when the company can afford it. Another important difference between corporate shares and community shares is how your sales are regulated. At least 36 public bars and small breweries in the UK are funded through community Shares.

The largest community shares investment of these is The Bell Inn in Bath where the 536 members have invested more than £750,000 between them. The University of Cambridge made Research found that the main reasons people buy community shares are to use their money to make a difference and do social and environmental good.

## 2.4 Donation-based crowdfunding

People give small sums to meet the overall funding goal of a nonprofit project without receiving any financial or material benefit (Nestea, 2018).

Donation-based crowdfunding is a method of raising funds for a project by asking many contributors to each donate a small amount. In exchange, sponsors can receive symbolic rewards that increase in prestige as the amount of the donation increases; however, for the smallest amounts, the funder might not even receive anything at all.

Sometimes referred to as reward crowdfunding, donation tokens can include the presale of an item made with the funds raised. Donation-based crowdfunding can also be used to raise funds for charity. Because this type of crowdfunding is centered on donations, donors do not acquire ownership or entitlements to the project and never become creditors of the project. When an entrepreneur or investor has a great idea for a product or service, crowdfunding is an alternative way to raise funds. Cash as opposed to traditional banking methods, personal loans, or equity offers.

Through donation-based crowdfunding, the entrepreneur can sell his goods to a significant number of sponsors, each of whom contributes a tiny amount to the project. Charities can see crowdfunding as a way to raise funds for rescue operations or causes that the organization supports. Disaster relief organizations for example can apply for funds to find rescue and

treat people affected by the area's devastating storms. Seeks assistance in constructing emergency shelters or purchasing medical supplies, as well as rebuilding infrastructure facilities that would otherwise be unfunded by government disaster funds. Donation-based crowdfunding is analogous to microfinance. Fundraising requirements are less strict than those of a commercial bank, and the requested amount of funding may be less than the least loan or credit available from a bank. However, it is not surprising that the platform's final revenue far exceeds the initial target (Adam Hayes, 2021).

## 2.5 Reward-based crowdfunding

People donate to specific projects to receive materials (but not financial) rewards or products in return for their contribution at a later date (Nestea, 2018). Through reward-based crowdfunding, donors who believe in their careers and donate will receive small rewards for their contributions.

It could be a copy of the artist's new album, or even a watch or movie. Like the majority of reward-based crowdfunding campaigns, they are rare made by artists, musicians, and film producers. Start-up companies can also benefit from this kind of crowdfunding. IndieGoGo and Kickstarter are two examples of excellent crowdfunding websites based on reward-based crowdfunding. People who choose this type of crowdfunding often cannot get loans from banks. Hence, crowdfunding is your only option. to raise money for your project.

How does it function? On the crowdfunding platform, entrepreneurs define their project or business idea as well as the reason for raising funds. In exchange for donations, the company provides incentives. A jewelry designer, for example, could make a \$100 donation to any handmade original work. bracelet, or a solar-powered lawnmower inventor can give the taxpayer a lawnmower worth \$1,000. It should be substantial; some businesses provide a simple written by hand thank you.

This type of funding is intended for startups, particularly those who are in creative fields. People who are not eligible for small loans but have appealing projects or want to test the market. Local small firms with a collection of products or services to offer may want to look into traditional funding sources; explaining the profitability of the business to a crowdfunding viewer could be difficult.

Rewards can be divided into three categories based on how much money a person donates. It is used to distinguish between those who donate a small amount and those who donate generously. Pre-Order This is one of the most effective ways to give out rewards. The activist, if he's a musician, can pre-order his album specifically for donors, he gives them early access to your work, which is why many video game developers collectively fund their game because that's how people start investing. Rate the game and it can give you more ideas to work on by customizing the game and adapting it to the services of the people.

If your project is not eligible for pre-order, you can offer special services to donors. The past includes an artist preparing food for a sponsor or developer who provided the writing code. Recognition This is the perfect entry-level gift for subscribers. Sponsors who support the project with less than 1,000 rupees can post their names on the activist's websites to thank them for their contribution. Gifts such as the campaign-related company t-shirt are distributed.

Anyone running a reward-based crowdfunding campaign should have different types of rewards suitable for specific categories of donors based on the size of their contribution which differentiates between small donors and generous donors (Milaap.org, 2018).

## 2.6 Equity crowdfunding

Equity Crowdfunding is a process that allows large types of investors to fund new and small businesses in exchange for company shares. Investors make contributions to a company in exchange for a small stake in that company. When a company is successful, its value rises, as does the value of its stock; the inverse is also true. Equity crowdfunding coverage indicates that its possibilities seem to be highest in startups seeking smaller investments to establish themselves, while subsequent funding (required for later growth) could arrive from other sources (Washington Post, 2019,)

Equity crowdfunding often referred to as investment crowdfunding or crowdsourcing, is a 2009 idea. Share-based crowdfunding permits anyone to contribute to a fledgling privately owned company (one that is not publicly traded) in return for equity in that firm. Selling a stake in a company to several investors in exchange for an investment that is mainly used by companies in the initial phase (Nestea, 2018). Securities from private companies are offered online to a group of people for investment and are therefore part of the capital markets. Since the collective investment scheme is an investment in a trading company, it is often subject to financial and securities regulations, it is also known as investment crowdfunding.

## 2.7 Pension Led Funding

Allows SME shareholders to use their accrued pension savings to invest in their enterprises. Typically, intellectual property is utilized as security. It is mainly used in the UK by financial service product that primarily produces cash for businesses by utilizing pension benefits earned by the owners or administrators of the firm they manage. The money is then utilized to offer secured industrial loans to acquire property assets or share capital (ordinary and redeemable preference shares). Numerous company structures are eligible for this sort of finance, together with sole trader, partnership, liability partnership, Ld. or franchise. The funding should be compliant with each monetary rule (Gov.UK, 2018).

The two main sources of pension funds are pension plans of registered participants, namely E., Self-sustaining private pensions (SIPP), and small self-managed plans (SSAS). The themes are usually formulated by appropriately qualified and licensed financial advisors and implemented by private pension funds. Other professionals (e.g., Employed inspectors, lawyers, and appraisers) will also be indirectly affected. The advantages of Pension Led Funding claimed by suppliers (Sterling Capital Reserve, 2018), (Mail Online, 2018) argue that such schemes provide access to industrial financing in situations when traditional loaning options (such as bank loans or invoice discounting / factoring) to firms are limited and/or subject to possibly taxable restrictions. In PLF plans, the owners of the business and finances, not an outside entity resembling a bank, determine whether or not the risks are acceptable. As a result, suppliers say that PLF may help business owners achieve operational and financial

independence, management, and adaptability (This is Money, 2019). In line with freelance analysis by Nestea (charity) and therefore the Cambridge University who obtained funding, sixty-two percent of them have seen their profit grow, fifty-nine percent have enhanced turnover and forty-three percent have utilized a lot of folks (Nestea, 2018).

## 2.8 Debt based Crowdfunding

Another kind of crowdsourcing that is getting momentum is debt-based crowdfunding. In exchange for interest, this crowdfunding strategy includes seeking support and resources from alternative investors. Lenders are given an unsecured bond, which is generally repaid over time. Its structure is similar to that of purchasing a bond, but with distinct rights and duties (Nestea, 2018).

Debt-based crowdfunding has proven to be a good alternative for startups since it is similar to taking out a typical bank loan, but with lower and more competitive interest rates, as well as more flexibility and possibilities for securing resources. It is an excellent opportunity for small company owners and entrepreneurs to collect resources and resources outside of traditional lending channels, such as banks or credit unions.

### 3. Description on how Debt-Based Crowdfunding work

An investor considering debt crowdfunding acquires shares in exchange for his money, with the hope that the organization or company he is financing would pay dividends on revenue shares. Furthermore, the business may expand and flourish over time, to some extent, as long as an investor sells those stocks at the nearest exchange rate after purchasing them.

In debt crowdfunding, it is possible to be financing in corporate security (i.e., some sort of document) where you wish to loan your money to the company with a specified repayment time and the firm pays you a fixed interest rate according to the loan's duration. When investors get into a debt-based crowdfunding arrangement, they will work with a variety of financial instruments. Some instruments allow them to purchase shares according to anticipated corporate development, whilst others are simply interest-based.

There are also secured and unsecured debt instruments. Interest rates have typically supported the level of risk associated with a particular startup or organization. What's the difference between stock crowdfunding and debt crowdfunding? Most of the time, equity and debt are lumped together. This is because they're governed similarly, although they're of course different to ensure security, stop fraud, and scams. Obviously, like any type of crowdfunding, there are significant dangers for both investors and businesses. Investors may never see a return on their capital, and startups may have difficulty finding an investor ready to partner with them.

However, when dealing with a professional and thorough crowdfunding firm, the risks appear to be understood not only at the start of a crowdfunding campaign, but also lowered by working with a company to open these investments in an exciting market period. This is the most efficient technique for adapting to this crowdfunding method, and it may be a fantastic chance for startups and small enterprises.

## 4.The most known platforms for crowdfunding internationally

There are many crowdfunding platforms on the Internet, and each platform focuses on different types of projects.40% of crowdfunding investments go to enterprises and companies, and 20% are dedicated to social projects.

Crowdfunding platforms bring people together; they create use of a network of a huge range of individuals to with bound interests and change them to contribute to a cause or project that they believe in. It is the potential to expand entrepreneurship by increasing the pool of investors who, on the other hand, can raise funds - the normal sources of property owners, relatives, and venture investments. take a stand on a concept in the void.

These platforms provide a forum for anyone with an idea to start them before investors wait, and open the doors to many opportunities. Investors (essentially strangers) will visit these sites and do many of the projects they invest in can that they like. There is no minimum amount for the amount you can invest and, as a rule, all contributions are made using the amount you spend.

### 4.1. Kickstarter

In 2009, Kickstarter was founded in the United States. is an international crowdfunding platform that helps invent and raise sponsorship funds. The creator of the project chooses the lowest point and funding purpose. The project must meet the funding target, otherwise it will not be able to raise funds. folks Backers of Kickstarter projects receive physical prizes. appreciate custom editions and early in addition, the project was released as a special experience in exchange for its commitment.

The platform is currently only open to project creators in a few countries, but project support is available internationally. As of 2021, Kickstarter has received over \$5.96 billion donations from almost 20 million sponsors were used to fund 407.000 artistic films, music, video games, stage plays, journalism, comics, technology, and food-related ventures are examples of such undertakings.

From all the project that has been funded not all of them had been successful projects or they had made it to be funded. 205,174 projects had been successfully funded. The number is still huge. Pebble Time Pebble, a smart watch, is one of the most popular projects or ideas that have been crowdfunded on Kickstarter. When the Kickstarter campaign launched in early 2015, the watch collected \$1 million in 49 minutes. This broke a previous record and became the highest funded Kickstarter to date, raising \$20.4 million from over 78,741 supporters all the way to the deadline (Kickstarter, 2021). And Star Citizen video game that had collected \$376 Million in total part of that funds (\$2,134,374) from Kickstarter and the rest of the funds from the developer Chris Roberts website as well. It was inducted into the Guinness Book of World Records in 2014, after raising more than US\$40,680,576 through Roberts' own website.

Kickstarter almost exclusively use reward-based crowdfunding. They offer different kind of rewards based on the mass of donation the person that contributed, it varies from one project to another, and they operate all over the world (90 projects from Croatia).

Top 2 funded projects from Croatia on Kickstart as of 2021 are:

Orqa FPV. Some of the most exciting and innovative glasses for FPV simulation, drone racing and freestyle. (606 backers pledged €364,306).

CircuitMess STEM Box (2,001 backers pledged €345,989).

Kickstarter takes 5% of all cash collected. Their payment processor adds another 3–5 percent (Kickstarter.com, 2021). Kickstarter asserts no ownership of the funds raised and, as a result, the content produced. That is, there is no assurance that people who post projects on Kickstarter will be able to deliver on their promises, use the funds to carry out their plans, or that the final products will satisfy the expectations of supporters. When it comes to sponsoring projects, Kickstarter urges sponsors to use their own discretion.

#### 4.2. Indiegogo

Dana Ringelmann, Slava Rubin, and Eric Schell established the crowdfunding website (TWiT.tv, 2018). The company is headquartered in San Francisco, California. This is one of the most significant crowdsourcing platforms. IndieGoGo allows anyone to apply to launch an idea, a charity, or a new business. Contributions to IndieGoGo are subject to a 5% fee. This charge is in addition to Stripe credit card processing fees of 3% + \$0.30 per transaction.

For successful campaigns, the site charges a 5% fee. If a campaign falls short of its goal, users can choose to either refund all cash to their donors at no cost or keep all money received less a 9 percent fee (Indiegogo help Center, 2019). This option should be selected just before a campaign begins, and thus the objective will be shown right beneath Money received, such as Fixed (can only be received when the target is reached) or flexible (receive money if the target is reached).

Some numbers about Indiegogo:

- since its establishment in 2008, 5 billion has been raised for users.
- each month 10 million People, from all over the world visit Indiegogo.
- 235 Countries & Territories are home to Indiegogo users.
- Almost half of the Campaigns that exceed their goals are run by women.
- 19,000 Campaigns launch on Indiegogo every month.
- 40 ongoing from Croatia.

One project in Kaštel Lukšić, in Croatia, that wanted to make a school energy self-efficient or how they said it „The most beautiful school in Croatia that wants to become one of the first energy independent schools in the world.“ (Indiegogo, 2018).

Another project from Croatia is it's an ongoing project as of 2021. Fjaka Pivovara Split, Croatia's, first craft brewery. A focus on creating a beer culture and social responsibility.

One of the best projects had been funded by Indiegogo are:

Flow Hive is a specialized beehive designed to permit automatic mechanical honey extraction from the frames, without difficult honey extraction processes. They manage to collect \$12,174,187 from 36,653 backers (Romeo, 2018).

1. SONDORS Electric Bike: they manage to collect \$5,859,412 from 14,646 backers (Indiegogo, 2018)
2. this is actually the fourth project but it's more interesting than the third one. "An Hour of Code for Every Student, that aims to empower individuals, particularly students in the U. S., to study computer science. After they realized that 90% of the students have no knowledge about computer programming, they made a website code.org which is accessible to everyone around the globe.

The biggest funded project so far on Indiegogo did not meet its final goal is Ubuntu Edge it reached \$12,733,521 USD which equals 39% of their goal \$32,000,000.

### 4.3. Patreon

Monthly subscription platform where supporters and donors offer regular monthly contributions instead of onetime payment (Patreon, 2021). Patron was made by multiple artists who have been thinking about making more money out of their art and their music work. They developed a platform that enables patrons to pay a group quantity of cash whenever a creator creates a piece of art. the platform raised \$2.1 million in August 2013 (Tate et al., 2018). By June 2014 they managed to raise to \$15 million by angels' investors (TechCrunch, 2018). In the end of 2016, they reached 47\$ million raised by Patreon.

By January 2017, Patreon had sent over \$100,000,000 to creators since its inception (art/work-behind the scenes at Patreon, 2018). And, they also reached 50,000 active members. Creators earn more than 50 times than direct fan membership than they earn from a fan's advertising revenue cuts.

Patrons contribute to their favorite creators in return for special membership perks. Patreon users are classified according to their material, such as video/film, podcast, humor, comic, game, education, and so on. Content providers have set up a profile on the Patreon website where visitors may donate a large and quick sum to a creator. Alternatively, content providers might set up their page such that viewers must pay each time a replacement image is posted. The creator usually shows what the current income can be used for and there is a maximum limit on what they can get each month.

The platform reserves the right to cancel the payment at any moment. Creators typically provide membership incentives to their consumers (usually in the form of exclusive material or covert labor), taking into account the amount each customer pays. As of 2021 Patrons had over 6 million monthly active patrons and over 200,000 creators. Since the platform made in 2013 \$2 billion paid out to creators. YouTube users are the authors of various Patreon content. They will generate material on numerous platforms, and while YouTube videos are also open to the general public, Patreon users will receive unique content created specifically for them to help the Patreon user's objective (Businesses and Billing, 2021).

Patreon takes a 3.4% + €0.35. As of July 2021, and 5% + €0.15 event fees on average. there are around thirty Patreon content creators from European Union as of July 2018.

#### 4.4 GoFundMe

Donation-based crowdfunding website that allows people to raise funds for events ranging from life events such as weddings and graduations to unpleasant circumstances such as accidents and sickness. 2020 (GoFundMe.com) From 2010 to 2020, the platform generated more than US\$9 billion in donations from over 120 million donors, totaling more than US\$9 billion. GoFundMe is a free website for private campaigns in the United States, the United Kingdom, Australia, Canada, Ireland, France, Germany, Italy, the Netherlands, and Spain.

Its debut in 2010. GoFundMe receives more than 140 million USD every month. In 2016 GoFundMe created \$100 million in revenue (Fast Company, 2021).

With GoFundMe, users can create their own donation website. Participants can describe their donation goals and the required amount, as well as upload photos or videos. Once a website is created, GoFundMe allows users to share their projects with others through links and emails on social media. Then, through the website, individuals can donate to a user's purpose using a revolving loan or Mastercard (Anon, 2018) and monitor the status of their funding. Donors can also help the initiative by leaving comments on the page. There is no commission. If the donation is not received by the user,

Payment systems take 2.9 percent plus \$.30 from each GoFundMe payment. GoFundMe is just for crowdfunding; it is not an incentive-based crowdfunding platform. Despite the fact that this permits investment in money used to finance diverse initiatives by singers, inventors, and others. Donations for personal careers and life events (such as medical expenditures) are supported by this business model (Kelly, 2018).

GoFundMe has a dedicated section for users who are trying to raise funds to pay for Education. One of the most famous teaching projects is to help users raise \$25,000 to cover the cost of out-of-state doctoral research. GoFundMe targets social media platforms to attract people attention to the event. GoFundMe employed Daniel Pfeiffer in 2015 as a result of the communications associated policy chief. Pfeiffer previously served as associate degree adviser to President Barack Obama and left the corporate in 2017.

In 2015, GoFundMe stated that the website will not support the legal protection fund on its platform. The announcement comes after the situation halted financing for the defense of Sweet Cakes by Melissa, a bakery that was penalized for refusing to make a cake for a same-sex marriage. As of November 2017, GoFundMe's terms and conditions changed for some types of legal defense campaigns.

In November 2017, GoFundMe announced that it will no longer charge a 5% fee for individual campaigns in the United States, Canada, and the United Kingdom, instead relying on tips given by contributors to sustain the service. Donations may still be subject to the MasterCard online payment method's costs (TechCrunch, 2021).

GoFundMe has different fees which depend on the countries where the campaign is made. And also, we can notice that the not a lot of countries have a possibility to launch a campaign

through it. Also, the platform doesn't yet support Croatia as of July 2020. As mentioned before, GoFundMe has no more fees for North America and some countries in Europe, but still have for other countries, as an example for Austria they have 5% platform fees (GoFundMe Help Center, 2020).

GoFundMe has won numerous awards, including Best Tech Workplace 2017 and Best Retaliation Workplace 2017, Best Small and Medium-sized Workplace in the Bay Area 2017, and Best Medium-sized Workplace 2016. includes a great rewards program where employees can choose activities that GoFundMe will donate 1,000 US dollars for this promotion. GoFundMe returned more than \$500,000 in 2015. Workers at GoFundMe are entitled to a \$600 healthcare benefit each year.

This amount may be used to pay for gym memberships, exercise equipment, spa services, and dietary requirements. GoFundMe creates an open workplace for you to establish a collaborative work environment. So this is an example of the best campaign they had made for Croatia even though GoFundMe is not operating in Croatia there still few campaigns that had been made for Croatia from other countries. One of it is "Help Firefighters in Croatia" it was in was to collect money to buy a new equipment for firefighters in this area where most of wild fire happens. The goal of the campaign was to collect 25,000 us dollars, but in the end, they manage to collect 21,664 us dollars (gofundme.com, 2020). One other interesting example of campaign on GoFundMe was a repair of a St. Joseph's Orphanage. They had collected \$55,895 of \$100,000. So, after the Earthquake there was a number of crowdfunding campaigns set online in order to support the city and the inhabitant of Zagreb on of the most famous one was on GoFundMe.

Under the name (Zagreb Earthquake Relief) the campaign was able to collect in few days €172,906. which after wards the closed the campaign on GoFundMe and created a website (zagrebpotres.com). One other Campaign was (Earthquake Assistance to Firefighters in Zagreb, Croatia) was made on GoFundMe of the purpose to help fire fighters due the double situation earthquake and covid-19, the Campaign was able to collect their goal which \$4,020.

## 5. The Situation of platforms in Europe and the market in general

In 2017, alternative finance in Europe increased from 7.67 billion euros to 10.44 billion euros, an increase of 36%. This included volumes of alternative financing from the United Kingdom, which accounted for 68% of the total volume of (€ 7.06 billion).

Although the United Kingdom (UK) continued to be the single largest contributor to the total European volume, it should be noted that the UK's market share of has shrunk over time compared to in the rest of Europe. The UK accounted for 81% of the European volumes. By 2016, the UK market share had dropped from to 73%.

Graph 1: European Online Alternative Finance Market Volumes 2013 – 2016, with UK

European Online Alternative Finance Market Volumes 2013-2017 in €billions (Including the UK)

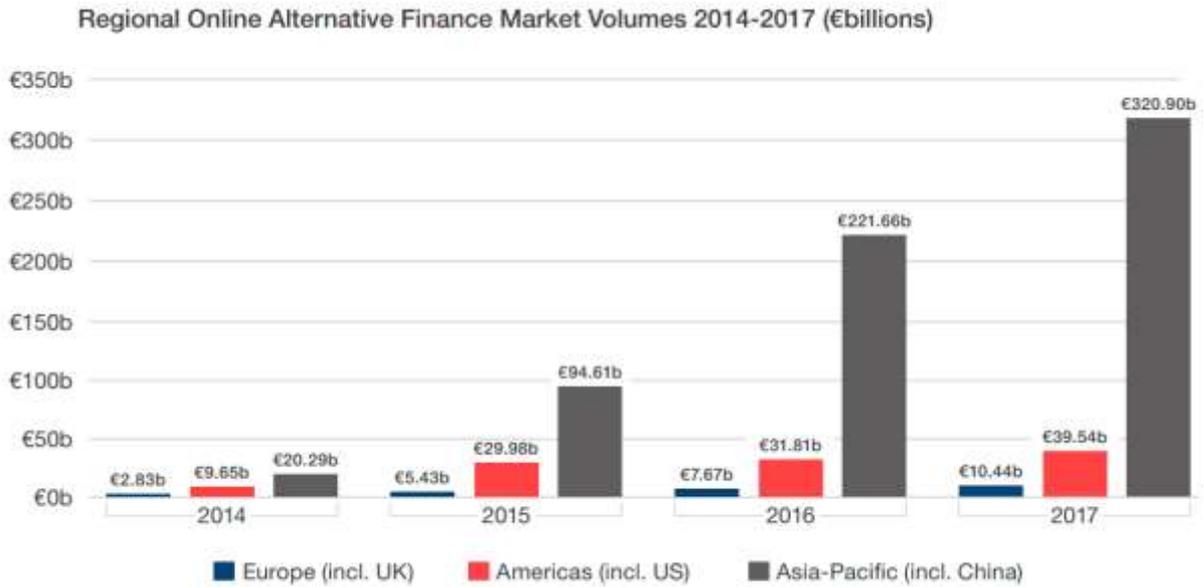


Source: Ziegler et al., 2021

When examining these figures at the national level, France, the Federal Republic of Germany and thus the Netherlands have maintained their top positions in terrestrial Europe. 2017, however, showed a mixed picture, whereby: some European countries showed strong growth, either from comparatively gigantic forerunner quantities (e.g., Sweden, Italy, Georgia and Belgium) or from little earlier quantities (e.g., Poland).

Some other places had healthy but slower growth (e.g., Kingdom of Spain and the Netherlands); while others showed stagnation (e.g., Estonia) or decline (e.g., Czech Republic, Greece, Hungary and Iceland). With all this gross Europe as whole is still very far comparing to Americas and Asia.

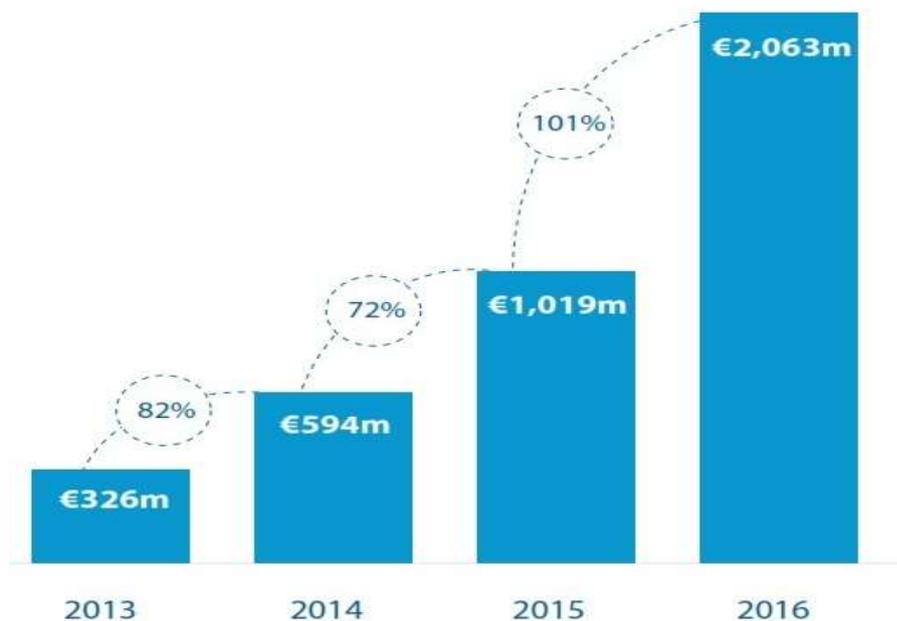
Graph 2: European market comparing with Asia and Americas 2014 – 2017, UK Excluded



Source: European alternative finance benchmarking report, 2021

Even if the number in Europe lags behind Asia and America, we see a massive increase from year to year, which shows that the population of Europe is becoming more and more interested in alternative finance methods.

Graph 3: The increase of alternative financing in Millions of euros from 2013-2016

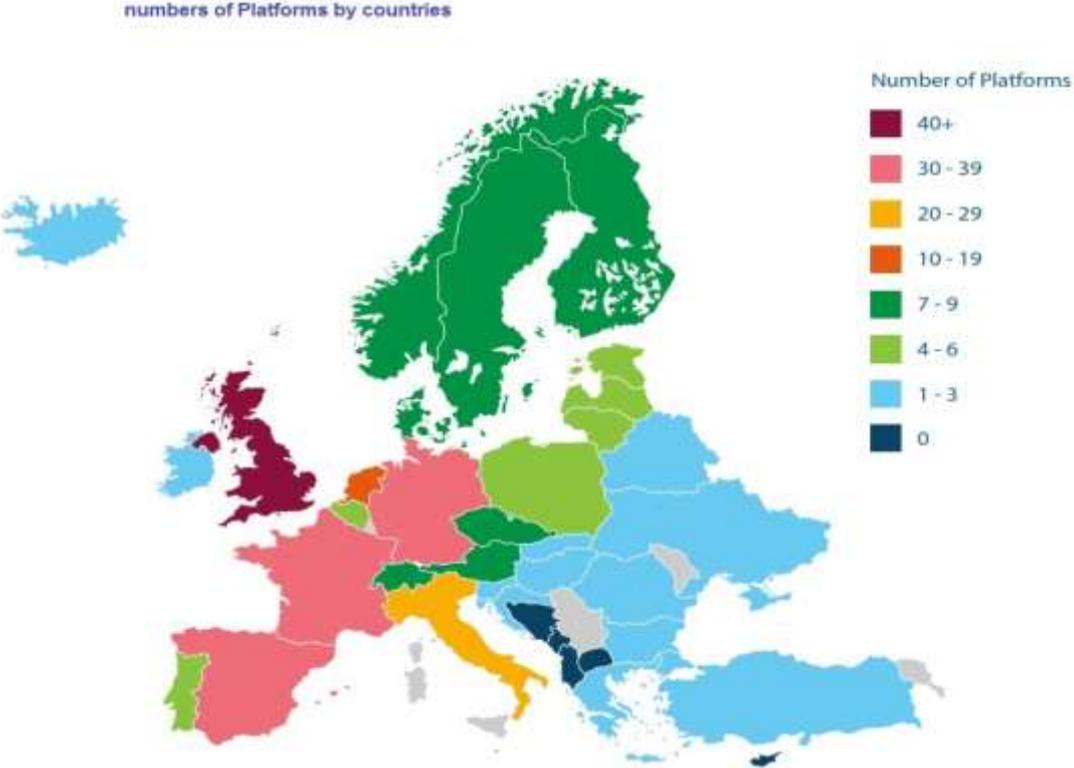


Source: Ziegler et al., 2019

France, the Germany, and the Netherlands continue to be Europe's top three national markets for online alternative finance by market volume, excluding the United Kingdom. The French

market reached € 443.98m in 2016, followed by Germany (€ 321.84m), the Netherlands (€ 194.19m), Finland (€ 142.23m), the Kingdom of Spain (€ 130.90m), Italy (€ 127.06m), and Georgia (€ 102.58m).

Figure 2: Numbers of Platforms by countries



Source: Ziegler et al., 2018

The Nordic countries generated € 322.6 million, ranking them second in continental Europe after the Benelux countries (€ 245.8 million), the Baltic countries (€ 136.1 million in Eastern Europe (70.8 million) € million), Central Europe (€ 51.1 million), Southeastern Europe (€ 9.8 million), and European members of the Commonwealth of Independent States (€ 9.8 million). Market share decreased from 81% in 2015 to 73% in 2016.

Table 1: Regions and their countries

REGION	COUNTRIES
France	France, Monaco
Nordics	Denmark, Finland, Iceland, Norway, Sweden
Germany	Germany
Benelux	Belgium, Netherlands, Luxembourg
Baltics	Estonia, Latvia, Lithuania
Iberia	Spain, Portugal, Andorra
Italy	Italy, Malta
Georgia	Georgia
Ireland	Ireland
Eastern Europe	Poland, Czech Rep., Slovakia, Hungary
Central Europe	Austria, Switzerland
South East Europe	Romania, Bulgaria, Greece, Turkey, Slovenia, Croatia, Bosnia & Herzegovina, Serbia, Montenegro, Macedonia, Albania, Cyprus
CIS <sup>1)</sup>	Russia, Belarus, Ukraine, Moldova, Armenia

<sup>1)</sup>CIS = Commonwealth of Independent States European members

Source: Ziegler et al., 2018

In Figure 3 we see that the UK, and then France and Germany, is the top performing market, while all of Southeastern Europe (with the exception of Greece) falls within a range between € 0 and € 2 million

Figure 3: Total Volume in Millions of Euros on the market



Source: Ziegler et al., 2018

Online alternative finance continued to expand, with 14,521 firms across the area receiving € 1.126 billion. Debt models (including peer-to-peer business loans, invoice trading, and so on) accounted for 67 percent of all corporate finance, while equity models (share-based crowdfunding, and so on) accounted for France (€ 218 million), the Netherlands (€ 182 million), and Spain (€ 100 million). \$), Germany (€ 97 million), and Italy (€ 88 million) boosted the amount of alternative funding available for diverse company types.

## 6. Description of how alternative financing doing in Balkan and South East Europe

The alternative financing market in Southeastern Europe is still in a very up-and-coming stage, which was estimated at 37.2 million euros in 2017. However, due to the very high growth rates of recent years (288% in 2017 and 104% region promises rapid development).

A characteristic of Southeastern Europe was the strong presence of foreign platforms, which were numerically larger than local platforms in all countries in the region. Their presence should evidently change a transfer of established trading practices and raw materials from many developed alternative financial markets and the expansion of regional volumes in the following years.

Figure 4: Market Volume in Balkan 2015-2016



Source: Ziegler et al., 2018

The alternative financial market in Southeast Europe has been dominated by invoice trading models, P2P personal loans and no investment. It is important to note that each of the models tends to be better known in one country than another. In Bulgaria and Slovenia, for example, there was one type of model each that generated almost their entire volume of alternative finance. In Bulgaria, the elimination of P2P buyers raised more than 10.5 million euros, 98% of the country's total volume.

The Slovenian alternative financial market was spurred on by invoice trading with a volume of EUR 1 3.6 million. The total volume of the one hundred and thirty-five different models active in Slovenia was around 1 million euros. In Romania, the market was divided into two models: reward-based crowdfunding (€ 5.1 million) and P2P consumer credit (€ 4.0 million).

Similarly, the Greek market was divided into two different investment models, wage-based crowdfunding and donation-based crowdfunding, although their volume was quite small.

## 6.1. Croatia – general figures and numbers

Damir Soh Project Manager, Brodoto (Croatia) to Cambridge Centre for Alternative Finance he said: The region (Croatia, Serbia, Slovenia, Montenegro, Bosnia and Herzegovina, North Macedonia) experienced a wonderful boom in crowdfunding funding between 2012 and 2016, despite the quantity of crowdfunding campaigns in Croatia within the last twelve months compared to 2015 the number of supporters is growing slowly, additionally to the worth of the service, that is thanks to a massive boom craze for crowdfunding corporations in Croatia.

However, fewer than 1% of the Croatian public has so far backed a crowdfunding campaign, which has a major impact on awareness and skepticism of the issue of collaboration in this form of fundraising. Southeast Europe is at a crossroads in its evolution. Donation and reward-based crowdfunding has set the groundwork for reaching a larger audience, and early achievements have been highlighted in the media.

Several Western and Northern European platforms have established themselves in these markets and will soon begin equity and credit-based initiatives on the new platforms. Governments are becoming more aware of alternate funding possibilities and are seeking methods to promote market growth. Despite the international locales' strong cultural and long-term backgrounds, market fragmentation due to foreign currency and language limitations makes cross-border crowdfunding more challenging. It turned out that startups in Southeast Europe were recognized as the top priority in internationalization: first developing in the Western European and US markets instead of organizing a national presence. We expect new players to emerge in crowdfunding ecosystems in Southeastern Europe in 2017.

After contacting Brodoto we got few points about Crowdfunding in Croatia:

Up to now (2011-2017) initiated 272 crowdfunding campaigns, 77 collected the required amount (almost \$ 30 million), except for the 2016 year-on-year growth trend of annual revenue growth through crowdfunding campaigns.

## 6.2. Platforms available in Croatia

There are no specific laws in Croatia specifically dealing with crowdfunding. Equity-based CF model - revenues are treated as capital gains, loan / lending-based CF model - Similar to classical loan, donation / donation-based and reward-based CF model - the lack of regulation points to the necessity of a separate approach in each case Crowdfunding academy. More than 500 participants from over 15 countries, partner platform Indiegogo, through supported campaigns collected over \$ 200,000.

The greatest experience gained in reward-based and donation-based campaigns on the Indiegogo platform. Project examples: STEMI, Fabula, Brlog, Guzgef Solar School, Lighten the Load, Solar Retro Sailboat, Bring Water for Life, Taste of Home Regional research 2012.-2016. Regions (Croatia, Slovenia, Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia) witness the impressive increased by 450% in terms of funds collected through crowdfunding from 2012 to 2016.

However, the success is only 10% and the number of only 120,000 subscribers (less than 0.5% of the total population of the region) indicates the existing barriers and great potential

for growth, the crowdfunding market is more developed in Slovenia than in Croatia. Domestic campaigns collected HRK 15m (half of the total amount collected through CF since 2011), 78 projects were launched, mostly on the Indiegogo platform, 26 of which (33%) collected the required amount. New trends - more than half of the amount collected in 2017 refers to fund-owned campaigns shares (Funderbeam SEE).

Geographic representation - more than half of the campaign was launched in Zagreb, and only a small part in other the cities of Croatia. The number of national campaign sponsors in 2017 is the largest so far, including 13,531, the campaigns ended most in December, the drivers of the campaign in 2017 were the creative and art sectors such as film, music and writing, the prospect and prospect challenges of crowdfunding in Croatia. Market growth and maturity, less well-prepared campaigns with a higher approval rate. The interest in crowdfunding with great development potential is clearly articulated, especially in the business area. Investment crowdfunding enters the big door thanks to Funderbeam SEE.

Still little participation of potential subscribers and little trust in online management. The need to raise awareness about crowdfunding and its opportunities, to build trust and educate, and a great need for clearer legal regulations for crowdfunding.

The majority of the famous crowdfunding campaign that were held in Croatia in the last 5 years were on Funderbeam website equity funding. Medvedgrad Craft Brewery had their campaign on Funderbeam their goal was 500€ thousands and the managed to collect 1 million €. Another project is Fresh Island (A leading European boutique event organizers) their target was 500 thousand euros the managed to get 819 thousand. Following the 5.3 magnitude earthquake in Zagreb, it was the largest earthquake in Zagreb since the earthquake of 1880, causing critical damage within the old city center. As a result of the earthquake damage, approximately 26,000 structures were damaged and 1,900 are considered uninhabitable. (N1 HR. 2020) A total of twenty-seven people were hurt, one of them died as a result of her injuries.

## 7. Conclusion

Alternative financing models now are part of modern financing, and as we can see in the thesis the market share start to exceed 500 million euros in the case of Britain and Germany. Our area in southeast Europe has still a long path Infront, the lack of public awareness towards alternative financing, to the lack of platforms from the region and the platform that operates in the region as well. The population in Balkan and southeast Europe had started to notice the impact of crowdfunding as a type of alternative financing, the case of a successful crowdfunding campaign in Zagreb after the earthquake. Alternative financing is the solution for a better future since the new generation across the world who have an idea and will to do something they can access new methods of financing like reward base where they don't have to give money in return but the results of their work to world and society.

The Alternative financing model had given in the last years what people have been trying to achieve, a solid place for solidarity in a way encouragement, and support in another way. While it also encourages new ideas that would have never seen the light without it, and also encourage the poor people who are rich with their ideas to flourish in a place where every sound is heard and every idea could be financed and supported by the crowd.

Crowdfunding had helped farmers in the rural area where there's no governmental support, but they got the support of thousands of people from all over the world without conditions and been supported to the what they always had believed in. While no commercial bank could lend them money as their farm and Animals are not economically efficient. Crowdfunding had been approved to be a faster way to reach and help straight on the spot, faster than the government can act, with people in urgent help, the earthquake in Zagreb is and a good example of that. Many women in societies where they were exposed to violence and ignorance had managed to sustain their lives, their families, and their society in general.

Young people had managed to receive benefits from the collective foundation to support causes or products or their society without having to be commercialized and mass-produced in order to serve the profits of the companies.

In the meantime, there is a lot of hope and support for the poor and attacked communities, in times of war and peace there are in some way all people in the world equal opportunities for change and innovation. While there are some people who have used crowdfunding for their own benefit by pestering and misleading the crowd, most has been made of the core and soul of our people which is solidarity.

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## Curriculum Vitae

Child protection Officer/Culture Mediator in the outreach team 10/2018–Present

Save the Children (Bosnia and Herzegovina)

Child Rights Monitor/Interpreter 09/2015–04/2016

UNICEF (Croatia)

Volunteer in "The Peace Project", Tunisia 2017

Volunteering with the refugees in Greece 2016

Volunteering in Bicpop (bike reparation) in Zagreb 2015–Present

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