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

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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 mooring 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]. 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 subclass 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 prerequisite in Germany[8].

Esteem CrowdFunding is also insinuated asan Investment-Based Crowdfunding, Securities-Based Crowdfunding, and Crowd Investing. Directly a-days, ECF has transformed into a standard wellbeing 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, and the ProFounder was the 1st US Based Company in May, 2011. 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]

I.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 mooting 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 inter 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

<table>
<thead>
<tr>
<th>Platforms</th>
<th>Fundi ng Goal (000‘$)</th>
<th>Pre-Money Valuation (000‘$)</th>
<th>Investo r Equity</th>
<th>Prior Year Revenue (000‘$)</th>
<th>Current Revenue (000‘$)</th>
<th>Revenue Growth Rate</th>
<th>Market Size (000‘$)</th>
<th>Market Growth Rate</th>
<th>Age of Company (Years)</th>
<th>Number of Employees</th>
<th>Data Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biotech, Pharmaceuticals, Healthcare, Medical Devices &amp; Equipment</td>
<td>1685</td>
<td>8747</td>
<td>26.46</td>
<td>425</td>
<td>723</td>
<td>25</td>
<td>26388</td>
<td>16.07</td>
<td>7.4</td>
<td>7.21</td>
<td>1950 (13%)</td>
</tr>
<tr>
<td>Business Products &amp; Services, IT Services</td>
<td>875</td>
<td>5330</td>
<td>30</td>
<td>426</td>
<td>595</td>
<td>29</td>
<td>20352</td>
<td>19.06</td>
<td>5.81</td>
<td>10.53</td>
<td>3000 (20%)</td>
</tr>
<tr>
<td>Communication s</td>
<td>1753</td>
<td>6465</td>
<td>36.14</td>
<td>834</td>
<td>1120</td>
<td>30</td>
<td>19563</td>
<td>23.15</td>
<td>7.07</td>
<td>7.66</td>
<td>600 (4%)</td>
</tr>
<tr>
<td>Computers &amp; Control Systems, Peripherals, Robotics</td>
<td>1219</td>
<td>6695</td>
<td>30.89</td>
<td>326</td>
<td>841</td>
<td>27</td>
<td>26518</td>
<td>18.83</td>
<td>5.41</td>
<td>7.32</td>
<td>300 (2%)</td>
</tr>
<tr>
<td>Consumer Products &amp; Services,</td>
<td>733</td>
<td>3107</td>
<td>33.94</td>
<td>349</td>
<td>508</td>
<td>23</td>
<td>16967</td>
<td>16.62</td>
<td>4.41</td>
<td>4400 (25%)</td>
<td></td>
</tr>
</tbody>
</table>

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


<table>
<thead>
<tr>
<th>Market Size (000$)</th>
<th>Within Groups</th>
<th>Between Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Money Valuation (000$)</td>
<td>38.000 0</td>
<td>7282 3601 3601</td>
<td>808.9 17</td>
</tr>
<tr>
<td>Funding Goal (000$)</td>
<td>2</td>
<td>19.000</td>
<td>11</td>
</tr>
<tr>
<td>Investor Equity</td>
<td>Between Groups</td>
<td>1513 2544 52.66 7</td>
<td>7433 6856 015.0 00</td>
</tr>
<tr>
<td>Prior Year Revenue (000$)</td>
<td>Between Groups</td>
<td>1049.333</td>
<td>4285917.667</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Growth Rate</th>
<th>Between Groups</th>
<th>756627226 2 7</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7006</td>
<td>1205</td>
<td>809151128 4.704</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANOVA (One-Way Test)</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Money Valuation (000$)</td>
<td>Between Groups</td>
<td>84440056.250</td>
<td>9</td>
<td>9382228.4</td>
<td>285.466</td>
</tr>
<tr>
<td>Within Groups</td>
<td>65732.667</td>
<td>2</td>
<td>32866.333</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>84505788.917</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding Goal (000$)</td>
<td>Between Groups</td>
<td>4225609.000</td>
<td>9</td>
<td>469512.11</td>
<td>15.570</td>
</tr>
<tr>
<td>Within Groups</td>
<td>60308.667</td>
<td>2</td>
<td>30154.333</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4285917.667</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investor Equity</td>
<td>Between Groups</td>
<td>1049.333</td>
<td>9</td>
<td>121.593</td>
<td>52.111</td>
</tr>
<tr>
<td>Within Groups</td>
<td>4.667</td>
<td>2</td>
<td>2.333</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1099.000</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior Year Revenue (000$)</td>
<td>Between Groups</td>
<td>6017 96.00 0</td>
<td>9</td>
<td>668866.222</td>
<td>3.5</td>
</tr>
<tr>
<td>Within Groups</td>
<td>3761</td>
<td>2</td>
<td>18808.333</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A significant bounce into the Table-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 the Total Investors to place assets into (Number of ECF Platforms To Data Representation) and also created as the Top-Rated ECF Platforms among others in relating to making a salary of $4.630 mn per annum. (Theorist Equity To Funding Goal). What's more, the growth 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 mootling 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.

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