Preface

Crowdfunding was initially born to fund artistic projects in the United States in the early 2000s. It stemmed from crowdsourcing, which means using the “wisdom of the crowd” instead of referring to a single’s expert mind- to obtain ideas, feedbacks, or solutions to problems (Surowiecki, 2004).

Crowdfunding also involves the crowd to solve the problem of lack of funds. Its organization requires three parties: the project initiator who asks for funding, the contributor who funds and supports, and the moderating platform that relates them. The concept is simple: a project initiator launches an open call with the help of an Internet-based platform for collecting small amounts of money from a large number of people (crowd).

The crowdfunding platform accommodates one or more types of fundraising between project initiators and contributors: credit-based crowdfunding, donation-based, equity-based and reward-based crowdfunding. Platforms might be generalist or specialized such as SciFund Challenge which backs fundraising for scientists.

The projects that crowdfunding platforms support are artistic, entrepreneurial, personal (education, honeymoon, wedding), or social. Popular discourse frames crowdfunding as a way for those traditionally locked out of financing opportunities to leverage the platforms’ connectivity for securing funds beyond their immediate networks of families and friends.

In 2012, MIT Technology Review nominated crowdfunding as one of the 10 Breakthrough technologies for being “An alternative to angel or venture capital investment that helps fund tech startups” (Greenwald, 2013). Between 2010 and 2013, it experienced a 460% growth in particular after developing models of lending and equity building. According to the European Commission, crowdfunding is an important source for more than 500 thousand European projects annually. A study accomplished by the University of Cambridge and the consultant Ernst & Young on 255 platforms in the European market of crowdfunding, indicated that 2.9 billion euros have been raised in 2014; an increase of 146% market share on average per year. The most advanced countries in this field is the United Kingdom with 2.3 billion euros collected.

Considering the spontaneous interactions and exchanges between individuals, we personally prefer to employ the term peer-to-peer (P2P) to refer to this phenomenon, instead of using the word crowd. The reason is that crowd, connoting holism, deceitfully falsifies the individual dynamisms and initiatives, which constitute the essence of exchange and interaction between peers in crowdfunding. In this book, the authors interchangeably employ the two terms.

Whatever the reference terms are, the fact is that even the most relevant do not explain by themselves a phenomenon and its founding origin. Now, the founding question is: what exactly gave birth to spontaneous interactions and massive exchanges among peers to found crowdfunding?
As a tentative of response, we tend to posit that the emergence of the Web 2.0 technologies, commonly referred to as social media, and that of crowdfunding, are not accidental. The latter firmly supported the former by considerably decreasing the costs of transactions and interactions between individuals and distributed the risk of funding among the crowd. Consequently, individuals could efficiently proceed to different initiatives of catallaxy such as crowdfunding, online dating, etc. Let’s explain both.

CROWDFUNDING: THE MODEL OF REDUCING TRANSACTION COSTS

We posit that the Web 2.0 technologies and their strong capability of reducing transaction costs, called also social media, have considerably stimulated and accelerated the emergence and development of crowdfunding, which is the ultimate model of two-sided market. But what are transaction costs, what is a two-sided market, and how might the social media affect them?

The origins of Transaction Costs Economics (TCE) traces back to Ronald Coase (1937). He asserted that market transactions are not free of charge. The outlay of searching and measuring information, evaluating alternative options, bargaining and negotiating, policing and enforcing contracts, along with asset specificity, bounded rationality and opportunism Williamson (1975) are all different types of transaction costs.

Transaction costs are mainly due to the unavailability of the information needed for the exchange. Imperfect information jeopardizes the market exchange because transaction parties do not have the same information and/or the adequate information to participate to the transaction. The complexity and increase in transaction costs might incite agents to recede the market and to internalize transactions within the firm (Williamson 1975). Besides market and firm, agents might opt for other forms of governance such as law, state and clan (Ouchi, 1980).

All alternative types of governance aim at the reduction of uncertainty and opportunistic behavior. The ultimate choice refers to comparing benefits and costs of each model. For example, when agents consider that the costs of using market (mechanism price) is too high, they might regard formal organization (hierarchy) or clan for more efficiency. Similarly, when organization complexity and size exceed a certain size, and the amount of information and the number of transactions for handling the internal needs of coordination increase excessively, then agents might find the hierarchical governance (firm) more expensive and less efficient than the other options. In such a situation, market can reappear to be more efficient and less expensive.

To summarize, we might say when the transaction (or coordination) costs increase in one governance, agents suspend the envisaged transaction and/or switch to other modes of governance. Considering this, we can better discuss the two-sided markets.

When a market depends on two sets of customers, transaction costs are even more important because there are more interactions and transactions to be established -between the platform and its two sets of customers, and between the customers. For example, a platform of video game attracts developers only if the platform has a critical mass of players; and players come only if there are a greater variety of games on the platform. The value of a platform to any given user largely depends on the number of clients on the other side. More demand from one user group spurs more from the other. The two groups attract each other—the network effect. Other examples of two-sided markets are: financial institutions that need simultaneously cardholders and merchants, night clubs whose success depend on charming both women and men, or yellow pages companies which concurrently appeal to advertisers and consumers.
These markets might be better understood by contrast to the conventional markets:

- On a conventional market, the buyer of a razor, for example, internalizes the net surplus that he will derive from buying razor blades. On two-sided markets, an end-user does not internalize the welfare impact of his use of the platform on other end-users (Rochet and Tirole, 2006).

- In a traditional value chain, value moves from left to right: To the left of the company is cost; to the right is revenue. On two-sided markets, cost and revenue are both to the left and the right, because the platform has a distinct group of users on each side. The platform incurs costs in serving both groups and can collect revenue from each, although one party is often subsidized by revenues captured from the other party (Eisenmann et al., 2006).

- In most traditional manufacturing and service businesses, growth beyond some point usually leads to diminishing returns: Acquiring new customers becomes harder as fewer people, not more, find the firm’s value proposition appealing. However, in a two-sided market, successful platforms enjoy increasing returns to scale because of network effects. Users will pay more for access to a bigger network, so margins improve as user bases grow (Eisenmann et al., 2006). Rochet and Tirole (2006) define a two-sided market as one in which the volume of transactions between end-users depends on the structure and not only on the overall level of the fees charged by the platform. A platform’s usage impacts the two sides’ willingness to trade, and thereby their net surpluses from potential interactions.

- In many traditional markets, prices are mainly fixed by the marginal cost of producing an extra unit. In industries with high barriers to entry, the price ceiling is set by customers’ willingness to pay, and margins are more likely to be fat. On two-sided markets, platforms can draw revenue from both sides. However, in most cases, they charge one set of their clients, and subsidize the others: “subsidy-side” users and “money side” clients. The level of price for the subsidy-side users is almost always lower than that of an one-side independent market –because the number of subsidy-side users is crucial to developing strong network effects, the platform provider sets prices for that side. Conversely, the level of price fixed for the money-side clients is almost always higher than that of a one-side independent market –because of the privilege of gaining access to a considerable market (Parker and Van Alstyne, 2005 ; Eisenmann et al., 2006). The crucial strategy question for the platform is: how much of a premium the money-side client will pay for attracting the subsidy-side users to sign up, and for how long? (Eisenmann et al., 2006). As Rochet et Tirole (2003) advance, on multi-sided market, platforms must choose a price structure and not only a price level for their service. They give the example of videogame platforms which generally make money on game developers and treat the gamers side as a loss leader; while operating system platforms for the PC and handheld devices commonly adopt the opposite business model and charge consumers (Rochet et Tirole, 2003).

After reviewing transaction costs and two-sided markets, we turn to the information technologies, which considerably reduce the transaction and coordination costs by making more information available and by reducing uncertainty for parties. Accordingly, agents understandably opt for the model of governance that becomes less expensive and more efficient than the other models thank to adopting information technologies.
This is exactly what the Web 2.0 technologies accomplished for the governance of market. They have played a crucial role to reduce the cost of interacting and transacting between peers. It is not without reason that among the most successful businesses on the Internet are those that have cast exchange facilitation between peers: eBay, Facebook, Google, LinkedIn, Match.com, Monster.com, Skype, and many more. Crowdfunding platforms have followed the trend. They “naturally” employ the social media to link project initiators and potential contributors.

Long before the emergence of crowdfunding, Ciborra (1993) had broadly studied the IT-impact on transaction costs. Brynjolfsson and Malone (1994) have also shown how IT can reduce both hierarchal depth (scalar length) and width (span of control). Cordella and Simon (1997) posit that IT not only support existing coordination mechanisms—and reduce their costs—but also reduce the need for many activities of coordination—and consequently remove their relative costs. To our best knowledge, only a few authors have studied the relation between the Web 2.0 technologies (social media) and the emergence and the development of crowdfunding: Lu et al. (2014), Moisseyev (2013). None of them has considered the social media-impact on transaction costs.

We postulate that crowdfunding efficiently engaged the Web 2.0 technologies to reduce costs of interactivity between funds seekers and contributors. The former find it easier to post a request on a platform instead of physically meeting a large number of people to demand for financial support. The latter find it simpler to screen and select the projects they wish to support on the same platforms. No P2P relations and financial transactions at the current planetary scale would have been possible without the recourse of the internet-based social media. The mission of crowdfunding platforms matches to the definition of platform in the literature of two-sided market: Transactions in two-sided networks always entail a triangular set of relationships. An intermediary, called platform, facilitates between two user groups, the network’s sides, by providing an infrastructure, plus a set of rules -protocols, rights, and pricing terms that govern transactions. Platforms can take many guises. Some rely on physical products, as with consumers’ credit cards and merchants’ authorization terminals. Others provide services such as eBay (Eisenmann et al., 2006). To succeed, platforms must “get both sides of the market on board” (Rochet and Tirole, 2003).

The more crowdfunding platforms monitor opportunism, balance information asymmetries, and reduce uncertainties, the more they succeed to attract their two categories of clients, project initiators and contributors. They reduce the transaction costs even more by implying a shift from a large risk for one contributor to small risks among many contributors (the crowd).

On these two or multi-sided market, there is hardly transactions if there is no intermediary organization to court distinct affiliated customers and minimize transaction costs between them.

CONTRIBUTIONS TO THE BOOK

We present here the contributions to this book with having in mind the above model of crowdfunding emergence and development. We also suggest some further lines of research for each contribution for encouraging new projects among contributors and between contributors and academic or professional readers. Interactivity between peers is the foundation of crowdfunding. We encourage it among researchers.

Djamchid Assadi’s contribution, “In Search of Crowdfunding Business Models,” is motivated by a simple observation: a worrying gap between the rampant growth of crowdfunding and the far-behind strategic and managerial theories and concepts to support entrepreneurs, policymakers and executives’
decisions. He suggests holding onto it in order to propose a standard for business model –that is one of the most important concepts that, however, suffers from lack of paradigmatic clarity.

In this perspective, Assadi first distinguishes between a strategy and a business model and find that they are complementary rather than identical. While a strategy defines a firm’s competitive advantage of value creation, a business model introduces the key activities and processes for supporting the strategic position. He suggests a theoretical model, which contains the three recurrent components in the literature, knowingly: Customer value proposition (CVP), income stream, and infrastructural technologies and competencies. He adds governance as a fourth component to the model. Considering the importance of relations among partners on the Internet, Assadi believes the fourth component was the mission point in the previous business models.

Assadi posits that as crowdfunding platforms aim to match suppliers and demanders of funds, their dominant business model is definitely what is commonly called research intermediation, market making or exchange facilitation. He then checks his model through a sample of 40 platforms, from the beginning up to the present date, generalist and specialized, originating from different countries, profit and non-profit, and representing different types of credit, donation, equity, and reward-based.

In her contribution, “Intermediating Crowdfunding: A Foundational Assessment,” Joan Heminway expresses surprise that intermediation in crowdfunding academic studies and/or popular literature is of secondary concern - when it is not completely forgotten. By putting emphasis on the critical role of intermediaries to bridge gaps between financial parties and to secure the success of transactions among them, she highlights the importance of exchange facilitation as explained in the above model. The author believes that in most cases, project initiators and contributors cannot, or simply do not, proceed with direct exchanges and transactions on their own; just as in securities transactions for which it is necessary to engage different intermediaries acting as stock markets, underwriters, placement agents, dealers, research analysts, proxy advisors, ratings agencies, financial advisors, lawyers, etc.

Joan Heminway intends in her paper to identify distinctive types of intermediation in crowdfunding. By doing so, she hopes to offer insights to participants, policymakers, and enforcement agents. We believe the shrewd contribution of Heminway will gain even more in insights and perspicacity as a foundation for the construction of a typology of intermediaries, akin to the typology of stakeholders generated by Mitchell et al. (1997).

Traci L. Mach, Courtney M. Carter and Cailin R. Slattery shed light in their paper, “To Lend or Not to Lend: Exploring the Early Days of Peer-to-Peer Lending to Small Businesses,” on one of the predominant questions in the credit-based crowdfunding: what types of loan applications do the lenders on crowdfunding platforms satisfy most?

The research method is simple: what are the characteristics of loan applications that were and were not funded and how do loans used for small business purposes perform. Mach et al. looked at the individual loan-level data from Lending Club. The findings are particularly promising in particular in a period where small businesses face funding constraints in spite of some poor performance issues:

- Loan applications for small business purposes are almost twice as likely to be funded as loans for other purposes.
- Loans funded for business are slightly larger on average than loans funded for other purposes -holding interest rates similar.
- P2P loans for small businesses are more expensive, with an interest rate that is about two percentage points higher on average than that of traditional sources.
• P2P loans for small businesses pay nearly one percentage point higher interest rate over loans for other purposes.

• P2P loans for small businesses purposes are more than two-and-a-half times more likely to perform poorly that is to be delinquent or charged off.

The results are promising because they confirm the small businesses can raise funds through crowdfunding. However, they are also raise cautionary flags because such funds are subject to higher interest rates and poorer performance.

Mach, Carter and Slattery suggest an interesting line of research about the types of businesses that are more likely to turn to P2P platforms rather than conventional sources: is P2P borrowing more likely among service firms that have fewer—if any—assets to offer as collateral for traditional loans than manufacturing or construction firms that tend to have more tangible assets?

In addition to the above, it would be also interesting to extend this research in space and time. By space, we mean to consider the outcomes of loan applications not only on Lending Club, but also on other credit-based crowdfunding platforms such as Prosper that started in 2006—about one year earlier than Lending Club started. By time, we mean to proceed to a longitudinal approach in order to compare the results obtained at the early days of P2P lending to small businesses to those of today.

Such a research might be called: “Is crowdfunding a reliable -and sufficient- source of funding for small businesses -in particular in the period of credit constraints?”

Mathieu-Claude Chaboud’s contribution, “How do the Crowdfunders Judge the Crowdfunded? Crowdfunding, Social Capital, and the Gatekeepers of the Financial Legitimacy,” addresses the question of how early contributors reacted when the firms they had supported turned from participative financing to buyouts by blue chip firms. In this perspective, the author considers the success stories of Oculus VR and Mojang. The former, a Californian firm, raised near $2.5 Million on Kickstarter in 2012 to develop a virtual reality head-mounted display, named the Rift. The latter, a Swedish video game developer, created in 2010, enjoyed for a long period of time the unswerving support of gamers in particular for a game, called Minecraft, which was entirely financed by customers by purchasing it far before it was completed, a funding model called ‘early access’.

Later, in 2014, Oculus VR and Mojang respectively accepted takeovers by Facebook for $2 billion, and by Microsoft for $2.5 billion. The backers and stakeholders’ reactions were immediate. The wide majority of them criticized the contradiction between the initial model of crowdfunding and the later model of buyout, the amount spent on the deals, and the remoteness to the previous declarations of independence. Mathieu-Claude Chaboud then explains how the founders of Oculus VR and Mojang responded. However, this is not his main point.

Chaboud’s point is about the importance of the governance of relations between project initiators and contributors in crowdfunding projects -sometimes different from that of profit-seeking relations within the conventional financial and banking sector. The author of “How do the crowdfunders judge the crowdfunded?” refers to the component of governance of relationships among participating parties within Assadi’s quartile business model (2015) to posit that many backers relate to crowdfunding projects beyond potential profitability and warns about a high risk of depletion of social capital within relationship between entrepreneurs and their early supporters in case of value conflict.

This research focused on the affinity (or discord) that backers feel about funding strategies that project leaders might adopt after the initial crowd-based funding of their ventures. A symmetric inquiry—and further axis of research- might be: Why do entrepreneurs fundamentally appeal to crowdfunding
platforms? And how can entrepreneurs legitimate their development outside and beyond crowdfunding after an initial success in participative financing without depleting their arduously gained social capital?

Leela Vedantam, in her contribution, “Toward a Typology of Crowdfunding Motivations,” explores the motivations of contributors in the literature and investigates through a quantitative study across the United States, the United-Kingdom, India, Sweden, France and Italy. The Likert method is used to rank the motivations.

The results suggest that the motivations to contribute are dependent on the awareness of potential risks and knowledge of regulatory framework. They also highlight the contributors’ motivation to engage. Leela Vedantam reminds that while conventional lending institutions’ predominant criteria for lending is the financial strength and perspective of projects, crowdfunding accommodates many projects for their social utility.

Leela Vedantam has accomplished an interesting contribution to the studies of crowdfunding motivations. Argwal et al., (2010) had showed that crowdfunding on credit, donation, equity, and reward-based models have similar motivations. Gerber et al. (2012) through interviews identified five group of motivators: meeting legitimacy claims, fundraising, replication of success incidences, establishing relations and rising awareness. De Buysere et al. (2012) found that contributors in reward-based campaigns are motivated by the idea of supporting the existence of a product either for being able to access it before others, or for its lower price. Belleflamme et al. (2014) identified three motivators: financing, raising public attention and feedback. Their study highlighted that creators are motivated to raise funds in a way that is consistent with their values and also to establish direct connections and relationships through a long-term interaction that extends beyond the moment of the financial transaction.

Research on motivations of crowdfunding can be followed on different tracks. One study might explore the similarities and differences between the contributors’ motivations in different types of credit, donation, equity and reward-based models. The role of social utility and contributor’s value constitute also a solid axis of research, in particular, in comparison to the conventional motivations of pure return-on-investment.

The legal studies on crowdfunding are still evolving – most likely because the legal codes and regulations depend on a sector that continues to evolve and change. We measure better importance of this lacuna when we compare it to another unconventional source of financing: microfinance. Regulatory issues within the microfinance industry have received considerable attention by central banks, multilateral development organizations (e.g. Asian Development Bank, World Bank, United Nations), policy makers and Governments from both developed and developing countries (Islam & Mamun, 2011). Bangladesh as a pioneering country for microfinance with one of the largest microfinance industries in the world (Bangladesh Microfinance Country Profile 2006) has been no exception.

In “Proactive Law as Competitive Advantage in Crowdfunding,” Jack Wroldsen focuses on a particular aspect of law applicability and explains how the paradigm of proactive law can constitute a competitive advantage and accordingly help entrepreneurs succeed in crowdfunding campaigns in the face of legal uncertainty. In this perspective, he propose several types of innovative securities designed to create competitive advantages in crowdfunding offerings.

We find one of these generators of competitive advantage interesting in this period of distrust of financial institutions and hasty investing speculators: the type of securities which gives crowdfunding investors long-term equity interests in small crowdfunding companies without delivering shareholder rights to them in the short term.
Our author believes that the *ex ante* strategy of “proactive law” can not only avoid crowdfunding’s legal pitfalls like preventive medicine, but can also transform a company resource into a lasting competitive advantage.

Wroldsen’s paper advances from a legal point of view what Djamchid Assadi developed on governance in his theoretical quartile business model, and what Mathieu-Claude Chaboud recounted about the unhappy reactions of early contributors when they learnt that the firms they had supported turned from participative financing to buyouts by blue chip firms. (Oculus VR and Mojang, acquired respectively by Facebook and Microsoft). The three authors might join their view points for a broader research view on the importance of the governance of relations between project initiators and contributors in crowdfunding projects.

Carmen Escudero Guirado and Carmen Goytre Castro in their paper, “Crowdfunding as an Open Innovation for Co-Creation,” regard crowdfunding as an open innovation. They consider it as an innovation for several reasons: novelty of the model for financing projects, ever evolving of the infrastructure’s technology, originality of leveraging online communities, making market aware of new products in unprecedented manners. For Escudero Guirado and Goytre Castro, crowdfunding is not only innovation, but also an open innovation because it is open to co-creation between creators and funders in all stages of the new product. In addition, inputs from potential clients in the form of ideas, feedback, and indication of viability of the product also contribute to co-create the final product.

The contribution of Escudero Guirado and Goytre Castro can be followed by research projects such as: “Is Social Innovation always Open-Innovation? The Case of Crowdfunding.”

Javier Vidal-García and Marta Vidal have opted to introduce the reader to the “Basic Types of Project Initiators-Contributor Relations in Platform-Based Online Crowdfunding.” These basic types are now commonly accepted as being the basic relationships that crowdfunding platforms establish between project initiators and contributors: credit, donation, equity and reward-based crowdfunding. Each type is extensively described and relative advantages and disadvantages are analyzed. For examples of advantages, Vidal-García and Vidal believe that credit-based crowdfunding offers the possibility of raising capital without giving away company’s shares of capital; donation-based crowdfunding offers receiving large sums of money with no tax implications in return and no obligation to give up parts of ownership of the company; equity-based crowdfunding attracts accomplished investors and allows raising money in a fast way, and finally reward-based crowdfunding permits to raise money without selling off any stake in the business.

An interesting venue of research for following the descriptive contribution of Vidal-García and Vidal will consist of comparing platforms in different countries and sectors for each type of crowdfunding. Pinpointing and analyzing similarities and differences will permit considerable theoretical improvement and practical guidelines.

Bernard Owens Imarhiagbe suggests “Exploring the Spheres of Crowdfunding,” not only for providing a state of the art through reviewing of research and policy literatures, but also for identifying new venues of research.

With regard to this, he arranges for a useful inventory of theories that can be efficiently applied to crowdfunding studies. The key theories that he presents include agency cost, signaling, stakeholder, pecking order, credit rationing, discouraged borrower, social capital and network exchange theories. Imarhiagbe also provides an indicative list of significant research works for each type of crowdfunding.
Preface

Considering that crowdfunding is a young and emerging sector, the relative academic research is still limited. However, the research boulevards are open for application of these theories to crowdfunding.

One interesting research project consists of applying two or more theories of the above list to a specific crowdfunding topic, to explore whether the results obtained from different theories are contradictory or complementary.

In their contribution, “Can Social Dynamics Be Channeled from Offline to Online Communities: Commitment, Compliance, and Cooperation from Microfinance to Crowdfunding,” Alijani, Assadi and Ashta wonder whether social innovations that sustainably succeeded offline can be channeled to online.

They social innovation they consider is leveraging social ties among individuals for shaping a kind of guarantee to replace conventional asset-based collateral. The authors In microfinance, they call this social innovation social collateral. It permits to provide access to credit to individuals who lack asset-collateral. The modern figure of this social innovation is Muhammed Yunus who demonstrated how engaging members within groups to support and observe each other could overcome the asset-based collateral barrier for individual loans.

Now, with the expansion of information technologies and the astonishing rate of adoption of these technologies in general and by the poor in particular, Alijani, Assadi and Ashta explore the possibilities of conveying this idea of social collateral from offline to online. In a practical perspective, and in relation with the topic of this book, they ask: can crowdfunding platforms use online what microfinance uses offline; i.e. encouraging cooperation within social networks for addressing the investment needs of those who have limited access to financial collateral?

The transposition from offline to online is not evident because offline and internet-based groups are formed differently. In the former, members share cultural codes and behave with a greater degree of homogeneity and predictability. In the latter, individuals come together from different social and economic horizons to engage in mutually beneficial economic and social ventures without knowing each other.

For their research, the authors have considered rotating savings and credit associations (ROSCA), cooperatives and mutual banks for offline models, the not-for-profit Kiva and lucrative Zopa for online cases. Assadi and Ashta (2014) had evoked the transmission of a social innovation from offline to online. The present contribution extends the concept by the enlightenment of the theory of social ties and some revised analysis. This study gains in model building and project implementing by considering more theories and cases.

For theoretical literature, researchers might refer to authors such as Jack (2005) who studies the network ties. For offline models of social collateral, our authors suggest in their conclusion to consider more cases from different cultures in further projects of research. The same can be said for the platforms of P2P social lending platforms on the Internet. With regard to this, a future research might aim to answer to a question like: What would be the implications for borrowers and lenders in terms of group compliance, commitment and cooperation?

Nathalie Mercier, Hayyan, Alia, Arvind Ashta, Maaouia Ben Nasr, Mihaela Bonescu, and Ahmadou Bamba Ndiaye believe that their paper “Does Crowdfunding (Creatively) Disturb the Conventional (Banking) Alliances with Support Networks for Financing (Micro-) Entrepreneurs?” is one of the first on the potential destructive creation force of crowdfunding to disrupt practices of conventional banking system to finance firms.
For exploring the supposed impact, the six coauthors focus on the partnerships between banks and support networks which together provided financial, social and human capital to entrepreneurs and project leaders, and consider all types of platforms, not just those directly involved in providing loans or equity. Their research analyzes the adaptation of the banks to the possible impact of crowdfunding on their partnership with support networks.

Such a research is important for banks and conventional institutions for at least two reasons:

- The force that creates crowdfunding may destroy existing jobs and firms in the traditional financial sector,
- The results enlighten banks, which are strategically interested in the sponsored support networks because of the help they provide for entrepreneurship, and by the way, the assurance of loans repayments.

According to the findings, actors of support networks are aware of crowdfunding’s advantages for micro-projects, but do not believe it can impact the relationship between support networks and their partner banks. The reason is that micro-entrepreneurs need handholding that online platforms cannot provide. For informant actors of support networks, crowdfunding is rather complementary than challenger to banks-sponsored-support networks.

To follow this research, an insightful inquiry could be: Is support networking—sponsored or not by banks—possible online?

For this, the term “support networking” and its founding components should be clearly identified and defined. Then, the possibility of replication of each of these components on Internet should be researched.

Zorica Golic’s contribution “Crowdfunding: Waker of Small Hidden Insignificant Funds?” seems to be an unexpected answer, a complementary thought, and a convincing demonstration of de Soto provocative thesis. But what does de Soto say; and how does Golic develop and illustrate de Soto’s thesis— even if Golic seemingly does not know him and his theory because she does refer to?

The Peruvian economist Hernando de Soto is known for his work on the informal economy and on property rights. His famous thesis (2000) is in fact an answer to a question. The question is: What is it that prevents capitalism from delivering to many poor countries the same wealth it has delivered to the West? de Soto’s answer is: most citizens in those countries do already have assets and savings to make a success of capitalism. However, they cannot convert them into capital, which is the driving force of labor productivity and wealth creation, due to lack of appropriate law.

He provides research evidence: The value of savings among the poor is forty times all the foreign aid received throughout the world since 1945. The poor countries’ citizens have houses built on land whose ownership rights are not recorded. However, they have businesses but not statutes of incorporation. Thus, they cannot leverage their assets, property and possessions as collateral for a loan or turn them into capital. As a result, the enterprises of the poor are very much like corporations that cannot issue shares or bonds to obtain new investment and finance. Without representations, their assets are dead capital. By contrast, in the West, every parcel of land, every building, every piece of equipment, or store of inventories is represented in a property document. Thanks to this representational process, assets can be used as collateral for credit and generating capital (de Soto, 2000).

Zorica Golia promotes the same idea through crowdfunding: “the most of the poor countries in South- east Europe or more precisely Western Balkan countries, and Asia, Africa, the Middle East, and Latin America already possess the assets they need to achieve entrepreneurial ventures. [However] in these
countries … people cannot use their small resources for venturing and investing in ventures because of lack of legal property rights and proper technological infrastructure to reduce transaction costs between them.” In this paper, Zorica shows the linkage between crowdfunding and the potential of fund raising in the developing countries.

First she posits that the population of developing countries has the habit of holding quite considerable sums of money at home, and not with commercial banks and other financial institutions, so that significant financial resources remain outside the banking and financial sector and there is no precise data on them. Zorica Golic quotes World Bank (2013) to notify that much as 344 million households in developing countries are able to make a small investment in a crowdfunding business community. This is a huge potential.

Second, she advances that crowdfunding can transform household savings in developing countries into investment potential, and provides many examples of crowdfunding campaigns that enabled individuals and entrepreneurs to realize their projects in their own country -such as the company Foto pogon in Croatia which created a digital darkroom for developing black and white analog photos taken by smartphone thanks to crowdfunding.

Third –and finally- she affirms that crowdfunding allows entrepreneurs from developing countries to reach investors and buyers not only from within their national markets, but also from around the world. National residents in the diaspora could also promote and contribute to the projects from their home countries. She reminds that with more than 30% of the world’s population having access to Internet, and about 85% using mobile phones, and with a growing number of smartphones users around the world, many communication barriers are eliminated and costs significantly reduced.

Zorica Golic suggests different axis of research that the reader will discover with interest. We believe that her paper can also give place to a breakthrough research around two basic inquiries:

- Are there sufficient small savings in the developing countries (and within the poor households in the developed countries)?
- Can these savings be collected through crowdfunding for entrepreneurial ventures and incorporating?

A research around these inquiries not only tests the theses of de Soto and Golic; but also constitutes a multidisciplinary breakthrough in studies of development, entrepreneurship and poor economics.

The bottom line is that crowdfunding can awaken small cash reserves and savings, which exist in informal economy and poor households; and accordingly spur modest individual initiatives. Conventional banks can also join and contribute to crowdfunding of entrepreneurial projects.

Alike Zorica Golic, Beyza Oba studies the potential of crowdfunding for funding small businesses in an emerging country. Her question is: Can crowdfunding provide a solution for the financial problems of SMEs in Turkey?

The question is interesting because of the case’s (Turkey) peculiarities: financial and banking system’s preference for the big business, limited resources for financing small firms, dependence of small and medium sized enterprises to bank loans and personal networks for financing, reliance of the economic development model on big business dominated by few families, dominance of a centralized and bureaucratic state, newness of crowdfunding, little number of platforms, legal constraints, etc.
In this state of things, Oba explores the potential of crowdfunding to promote funds for small ventures in Turkey. Her research method is based on semi-structured interviews through four crowdfunding platforms operating in Turkey through (fonfogo, fonlabeni, bi’ayda and crowdfon). The findings of Bayza Oba are worth reporting:

- Turkish crowdfunding platforms basically utilize reward based and pre-order models;
- Lending and equity-based models cannot be implemented due to legal limitations;
- Crowdfunding can be a viable microfinance instrument especially for projects that are not backed-up by state institutions.

In the continuation of this paper, a research line can aim to find out if there are sufficient amounts of savings and cash hold informally by the Turkish families – as Zorica Golic did in her area of research and if than they can be channeled by crowdfunding processes topward entrepreneurial ventures.

As recent financial crisis produced massive distrust and dissatisfaction with commercial banks, nonstandard types of arrangements grow in importance. One such arrangement is slow money. Slow money, like crowdfunding, involves groups of individuals, not institutions, for providing funding. Jung Aymeric compares these two models in his contribution “Crowdfunding and Slow Money: Challengers or Partners – A field Perspective.” He begins his paper with a simple observation: People, who observed the impotence of the state, often affected by high levels of public debt, took the initiative to cope with the destructive fallouts of the financial crisis that peaked in 2008. They protested (“Occupy Wall Street” in the United States, “Indignados” and “Podemos” in Spain, etc.), and also tried to pass by the conventional financial intermediaries. They leveraged their social ties to unlock funds between individuals who had extra funds to those who needed them.

Our author wonders if crowdfunding and slow money are challengers or partners. Their rationales are similar. They both resort to people for supporting project-initiators and entrepreneurs. Aymeric Jung who contributed to the introduction of slow money into the French speaking countries, finally come up with the conclusion that crowdfunding and slow money are at the same time challenger, different, and complementary.

The author finishes by positing that a new spirit of capitalism and market economy is emerging out of the financial crisis of 2008: a new paradigm of investment by linking different economic agents around projects. The people-based solutions for financing entrepreneurial and local purposes might be the starting point of a new model of economy, tentatively described as sharing, circular or collaborative. The driving force is the search of a balanced economic model.

Aymeric Jung lays a solid foundation for some further research. It would be highly interesting to extend this comparative analysis by considering a set of slow money organizations and different types of crowdfunding platforms, for profit, nonprofit, promoting investing or social causes. The comparison will be based on a strategic concept such as a model of business model: How do crowdfunding and slow money compare in terms of the theory of business model?

In “Separating the wheat from the chaff: Sharing versus self-interest in crowdfunding”, Sahakian and Servet consider crowdfunding as part of the growing interest in the sharing economy. They remind us quite rightly that crowdfunding gives rise to both new lucrative credit markets based on competition, but also new solidarity practices between people, often through the Internet. Their main distinction is in differentiating self-interest sharing from what they term ‘communal sharing’. Self-interest sharing is
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based on individual pecuniary gain, while communal sharing makes products and services, including financial services, available based on wider, societal needs replacing the private property paradigm by that of usage.

In this perspective, they expose the idea of “common pool resources”, coined by Elinor Ostrom (2001/1990) who provided a counter-argument to Hardin’s Tragedy of the Commons and his restrictive interpretation of the commons. For Hardin, common (natural) resources are either subject to overexploitation by users, or (to circumvent misuses) regulated by centralized political powers. Ostrom suggests a third approach and asks a seminal question: how individuals who are in an interdependent situation can organize and govern themselves to obtain continuing joint benefits when all face temptations towards free-riding, shirking or opportunism?

In the view of Sahakian and Servet, sharing solely for pecuniary gains or for simply wanting to give can be a limited vision of sharing. They consequently establish a distinction between transactions of ‘sharing based on self-interest’ versus transactions based on ‘communal sharing’. ‘Communal sharing’ involves an identification of needs beyond those of interested parties towards broader social and environmental goals. Accordingly, they distinguish between two modes of functioning for crowdfunding platforms. Those platforms which evaluate projects solely to secure solid returns on investment; and those which evaluate projects according to social, cultural, ethical or environmental appropriateness within a perspective of solidarity, and where pecuniary gain can be present but is secondary. In reality, these are not two sides of a coin, but rather there are degrees to which crowdfunding tends towards one or the other mode of functioning.

This contribution opens a discussion towards key themes, which merit further discussion and study. The first theme is how to apprehend and assess the notion of self-interest in transactions. One can consider markets as involving self-interested people achieving their goals jointly through transactions, which implies the mutual satisfaction of self-interested people. Could self-interest not also lead to solidarity? For example, self-interest that aligns personal interest with societal needs could lead to the same end goal. When Mother Theresa uses her Nobel Prize award to build a centre for lepers, she may be aligning her self-interest with notions of solidarity. One interpretation of self-interest is that individuals can use more of their limited resources – with efficiency and effectively – to advance certain goals, which they value and which may also be societal goals. At the level of enterprises, self-interest can also be highly responsive to consumer demand. Companies can, for example, integrate social, ethical and environmental dimensions in their product and service offerings, and engage in corporate social responsibility campaigns (Read Assadi’s contribution In search of business model in this book). Could these actions also lead to greater solidarity?

Some authors put this issue of self-interest in perspective. For Adam Smith (1759), How selfish so every man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. He also adds, Man ought to regard himself, not as something separated and detached, but as a citizen of the world, a member of the vast commonwealth of nature and to the interest of this great community, he ought at all times to be willing that his own little interest should be sacrificed (1759). In other words, our self-interest includes the development of our benevolent nature. In an essay, Friedrich A. Hayek writes: … the belief that individualism approves and encourages human selfishness is one of the main reasons why so many people dislike it.
A second line of questioning might relate to the notions of voluntary or involuntary transactions. Most transactions should be voluntary, yet Sahakian and Servet argue that certain power relations could create more mechanical inter-relations, based on need and greed, rather than a more democratic economy that includes all and diverse members of society in the different transactions. This raises the question of how to gauge what types of transactions are actually taking place, as this presents relevant methodological challenges. Here again, we can consider degrees of democratization in transactions.

Finally, moving beyond an analysis of transactions, it would be highly relevant to question the actual environmental and social goals achieved by crowdfunding projects in a more solidaristic economy, from theory to practice. The notion of “achieving broader societal aims” can be highly normative and culturally grounded. This also leads to a related theme, that or trust: who is responsible for upholding certain values in crowdfunding projects that involve communal sharing, who regulates and assess such projects, and what happens when projects that tout lofty goals fail to achieve their aims? The authors raise the question of governance and trust, but these issues merit to be explored in more depth.

Rasoul Namazi is a researcher in political science. The reason of his contribution, “Do the Social Web 2.0 Media Foster Democratization?”, in a book on economic and strategic issues is explained in the first paragraph of his paper:

*The impact of the Internet and mainly the Web 2.0 technologies ... on different domains of society, particularly on economy and business has given birth to many research and publishing projects. This book is an example of these studies ... Crowdfunding is one example among many others such as home exchange, car-pooling, and circular economy. The turning point of these ... endeavors is the democratization of the business processes ... between a great number of individuals possible. Does this process of crowd involvement lead to democratization of the authoritarian regimes in the political sphere?*

The answer of Namazi, through a well-structured paper, is negative. *It would be a mistake to attribute optimism regarding the political promises of the Internet*, believes Namazi. The peculiarity of this paper is that it challenges the examples that seem to be the symbols of the positive impact of information technologies on citizens empowerment: The use of social-networking technologies to fuel the Barak Obama presidential campaign (Talbot, 2008); the massive recourse to Twitter, Facebook, YouTube, IPTV and iReport—still fairly new among Westerners—by younger Iranians to rise up and revolt against Iran’s disputed tenth presidential election on June 12, 2009 (Rohani, 2009; Sreberny & Khialiay, 2010), the Role of ICTs in the Arab Spring (Allagui & Keubler, 2011; Newsom et al., 2011), the affordances of the Internet for horizontal communication, activist organization and political participation during the Gezi Park demonstrations of summer 2013 in Turkey (Yesil, 2015).

We believe Namazi’s skepticism can mainly be explained by two remarks:

- First, he regards democratization as a stabilized regime. However, from a research point of view, democratization might solely refer to the empowerment of the governed –with or without the governors’ consent. Considering the above distinction, further research projects on impact of the social media on polity and politics might differentiate between the governed empowerment and the transformation of a governing instance from authoritarianism to democracy. Zorica Golic provides in this book examples of people empowerment thanks to both crowdfunding and the social media. Similarly Beyza Oba recounts that the first crowdfunding platform has been created during Gezi protests in June of 2013. Three Turkish citizens launched a crowdsourcing campaign in
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Indiegogo to fund a full-page advertisement in the front page of New York Times asking for support to Gezi protestors. The announcement received more than US$ 2,500 donations per hour in its first day, crossing its US$ 53,800 goal in about 21 hours. Besides reaching its goal, the campaign also has been successful to raise awareness about the issue in Turkey.

- Second reason of Rasoul Namazi’s skepticism, we believe, derives from the fact that he does not distinguish between means and results. He notes: There has been much discussion about the role of Twitter, Facebook and YouTube in these revolutions ... But nearly all the Arab countries involved in the 2011 so called Arab Spring revolutions have seen their democratic movements collapse.

Fair enough. But does failing to finally elaborate a democracy (result disappointment) mean that the social media have not been successful to massively mobilize people by people for demonstrating (means efficiency)? If mobilization means bringing people to the street in the absence of the government control, as Namazi himself suggests, then it is clear that social media constitute a powerful means for bringing millions of individuals into streets. Non-conclusive movements do not signify absence of mobilization at all. In many countries, the governed employed the social media for organizing the most popular uprisings without being inspired or invited by any prominent charismatic leaders.

A lack of success in result does never mean an irreversible flop. From an entrepreneurial vantage, success often starts with failure. Almost all contributions to this book encourage individuals (peers) to seize the opportunities offered by crowdfunding and the social media without giving any illusion about success-guaranteed-per-each-effort. It would not be entrepreneurship.

In any case, the contribution of our political research is welcome here, because it opens the door to new multidisciplinary dialogues and discussions. With crowdfunding and the social media, economics, strategics, and politics have never been so close.


SOME MORE LINES OF RESEARCH

We have already suggested venues of research for each of the contributions in the preceding lines. Contributors also submit ideas of further research for their papers in the forthcoming lines. To satisfy the interest of this book for research, we add a few more suggestions hoping to be useful for the research and joint projects among them.

1. Is Culture Determinant for Adoption of Crowdfunding? For this inquiry, a method of regression analysis can be envisaged. The dependent variable would be the crowdfunding volume, and the independent variable could be the Hofstede’s cultural factors such as uncertainty avoidance, individualism vs. collectivism, etc. Besides studying the direct influences of cultural factors, the interested researchers might consider the effects of trust and confidence on crowdfunding volume. The following article might be useful for this project:
2. **IT: Impact on Adoption and Development of Crowdfunding:** If as we have posited earlier the Web 2.0 tools constitute the founding technologies for crowdfunding, then a research line could be exploring the relations between the social media penetration and the adoption of crowdfunding. In this perspective, the following articles might be useful:
   c. Kshetri (2015) explores popularity and credibility of the crowd-based online technology for raising funds. He seeks to provide a better understanding of the effects of formal and informal institutions on the success of a crowdfunding project. It also analyzes how the effects of different types of formal and informal institutions are likely to vary across the different types of crowdfunding.

3. **In-Vivo Consumer Studies through the Online Social Media:** Researchers can also exploit and analyze the content of the conversations on the platforms and in particular on the Web 2.0 technologies to better understand the attitudes and behaviors of project initiators, contributors, or other stakeholders. Qualitative content analysis programs such as NVivo and Sysmos, can now automatically gather conversations and expressions on the social media such as Facebook, Twitter, or any other text-based social media streams, analyze them, and visualize the results.

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