

THE EFFECTIVENESS OF USING CROWDFUNDING PLATFORMS IN FINANCING STARTUPS AT PRIVATE UNIVERSITIES

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Annotation:

Annotation: In modern business conditions, raising capital is of great importance to commercialise innovative ideas and turn them into sustainable businesses. The successful development of startups largely depends on the availability of investment resources and their rational management. Crowdfunding is one of the modern and effective methods of financing startups, which allows raising large amounts of money from small investors. This model provides startups with such advantages as free access to capital, building a customer base, and identifying market needs. However, there are also problems such as increased competition, the procedure for charging commissions by platforms, and the uncertainty of fundraising. Therefore, startup owners should choose the right crowdfunding strategy and work on a thorough plan. It should be remembered that investment is not a goal, but a means. To attract financial resources, the founder of a startup must have a clear business model, understand the cost structure, and have a strategy that can interest investors.

Keywords: crowdfunding, Startup financing, Private universities, Entrepreneurial education, Crowdfunding platforms, University-based startups, Startup funding sources, Higher education entrepreneurship.

The term "startup" is derived from the English word start-up, which has meanings such as "starting the process", "launching". The term "startup" first appeared in 1939 in the USA in the Santa Clara Valley (California), which specializes in high-tech developments. At that time, Stanford University students David Packard and William Hewlett created their own small project and called it a startup. Later, this startup gradually grew into a large and famous Hewlett-Packard (HP) company. American entrepreneur S. Blank, one of the founders of the customer development method, in his book "Startup Owner's Manual" ("Steve Blank and Bob Dorf. The Startup Owner's Manual"), considers a startup to be a temporary structure aimed at expanding a business model. While one group of scholars perceives startups as small business entities and only high risk, another group of scholars considers startups as legal entities that aim to attract investment in order to expand their business model. Thus, startups are temporary structures whose activities are based on high risk and aim to attract investment to expand their business model. Today, startups are achieving dynamic growth in areas such as information technology (IT), business products and services (Business Products & Services), artificial intelligence (AI), Internet software and services (Internet Software & Services), mobile software

and services (Mobile Software & Services), Internet of Things (IoT), e-commerce (e-commerce), financial technology (Fintech), biotechnology (Biotech), advertising technology (Adtech), 3D printing (3D Printing), and logistics (Supply chain & Logistics). It should be noted that currently the most popular Internet startups are Facebook, video database - YouTube, photo storage service - Flickr, and messaging platform - Twitter. According to the Innmind.com website, 100 million startups start their activities worldwide every year. Of these, 1.35 million startups are specialised in the technological sector. Every year, 5.7 million startups are successfully selected for accelerator programs, but only 824 of these startups have the opportunity to enter the global market by offering their goods, services, and businesses.

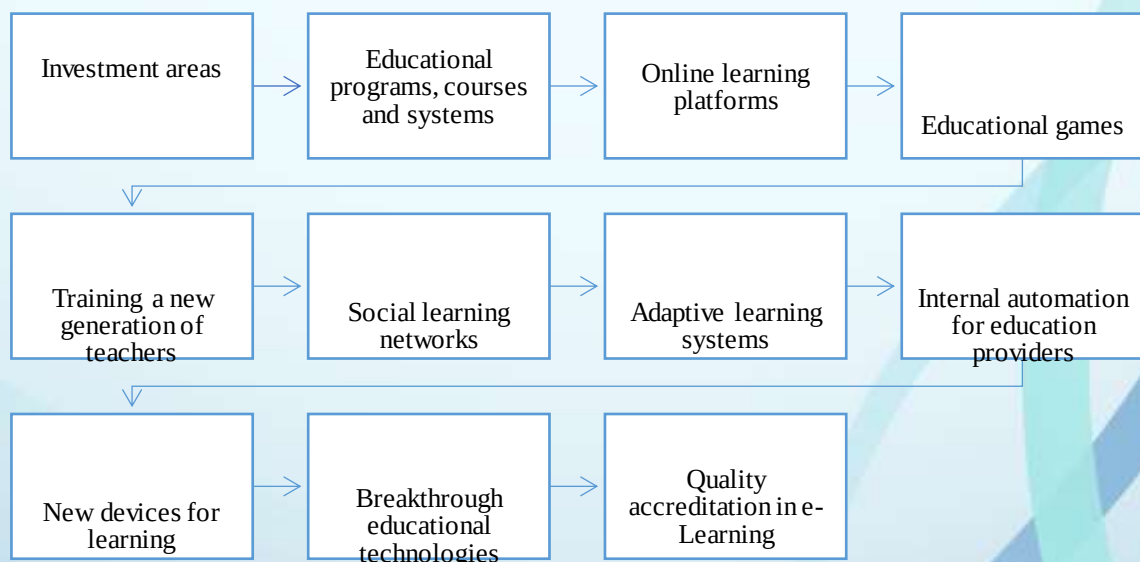
Angel investors are wealthy individuals who invest in early-stage companies with equity, rather than loans or loans. Angel investors help finance startups by providing capital in exchange for equity. Unlike venture capitalists, angel investors are not tied to a single industry. They invest in startups across a wide range of industries. Young startups can benefit from angel investment because angel investors come from all walks of life and have a variety of business experiences that small startups can benefit from as they grow and change. Their goal is to invest significant amounts of time, expertise, and capital to find companies in their early stages of growth and help them grow. They can also provide valuable non-financial support to their portfolio companies, including mentoring and networking opportunities, or even hands-on assistance. If your business fails, you don't have to pay back the money you receive from angel investors. but they get a seat at the table for decision-making conversations, which may not be a good fit for some entrepreneurs.

Startup incubators and accelerators are popping up all over the world to help entrepreneurs get their ideas off the ground and into production in record time. As a result, it's easier than ever to turn startups into real businesses. Much of this is due to the emergence of startup incubators and accelerators. The goal of these incubators and accelerators is to support startups beyond just providing seed funding. Many of them provide mentorship, office space, a connected community, and sometimes even equity funding from venture capital firms. Incubated startups are also more likely to be accepted by angel investors, VC firms, and other sources of funding for promising new businesses. Accelerator programs help startup founders refine their ideas and build a successful business model. Startup incubators allow entrepreneurs to receive mentorship and training from industry experts. Accelerators and incubators also help young companies connect with industry experts and partners who can offer the resources, products, or services needed for the young company to succeed. With so many startup incubators and accelerators on the market today, Techstars stands out from the pack. Some of the notable companies that have emerged from the TechStars program include Digital Ocean, Mocavo, SketchFab, and many others that have raised billions of dollars in funding.

The word crowdfunding means "funding by the people" and appeared in 2006. In one of the articles, Wired magazine editor Jeff Howe used the word crowdfunding to refer to voluntary donors among Internet users. Despite the fact that this term

appeared recently, in fact, this method has been used for a long time. For example, the idea of installing a monument to Minin and Pozharsky in Moscow was not initially supported by Emperor Alexander I. He believed that not enough funds would be collected for this work. However, on the initiative of the people, money was collected throughout the country for the installation of the monument, and the names of those who donated money were published in newspapers. The monument, built with the money collected in this way, was unveiled in 1818.

The advantages of crowdfunding are the absence of intermediaries - there is no need to take a loan from a bank at high interest. The investor does not set his own conditions. Equal conditions for all - users give money to the project of their own free will, no one gets a privilege for this. Transparency of funds - those who want to raise funds announce how much money is needed for the project. Everyone sees how much money has been raised for the project. Types of crowdfunding projects. Projects can be in the following areas: charitable assistance, support for politicians, athletes and artists, and social projects. Methods of financing crowdfunding projects include the following. Looking at the international market, today, Synergy University Dubai is the first university in the world to support its students in their startup projects, and Synergy Innovations is a global venture fund in the field of educational technologies (EdTech). The fund is managed by a team of renowned professionals in the fields of education, information technology, venture capital, equity investments, banking and business development. Synergy Innovations is the world's first venture fund in the field of educational technologies (EdTech) with a capital of \$ 100 million invested in educational projects at the early stages of development. The fund includes the most promising projects, carefully selected by fund experts from around the world. Funded projects receive support from the fund, including support for fund partners and relations and marketing communications. The Fund's managing partners operate in Russia, the United States, the United Kingdom, Israel, the United Arab Emirates and Singapore, which allows us to expand the geography of project search and implementation (Fig. 1)



Areas of financing for university startup projects

According to the analysis of Figure 1 above, the areas of financing of HEI startup projects are implemented in the following stages. The project selection criteria are as follows: up to \$1 million is allocated to the selected project at the first stage, and up to \$1-5 million in investment funds in the A-round. Also, technology transfer, global market orientation, use of modern technologies in relevant industries, the presence of founders with a brand name, reputation and success history, and strong teams are the main factors for project participants.

Crowdfunding is an online financing source that allows raising funds from a large audience (public) on special platforms on the Internet. The crowdfunding platform is a modern mechanism for financing innovative processes by the public. Why can it be useful in financing innovative processes? The reason is that it eliminates the high risk of financing a product or service that is not available to an individual. As a result, the likelihood of a product being created and implemented in practice often depends on the consumer (the public).

Crowdfunding and other types of alternative financing are considered the “next big investment trend” that will eventually displace traditional forms of financing. However, despite the potential of crowdfunding, its popularity and use vary. Crowdfunding is still sometimes seen as a risky financing option. Many crowdfunding campaigns fail to convince potential investors, and entrepreneurs may avoid crowdfunding for fear of losing money. After all, crowdfunding is based on interactions between strangers through a technological platform, so trust is the main basis for attracting both potential investors and entrepreneurs. A crowdfunding campaign is essentially a presentation to thousands of people on the platform.

The first is the Anglo-Saxon model. Crowdfunding as a mechanism is a model in which crowdfunding is normatively introduced into the business environment and has various specializations (there are platforms for the development of credit, cryptocurrency crowdfunding, music and scientific projects).

The second is the European model. It is distinguished by the presence of national legislation determining the direction of crowdfunding development (Austria, Italy, Germany, France). It is mainly aimed at financing social and humanitarian sectors (archaeological and environmental research, lending to socially disadvantaged families). The main factors contributing to the development of crowdfunding in Europe are:

- regulatory and legal support of the state;
- progressive regulation and preferential tax regime;
- international activities of leading crowdfunding platforms.

The third is the Asian model. This model is characterized by the monopolization of the crowdfunding market by large corporations and its socio-cultural orientation. In the Asian region, China is the leader due to the large number of projects. According to the China Electronic Commerce Research Center, there are more than 230 crowdfunding platforms operating in the country. According to World Bank forecasts, by 2025 the volume of crowdfunding projects in China may reach 46-50 billion dollars. This market segment is also developed in Japan, South Korea, Thailand, Singapore and Malaysia.

The fourth is the Eastern European model. The features of this model are: lack of regulation;

- a small number of sites;

- insufficient awareness of potential investors;

- lack of infrastructure

Analysis shows that there are 4 models for the development of the Crowdfunding industry:

The growth rate of crowdfunding in the world is expected to increase by an average of 16% per year, and in 2025 their total volume will reach \$ 28.8 billion. The simplicity and effectiveness of crowdfunding have led to the widespread use of this technology in other sectors, including in financing startups. To date, a number of large and successful commercial projects have emerged thanks to crowdfunding, such as the Oculus Rift virtual reality helmet, the first Bluetooth speakers, and Pebble smartwatches. For small and medium-sized businesses, crowdfunding is becoming a real alternative to raising funds from venture capital funds or angel investors.

Crowdfunding is a mechanism that allows you to raise the necessary money and attract investors who want to join the project, voluntarily pooling money or other resources to support the authors of the idea. World practice shows the importance of developing crowdfunding, demonstrating the relevance of the socio-economic significance of attracting investments in innovative projects in small and medium-sized businesses. The growing popularity of crowdfunding is due to its simplicity and the speed of raising funds, compared to state investments and bank loans.

One of the ways crowdfunding platforms can build trust with their users is by cooperating with reputable organisations and institutions. For example, platforms can cooperate with banks, accounting firms and other financial institutions to provide additional security and transparency to investors. This helps to build trust in the platform and increases the likelihood of raising funds for projects. Another way to increase trust in crowdfunding platforms is to implement project vetting processes. This helps to ensure that only high-quality projects are listed on the platform and reduces investment risks for investors. Additionally, platforms can provide investors with access to relevant information and resources, such as business plans, market research, and financial forecasts, which can help them make informed investment decisions. The availability of this information and resources can play an important role in building trust in the platform and the projects being funded. In the global crowdfunding market, there are two models of project financing, cashless and cash-based, characterised by charitable, classic, equity and credit types.

If we talk about the main areas of application and development trends of crowdfunding, then the following are distinguished: Charitable activities of non-governmental non-profit organizations: implementation of projects such as helping university graduates who do not have enough funds to implement business projects, etc. Using crowdfunding to finance their projects by attracting investments in startups through crowdfunding mechanisms. Such projects are one of the most

attractive and reliable areas for investing funds in conditions of low or negative bank interest rates.

Traditional startup investment often involves venture capitalists or angel investors, who provide large amounts of money in exchange for their capital and usually take an active role in managing the company. Crowdfunding, on the other hand, democratizes the process, allowing everyday investors to contribute smaller amounts of money through regulated online platforms without having to participate in management.

Research shows that investing in startups through crowdfunding can provide a high return for a student starting a business, while investing in early-stage startups can also yield significant returns if the company succeeds. Unlike established companies, startups have high growth potential, which can lead to large capital gains for early investors.

Investing in innovative ideas, on the other hand, crowdfunding gives investors the opportunity to support innovative and disruptive ideas that they believe in, contributing to the development of new products and services. Investors not only provide financial support, but also become part owners of the company, receive frequent updates, and are part of the journey as the company grows and develops.

Startup loans are any financial solution specifically designed to help budding entrepreneurs get their young businesses off the ground. Startup loans come in several forms to help small businesses gain a competitive edge in an increasingly competitive market environment.

Literature review

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