

Equity Crowdfunding in Europe - a New Financial Phenomenon for Gen-Z Entrepreneurs

K. Bhanu prakash, P. Siva Reddy , K. Ravikiran Vasaswi

Abstract: Today's α is Tomorrow's β and Future's γ . The fresh winds and waves in the Science of Analytics, Digitalisation, Artificial Intelligence (AI), Virtual and Viral Technologies forcing the 'Alternative Investing' into the 3-Phase. Equity Crowdfunding evolved as an 'Alternative Investment-3.0' (KPMG) and emerged as a new financial phenomenon for raising capital from the crowd online (Forbes). Gen-Z Entrepreneurs are plugged in like no other Generations and targeting Start-Ups and Small Businesses to focus on next wave of growth. The Equity Crowdfunding is set to be valued more than \$93 billion by 2025, is an indicative of its progress in recent years (World Bank).

In European Context, the positive and dynamic appraisal routine and rules, high volumes and valorem, independency and straightforwardness of European Taxonomy, the valuable stone and clear regulatory and definitive system in Europe, without a doubt, a mooted point for the examination. The EU capital searchers (individuals) and capital providers (swarm funders) differentiate as demonstrated by the necessities and tendencies. From now on, the ECF is on the high rise and rapidly creating money related scene that interfaces Start-Ups, Stand-Ups and Small Business to flourish in EU.

The present examination is expressive, inventive, and exploratory and considers Top-12 Operative ECF Platforms in Europe. The prime objective of the examination is to survey the fiscal similarly as operational execution of ECF. The 'Inductive Content Analysis, Cross Sectional Study, and One-Way ANOVA' structure the reason, in order to get encounters and draw conclusions. The examination and components of ECF are presented and recommended 'Managerial Sand-Box, Algorithm-Driven Mechanism and Market Orientation and Digital Compliance' to pull in and hold budgetary authorities. In pronouncement, the future, progression and accomplishment of ECF rely upon the contacted off premiums, innovative musings, and moving relationship of Gen-Z Entrepreneurs, Intrapreneurs, Investors, and Policy Makers taking all things together.

I. EQUITY CROWDFUNDING - A PREMIERE

The term 'Cloud' is defined as the collection of individuals for an organisational purpose [1].

Revised Manuscript Received on December 22, 2018.

K. BHANU PRAKASH, School of Management Studies, LBRCE (A), Mylavaram, Krishna District, Andhra Pradesh, Mobile No. +91-9441173919.

P. SIVA REDDY, Professor & CFO, GIET (A), Rajamahendravaram, East Godavari District, Andhra Pradesh, Mobile No. +91-9440321648. E-Mail: bhanucool@yahoo.com

K. RAVIKIRAN YASASWI, Assistant Professor, School of Management Studies, LBRCE (A), Mylavaram, Krishna District, Andhra Pradesh, Mobile No. +91-9440321648. E-Mail: siva.podapala@gmail.com

With the methodology of Web.2.0 the horizons of 'Cloud' extended and enabled individuals and get-togethers to facilitate and discuss by on the web and moreover developed the limit of the 'Gathering' in dealing with complex business issues [2],[3] Crowdfunding is a new financial phenomenon that solicits contributions from online communities and social networks [4] for a social cause and concern and business endeavour [5]. The new money related wonder, 'Equity Crowdfunding', is a sub-class of Crowdfunding, in which firms issue financial securities to fulfill their capital needs [6], backers expect financial compensation for their investment [7], Private Limited Liability Companies (LLC) offer 'Equity Shares' in UK and the involvement of *Costly Notary* is the pre-requisite in Germany [8].

Esteem Crowdfunding is also insinuated as an Investment-Based Crowdfunding, Securities-Based Crowdfunding, and Crowd Investing. Directly a-days, ECF has transformed into a standard wellspring of financing for new organizations and free endeavors. The Equity Crowdfunding components are L formed under a First-Come, First-Served (FCFS) mechanism [9]. The 1st Equity Crowdfunding Platform for Start-Ups was launched by *Grow VC Group* in June, 2009, [10] and the *ProFounder* was the 1st US Based Company in May, 2011 [11]. In UK and Europe, the Equity Crowdfunding Platforms viz., www.crowdcube.com, www.seedrs.com and www.exorot.com are catering the start-up and small business needs to the kick starters.

In Equity Model Crowd Funding, the remuneration is either the type of value offers, profits, and/or casting a ballot rights. [12]

II. EQUITY CROWDFUNDING - A GLOBAL FINANCIAL PHENOMENON FOR GEN-Z ENTREPRENEURS

The Australian Securities and Investments Commission (ASIC) in Australia, the China Security Regulatory Commission (CSRC) in China, the Israeli Securities Authority (ISA) in Israel, the Financial Markets Authority (FMA) in New Zealand, the Financial Services Authority (FSA) in UK, and the Swiss Financial Market Supervisory Authority (SFMSA) in Switzerland approved



and legalised Equity Crowdfunding as an Investment Platform for start-ups and small businesses[13].

Esteem Crowdfunding is a progressing cash related headway at the outset time frame imaginative store space, which uses the impact of web based life to outfit another channel associating theorists with agents [14]. It is one of a bunch of gems in the crown of the Jumpstart Our Business Start-ups Act (JOBS), 2012, of USA, treating funders as money related masters, giving them esteem stakes or near idea in kind for their sponsoring. The Title III of the JOBS Act, 2012, empowers new ways for new organizations and autonomous dares to raise capital, permitted non-affirm money related experts to contribute and dealt with the Equity Crowdfunding chip away at empowering Private Companies to use online stages to offer esteem and commitment under Regulatory Crowdfunding in USA. The European Union has controlled ECF Platforms since 2010 [15] and in Great Britain ECF Platforms contributed about a large portion of a billion since 2011. In order to progress new organizations and privately owned businesses and boosting adventures, the SEBI allowed ECF in India by making certain adjustments [16].The novelty, openness and exponential growth have attracted the interest of millions of people around the world [17].

The positive and dynamic obligation routine and rules, high volumes and valorem, independency and straightforwardness of European Taxonomy, the valuable stone and clear regulatory and definitive system in Europe, undoubtedly, a mooring point for the sustenance, survival and achievement of Equity Crowdfunding in Europe. It is on the high rise and rapidly creating financial scene that partners Start-Ups, Stand-Ups and Small Business to succeed.

Objectives of the Study

The investigation entitled 'Value Crowdfunding in Europe - A New Financial Phenomenon for Gen-Z Entrepreneurs' is logical, imaginative, and exploratory. The prime objective of the examination is to evaluate the budgetary similarly as operational execution of ECF Platforms that are usable in Europe. Distinctive objectives bury alia include:

- (i) -to recognize the most profitable ECF Platforms in Europe that stimulates spearheading account;
- (ii) - to make ECF Space and Design URL for Start-Ups and Small Businesses;
- (iii) - to propose course of action exercises to Regulatory Bodies in the zone of ECF other than prescribing Wish-List to the Gen-Z Entrepreneurs;

III.HYPOTHESIS OF THE STUDY

It is Hypothesised that:

- H₀: There is no significant difference between Pre-Money Valuation and others in Various ECF Platforms;
- H₁: There is a significant difference between Pre-Money Valuation and others in Various ECF Platforms; and
- H₂: There exists a correlation in between Funding Goal Vs Investor Equity, Market Size Vs Age, and Prior Vs Current Earnings.

A.Sample Design

The study considers the Top-12 Operative ECF Platforms in Europe. These *inter alia* include:(i) *Biotech, Pharmaceuticals, Healthcare, Medical Devices & Equipment;* (ii) *Business Products & IT Services;* (iii) *Communications;* (iv) *Computers & Control Systems, Robotics;* (v) *Consumer Products & Services* (vi) *Electronics & Instrumentation, Semiconductors, Nano-Technology;*(vii) *Energy & Utilities;* (viii) *Financial Services & Real Estate;* (ix) *Industrial & Manufacturing, Materials, Chemicals;* (x) *Media & Entertainment;* (xi) *Software and SAAS;* and (xii) *Transportation & Distribution, Aerospace, Defense.* The study is based on ‘Inductive Content Analysis, Cross Sectional Study, and One-Way ANOVA’, in order to get insights and draw inferences.

Table-1: Equity Crowd Funding (ECF) Platforms in Europe - The Operative and Financial Performance Evaluation

Platforms	Funding Goal (000' \$)	Pre-Money Valuation (000'\$)	Investor Equity	Prior Year Revenue (000'\$)	Current Revenue (000'\$)	Revenue Growth Rate	Market Size (000'\$)	Market Growth Rate	Age of Company (Years)	Number of Employees	Data Representation
Biotech, Pharmaceuticals, Healthcare, Medical Devices & Equipment	1685	8747	26.46	425	723	25	263888	16.07	7.4	7.21	1950 (13%)
Business Products & Services, IT Services	875	5330	30	426	595	29	203525	19.06	5.81	10.53	3000 (20%)
Communication s	1753	6465	36.14	834	1120	30	195634	23.15	7.07	7.66	600 (4%)
Computers & Control Systems, Peripherals, Robotics	1219	6695	30.89	326	841	27	265185	18.83	5.41	7.32	300 (2%)
Consumer Products & Services,	733	3107	33.94	349	508	23	169672	16.62	4.41	7.39	3750 (25%)



Retailing											
Electronics & Instrumentation											
Semiconductors, Nano-Technology	1058	7006	28.46	359	923	35	299611	18.66	8.86	8.12	150(1%)
Energy & Utilities	2333	11403	29.88	539	1169	18	317635	22.01	6.24	7.05	750 (5%)
Financial Services & Real Estate	1960	6979	40.28	629	988	21	225128	15.86	4.29	8.72	1800 (12%)
Industrial & Manufacturing, Materials, Chemicals	1592	6150	32.9	794	1428	22	249832	16.78	6.76	11.93	600 (4%)
Media & Entertainment	1024	5444	32.27	168	298	22	177469	22.24	3.92	6.74	1500 (10%)
Software and SAAS	0	0	0	0	0	0	0	0	0	0	0
Transportation & Distribution, Aerospace, Defense	1406	6463	33.67	579	1021	23	230907	14.69	3.86	12.18	600 (4%)

Source: <http://eurocrowd.org/crowdfunding-by-country/>

Table-2: Equity Crowd Funding (ECF) - The Analytics & Dynamics

	Within Groups	38.000	2	19.000		
	Total	808.917	11			
Market Size (000'\$)	Between Groups	72823601562.333	9	8091511284.704	10.694	.088
	Within Groups	1513254452.667	2	756627226.333		
	Total	74336856015.000	11			
Market Growth Rate	Between Groups	358.250	9	39.806	2.296	.340

ANOVA (One-Way Test)						
		Sum of Squares	df	Mean Square	F	Sig.,
Pre-Money Valuation (000'\$)	Between Groups	84440056.250	9	9382228.472	285.466	.003
	Within Groups	65732.667	2	32866.333		
	Total	84505788.917	11			
Funding Goal (000' \$)	Between Groups	4225609.000	9	469512.111	15.570	.062
	Within Groups	60308.667	2	30154.333		
	Total	4285917.667	11			
Investor Equity	Between Groups	1094.333	9	121.593	52.111	.019
	Within Groups	4.667	2	2.333		
	Total	1099.000	11			
Prior Year Revenue (000'\$)	Between Groups	601796.000	9	66866.222	3.555	.239
	Within Groups	3761	2	18808.333		



		6.667				
	Total	6394 12.66 7	11			
Current Revenue (000'\$)	Between Groups	1669 041.0 00	9	185449.00 0	4.1 16	.211
	Within Groups	9010 4.667	2	45052.333		
	Total	1759 145.6 67	11			
Revenue Growth Rate	Between Groups	770.9 17	9	85.657	4.5 08	.195

	Within Groups	34.66 7	2	17.333		
	Total	392.9 17	11			

Source: Table-1

IV.RESULTS & DISCUSSION

A significant bounce into theTable-1 reveals that with in the restricted ability to center 3.86 years, the ECF Platform 'Transportation and Distribution, Aerospace, Defense' earned an ordinary salary of \$59820.47mn per annum sought after by 'Realty and Financial Services' (4.29 years with the typical pay of \$52477.39mn per annum). By and large, most of the financing development really occurs in the early time of the ECF Cycle. Table-1 further demonstrates that the ECF Platform 'Buyer Products and Services, Retailing' charms 25 percent of theTotal Investors to place assets into (Number of ECF Platforms ToData Representation)and also created as the Top-Rated ECF Platforms among others in relating to making a salary of \$4.630 mnper annum. (Theorist Equity To Funding Goal). What's more, thegrowth rate of ECF Platform 'Industrial& Manufacturing, Materials and Chemicals' is generally high (79.84%) with appear differently in relation to other people.

Table-2 uncovers further understanding into the ECF Analytics and Dynamics and to support the Hypothesis. Out of 150000 ECF Platforms in Europe, clearly the 'Pre-Money Valuation' is in all regards extremely basic factor sought after by 'Salary Growth, Funding Goal and Investor Equity. It is in like manner seen that the 'Market Size'of ECF has 'Most astonishing Average'(216540.50)and 'Age' of ECF has 'Least Standard Deviation' (2.301). This derives there exists a relationship amidst Market Size and Age of ECF Platform, Funding Goal and Investor Equity, Prior and Current Earnings.

It is a mooting point to observe that the 'Item and SAAS - ECF Platform' need another computation driven framework and market prologue to attract monetary pros. In European Context, the capital searchers (individuals) and capital providers (swarm funders) differ according to the necessities and tendencies. European Crowd Funding Platforms depend upon country level money related, social and real components [18]

ECF - The Agile & Angel Investment Tool for Gen-Z Entrepreneurs

ECF is a modern and millennial concept in Europe. It is an agile and angel investment opportunity for Gen-Z Entrepreneurs to Start-Up, Stand-Up and Scale-Up.

Digitalisation permeates into every sphere of life .[19] Equity CrowdFunding is a Computer Based Online Technology (CBOT) platform that connects social networks for a cause and concern. Information Asymmetry, uncertainty, and risk of opportunism are barriers of ECF [20].The underlying appeal of the task, quality appraisal, straightforwardness, responsibility, respectability in activities and digital security assume an essential job in crowdfunding advanced space.

The eventual fate of Equity CrowdFunding depends on Virtual Technologies, Cyber Security, Innovation Driven Algorithms and Blockchain Technology, Supportive Informal Institutions , Regulatory Intervention,Funding Dynamics, and FCFS Mechanism. The future, progress and prosperity of 'Equity CrowdFunding', indeed, rely on the ignited interests, innovative ideas, and inspiring involvement of Gen-Z Entrepreneurs, Intrapreneurs, Investors, and Policy Makers *in toto*.

REFERENCES

1. Wexler, M. N. (2011)., Reconfiguring the Sociology of the Crowd: Exploring Crowdsourcing, International Journal of Sociology and Social Policy, Vol.31, No.2, p.p. 6-20.
2. Hammon, L. &Hippner, H. (2012)., Crowdsourcing as A Practice-Driven Phenomenon, Wirtschaftsinf, Vol. 54, Issue.3 , p.p.165-168.
3. Schwienbacher, A., &Larralde, B. (2010).Crowdfunding of small entrepreneurial Ventures. \ Handbook of Entrepreneurial Finance, Oxford University Press, UK.
4. Cumming, D. J., Leboeuf, G., &Schwienbacher, A. (2014)., Crowdfunding Models : Keep -It-All Vs. All-Or-Nothing, EURO FIDAI-AFFI Paper, Paris.
5. Stemler, A. R. (2013). The JOBS Act and Crowdfunding: Harnessing the Power and Money of the Masses, Business Horizons, Vol.56, No.3, p.p. 271-275.



6. Lars Hornuf, Armin Schwenbacher (2017), Should Securities Regulation Promote Equity Crowdfunding?, *Small Business Economics*, Vol.49, Issue.3, Apr, p.p. 579-593.
 7. Silvio Vismara (2016), Equity Retention and Social Network Theory in Equity Crowdfunding, *Small Business Economics*, Vol.46, No.4, p.p. 579-590.
 8. Braun, R., Eidenmüller, H., Engert, A., Hornuf, L.(2013), Does Charter Competition Foster Entrepreneurship? A Difference-in-Difference Approach to European Company Law Reforms, *Journal of Common Market Studies*, Vol.51, Issue.3, May, p.p. 399-415.
 9. Lars Hornuf, Armin Schwenbacher (2018), Market Mechanisms and Funding Dynamics in Equity Crowdfunding, *Journal of Corporate Finance*, Vol. 50, p.p. 556-574.
 10. Miikka Kukkosuo (2009), Venture Capital 2.0: Grow VC Launches Private Beta (We Have Invited) - ArcticStartup, 30th June. Retrieved on 06th Oct, 2017.
 11. Rao, Leena (2017), Crowdsourced Fundraising Platform ProFounder Now Offers Equity-Based Investment Tools, <https://techcrunch.com>
 12. Gary Dushnitsky, Massimiliano Guerini, Evila Piva and Cristina Rossi-Lanastra, (2016). Crowdfunding in Europe: Determinants of Platform Creation across Countries, *Journal of University of California, Berkeley*, Vol. 58, No.2, p.p 44-71.
 13. Crowdfunding for Equity in Europe: Which Platforms are bringing in the most Money?, 13th Mar, 2015. Retrieved on 06th Oct, 2017. www.rudebaguette.com
 14. Estrin, S. & Khavul, S. (2016). Equity Crowdfunding: A New Model For Financing Entrepreneurship? Centre Piece, London: CEP, p.p.6-9.
 15. Kshetri, N. (2015). Success of Crowd-Based Online Technology in Fundraising: An Institutional Perspective, *Journal of International Management*, Elsevier, Vol.21, No.2, p.p. 100-116.
 16. G.Usha (2017), Crowd Funding for Start-ups in India, *IOSR Journal of Business and Management (IOSR-JBM)*, An International Conference Paper on Paradigm Shift in Taxation, Accounting, p.p. 50-54.
 17. Paul Belleflamme, Thomas Lambert, and Armin Schwenbacher (2012), Crowdfunding: Tapping the Right Crowd, *Journal of Business Venturing*, Vol. xxx, p.p. 1-25.
 18. Gary Dushnitsky, Massimiliano Guerini, Evila Piva and Cristina Rossi-Lanastra, (2016), Crowdfunding in Europe: Determinants of Platform Creation across Countries, *Journal of University of California, Berkeley*, Vol. 58, No.2, p.p 44-71.
 19. Dr. K. Bhanu Prakash (2018), Crowdfunding for Next-Generation Entrepreneurs and Start-ups, A Conference Paper presented in the 71st Indian Commerce Congress, Osmania University, Hyd.
 20. Ajay Agarwal, Cristian Catalini and Avi Goldfarb (2016), Are Syndicates the Killer App of Equity Crowdfunding, *Journal of University of California, Berkeley*, Vol. 58, No. 2, p.p 111-124.
5. Nathan Rose (2016), Equity Crowdfunding: The Complete Guide for Start-Ups and Growing Companies, Stonepine Publishing, New Zealand

Articles

1. Kazem Mochkabadi and Christine K. Volkmann (2018), Equity Crowdfunding: A Systematic Review of the Literature, *Small Business Economics*, Aug, p.p. 1-44.
2. Lars Hornuf, Armin Schwenbacher (2018), Market Mechanisms and Funding Dynamics in Equity Crowdfunding, *Journal of Corporate Finance*, Vol.50, p.p. 556-574.
3. Lin Lin (2018), Managing the Risks of Equity Crowdfunding: Lessons from China, *Journal of Corporate Law Studies*, Vol.17, Issue.2, p.p. 327-366.
4. Nir Kshetri (2018), Informal Institutions and Internet-based Equity Crowdfunding, *Journal of International Management*, Vol.24, Issue.1, Mar, p.p. 33-51.
5. Saul Estrin & Daniel Gozman & Susanna Khavul (2018), The Evolution and Adoption of Equity Crowdfunding: Entrepreneur and Investor Entry into a New Market, *Small Bus Econ*, Vol.51, p.p. 425-439.
6. Stanislav Mamonov, Ross Malaga & Janet Rosenblum (2017), An Exploratory Analysis of Title II Equity Crowdfunding Success, *Venture Capital*, Vol.19, No.3, p.p. 239-256.

URL

<https://angel.co> www.equitynet.com
<https://wefunder.com> www.fundable.com
www.startengine.com <https://microventures.com>
<https://angel.co/crowdfunding> www.seedrs.com
www.crowdcube.com www.companisto.com
www.invesdor.com

Bibliography

Books

1. Salvador Briggman (2018), Equity Crowdfunding Explained, Create Space Independent Publishing Platform, USA.
2. Kim Wales (2018), Peer-to-Peer Lending and Equity Crowdfunding, ABC-CLIO LLC, California, USA.
3. David M. Freedman, Matthew R. Nutting (2015), Equity Crowdfunding for Investors: A Guide to Risks, Returns, Regulations, Funding Portals, Due Diligence and Deal Terms, Wiley Publications, Canada.
4. Jonathan Frutkin (2016), Equity Crowdfunding: Transforming Customers into Loyal Owners, Cricca Funding LLC, USA.

