

## COMPARATIVE ANALYSIS STUDY OF SELECTED ALTERNATIVE FINANCE

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### Abstract

Alternative finance industry is considered as an industry with various financial channels that have a position outside of the traditional financial system. Currently, the alternative finance market is emerging the economy. This article presents an analysis of two alternative finance tools, crowdfunding and venture capital. The analysis is a part of a larger research project which is focused on the alternative finance market. As the topic itself is quite new, the paper focuses first on the identification of the theoretical background. A comprehensive theoretical review follows, a study investigating selected aspects and the position of these alternative finance tools on markets is provided. A comparative study was conducted using data mapping several important areas related to venture capital and crowdfunding investment. The results of the analysis provide an answer to the question what the position of the discussed alternative finance instruments within the Czech market is in comparison to selected EU countries and open questions for further research.

### Keywords

Alternative finance; Crowdfunding; Venture capital; Analysis.

### Introduction

Alternative finance represents a very fast growing segment. This segment does not pose a single definition. One of the commonly discussed definitions describes financial instruments which are not in mainstream of traditional financial ways [20] or [5]. There is a very few systematic research to benchmark the alternative finance market, nor to educate policy makers, public. One of the best known researches, *Sustaining momentum, the 2<sup>nd</sup> European alternative finance industry report* [35], associates alternative finance with online environment and describes a rapid growth across Europe during last several years.

The purpose of this presented analysis is to gain information about the situation, more precisely, the position of venture capital and crowdfunding in the Czech Republic and in other three selected countries.

Many important changes have occurred on the financial market, not only in the Czech Republic, but in the whole EU. The market is constantly changing and is reflecting economic changes, but also the cultural and social ones are considerably important too. Alternative finance started to thrive on the market. The development of the market has significantly changed conditions and requirements for financing new or existing ventures.

Financial needs and options of entrepreneurs are changing as the business grows [33] or [14]. Entrepreneurs have now the option to combine traditional financial sources (e.g. personal saving, friends, family, bank loans) with newer types of finance sources (angel investors, venture capital, microfinance, crowdfunding or invoice trading) [28], [6].

This research focuses on the description of two models of alternative finance, especially on their division into several segments and their classification into an own ranking system, i.e. by showing the factors that play a key role in understanding and development of the concept. Crowdfunding and venture capital are discussed in more details. Crowdfunding is a financial tool that enables to fund business, cultural or social activities. Moreover, it enables involvement of wide audience and it is understood as the most favorite alternative type of finance instrument; it holds the 1st place in ranking on the EU alternative finance market [35]. Understanding venture capital as an alternative source of financing varies. There are many experts who understand venture capital as an innovative and special source of financing, e.g. Chemmanur and Fulghieri [11], or Metrick [19]. The Czech Republic is relatively specific in the venture capital financing. The market is small and not yet well developed. However, improvement steps are observed. Based on the World Economic Forum [32], the Czech Republic took the 34th ranking from the total of 138 compared countries (in 2015 it was the 42<sup>nd</sup> place) when comparing availability of venture capital. What venture capital and crowdfunding have in common is that they currently tend to show signs of a rapidly increasing tendency to become a possible finance instrument for new business venture (or an existing one).

The findings of our research help to understand the aspects and environment of non-typical ways of financing. The analysis can indicate a gap and opportunities for the non-traditional financial market. Moreover, results can show further research orientation in order to support broader concept of such kind of financing.

## **1 Venture Capital**

Venture capital is still considered as alternative type of finance by the majority of experts, e.g. Gompers, Lerner [17] or Schefczyk [27]. It tends to show some similar aspects as crowdfunding, microfinance or community shares. On the other hand, this kind of investment is strongly innovatively oriented on high business potential. In many countries worldwide it still does not belong to the mainstream of financing system.

Venture capital is based on the principle of investing money through professionally managed funds. It is an alternative finance source dedicated to innovative projects and ventures with a high growth potential [7]. Wealthy individuals invest in this fund as limited partners. A fund enters into an enterprise and provides it with the necessary capital, by which it gains an appropriate, generally minority share [25]. Companies with venture capital tend to have risky and positively skewed return distributions with a high probability of weak returns [26] or [31]. Whereas crowdfunding type of financing enables funding a wide variety of (non)business activities, venture capital mainly concentrates on high innovative projects with strong business focus.

Venture capital can be used in several stages of the business life cycle. Very common is using this source in the early stage of the business venture. In contrary to crowdfunding, the impact of using venture capital in business ventures has been discussed several times, e.g. EVCA [12], Frontier Economics [15], Strömberg [29], Groh et al. [18], or Bottazzi, Da Rin [4]. In all studies the impact and influence of venture capital has been discussed mainly according to several areas, such as innovation and research and development level, productivity measured by various economic indicators, or competitiveness and business environment. These indicators are significantly affected by legislative regulation. At this point, it is very important to mention The Alternative Investment Fund Managers Directive [10] which regulates this kind of investment in the whole European Union and will be mentioned later in this text.

## **2 Crowdfunding**

Crowdfunding including peer-to-peer lending is currently at the top of the alternative finance instruments. It is the mainstream which attracts massive investments from various subjects of public [35], [36], or [9]. The availability of such an alternative finance instrument has an important role in stimulating economic development. Its power dwells in immediate reaction and interconnection with funders and fundraisers. Furthermore, its concept supports building sustainable network with stakeholders through collaborative funding.

Fraser et al. [14] ask what we know about entrepreneurial finance and its relation with growth. They mention that entrepreneurs may feel discouraged from applying for finance for several reasons, such as because of the perception that they will have their applications turned down or due to not having adequate information. Crowdfunding offers a solution to this problem. The overall concept is easy to provide and quick for a finance applicant. The principle represents more diverse and transparent way to invest/borrow money. Several concepts are available, such as peer-to-peer consumer or business lending, equity-based, reward-based and or donation-based model. This alternative type of finance also means a delicate approach to investment. It keeps the balance so people won't be crowded out by huge sums of money.

Having been born from crowdsourcing, crowdfunding itself has wide roots. The idea of the concept is similar to crowdsourcing but it does not deal only with finance but with sharing ideas, feedbacks or solutions [3]. Even though crowdfunding is still a new phenomenon and it struggles with poor supply of adequate data, there are several studies discussing factors and conditions for its development available, e.g. Bruton [5] or Zhang et al [35]. Each of these studies mentions the importance of several aspects playing a significant role in development such as regulatory framework, cooperation with other subjects (e.g. banking industry), the volume of the invested amount, future expectations and also approximated potential for the growth of this type of business.

## **3 Aim of Research**

The market of alternative finance represents a fast-growing area, but there is still a need for more information regarding the situation in this industry. The call for more information led to the establishment of the main aim. The main aim of this paper is to characterize the position of the selected alternative finance instruments with special emphasis on the Czech Republic. The alternative finance instruments are presented by venture capital and crowdfunding. The main aim is subdivided into several individual sub-goals:

1. To provide theoretical background of alternative finance instruments.
2. To analyze and determine the position and degree of using venture capital and crowdfunding within the Czech Republic and selected EU countries.
3. Based on the provided comparative analysis to identify and comment on key aspects of the discussed alternative finance tools.

## **4 Methodology**

To deal with the topic, a standard procedure is provided based on preparation, executing, evaluation and interpretation phases. During the preparation phase literature review was provided, followed by the executing phase when data were analyzed. Afterwards review on the position of alternative finance in selected countries was executed in form of an analytical output. Analytical output helped to interpret the data gained during the phases of executing and evaluating.

Two research questions were provided:

- “What is the position of venture capital within followed criteria in the observed EU countries?”
- “What is the position of crowdfunding within followed criteria in the observed EU countries?”

Two chosen research approaches are applied. Descriptive, which is mapping the study field, and explorative, helping to identify the position on the alternative finance market. The study is conducted while using analysis-synthesis and comparative method. Comparative research is divided into 2 sections. The first one addresses the area of venture capital, the second one focuses on crowdfunding. In both cases the position of the Czech Republic is confronted with other three EU countries (Austria, Estonia and Slovakia). The countries were selected a priori to follow similar economic activity based on GDP per capita, then based on inspiring results in processing venture capital and crowdfunding activities and last but not least based on the increasing number of Czech investment activities in these countries (especially in the case of Austria).

First, comparative research of the area of venture capital was provided. For the planned research data were identified, gathered and calculated based on 3 most important sources: the data from the European Venture Capital Association (EVCA), from the Organisation for Economic Co-operation and Development (OECD) and from the World Bank (Doing Business Project). Furthermore, the Venture Capital and Private Equity Country Attractiveness Index [18] was also used as an inspiration source for setting the comparison criteria. The index provides up-to-date aggregated information on the quality of the investment environment and on the assessment of the easy transaction-making in 125 countries and drafts the Czech Republic is on 56<sup>th</sup> place of the attractiveness of venture capital investment. Afterwards, the comparison criteria were set. The criteria were carefully chosen in regard to data availability and to theoretical review mentioned in the text above. The comparison criteria are described in Table 1.

**Tab. 1:** Comparison criteria – venture capital

<b>Venture Capital</b>	<b>Venture capital investment / GDP</b>
	Venture capital investment/total risk capital investment
	Number of companies which were invested by venture capital
<b>Total rating</b>	
<b>Regulation, Research</b>	Government support programs
	Date of acceptance <i>AIFMD</i> *
	<b>Research and development expenditures / GDP</b>
<b>Total rating</b>	
<b>Business environment</b>	Starting a business – rating
	Getting credit – rating
	Protecting minority investors - rating
	Resolving insolvency - rating
	Paying taxes - rating
	<b>Average rating</b>
<b>Total rating</b>	
* <i>AIFMD</i> = Alternative Investment Fund Managers Directive	

Source: Own based on [13], [21-24], [30]

The criteria are divided into 3 main areas: (a) venture capital activities with the risk capital investments, where the main criterion chosen in this area was the indicator of *venture capital investment / GDP*; (b) research and development and regulation, where the main criterion

chosen in this area was the indicator of *research and development expenditures / GDP*; (c) business (investment) environment, where the ranking is calculated as arithmetic average of all indicators. All data are calculated for the year 2015 to ensure data availability for all observed countries. Final ranking is shown in Table 2.

**Tab. 2: Ranking – venture capital criteria**

Area / Rating	A	B	C	D	E
Venture capital investment / GDP	$\geq 0.03\%$	0.029% – 0.01%	0.009% – 0.001%	0.0009% – 0.0001%	$< 0.00009\%$
Research and development expenditures / GDP	$\geq 3\%$	2.9% – 2%	1.9% – 1%	0.9% – 0.1%	$< 0.09\%$
Business environment – average rating	1. – 20.	21. – 35.	36. – 50.	51. – 65.	66. +

Source: Own

On a similar basis analysis of crowdfunding activities is provided. Again, activities in the Czech Republic are compared with those in 3 chosen EU countries (Slovakia, Austria, and Estonia). The main criteria for the selection are described above. As a starting point for the comparison, the Alternative Finance Maturity Index [6] was selected. The index captures the causes behind the current state of crowdfunding in the EU countries. It provides a list of 15 research areas which assess the maturity of this alternative finance industry. Further, the basis of this index was divided by the author into 3, more precisely 4 areas: (a) volumes (volumes of invested finance per capita), (b) regulations, (c) approach of the banking industry and (d) potential. Based on this analysis, final ranking and comparison is provided. Each analyzed segment is evaluated on the scale from A – E (A means the highest score in the observed area, E the lowest one). Detailed evaluative criteria are described in Table 3.

**Tab. 3: Ranking – crowdfunding criteria**

	Volumes of invested finance per capita	Regulatory framework	Approach of the banking industry	Potential
<b>A</b>	Excellent results in all types of crowdfunding	Complex regulatory framework	Banking industry shows significant interest in cooperation, acts actively in this industry and tries to develop it	High potential with enormous growth forecast
<b>B</b>	Above-average results plus one of the crowdfunding category with excellent result	Partial regulations, in close future will be improved	Banking industry is active in this industry	High potential with slight growth forecast
<b>C</b>	Average results plus one of the crowdfunding category with above-average results	Regulations are only selective, based on particular legislation, no improvement is expected in the near future	Banking industry was in past active in the crowdfunding industry	Slight growth forecast with occasional fluctuation

<b>D</b>	Below-average results plus one of the crowdfunding category with an average result	Poor regulations, unfavorable situation for crowdfunding	Banking industry does not show any kind of activity in crowdfunding	Very few opportunities for growth
<b>E</b>	The crowdfunding market almost does not exist	Completely missing regulations	Banking industry tries to decrease crowdfunding activities	No opportunities for growth, forecast of future closing of this market

Source: Own

## 5 Results and Discussion

The following text shows the results of comparative analysis in the case of two models of alternative finance – venture capital and crowdfunding. By each observed EU country partial conclusions are provided when at the end of the subchapter general conclusion is drawn.

### 5.1 Venture Capital

General issues of venture capital were described in the text above. The following text deals only with information related to comparative analysis. All data in Table 4 were calculated based on EVCA, OECD and World Bank data.

**Tab. 4:** Comparison criteria – venture capital

Indicator		Czech Republic	Estonia	Slovak Republic	Austria
Venture Capital	<b>Venture capital investment / GDP</b>	0.00102%	0.015%	0.0091%	0.0329%
	Venture capital investment/total risk capital investment	12.07233%	20.965%	74.8617%	10.2153%
	Number of companies which were invested by venture capital	7	65 **	24 ***	109
<b>Total rating</b>		C	B	C	A
Regulation, Research	Government support programs	YES	YES	YES	YES
	Date of acceptance AIFMD *	August 18, 2013	April 16, 2014	June 22, 2013	June 5, 2013
	<b>Research and development expenditures / GDP</b>	1.947%	1.495%	1.18%	3.07%
<b>Total rating</b>		B	C	C	A
Business environment	Starting a business – rating	81.	14.	68.	111.
	Getting credit – rating	32.	32.	44.	62.
	Protecting minority investors – rating	53.	53.	87.	32.
	Resolving insolvency – rating	26.	11.	30.	18.
	Paying taxes – rating	53.	21.	56.	42.
	<b>Average rating</b>	49.	26.	57.	53.
<b>Total rating</b>		C	B	D	D
Data are calculated for the year 2015. * AIFMD = Alternative Investment Fund Managers Directive ** Data reported for all Baltics countries, Estonia data were not available *** Data reported regarding EVCA statistics. Category “other CEE” was used (includes totally countries Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Slovenia and Slovakia). Slovakia data were not available.					

Source: Own based on [13], [21-24], [30]

Partial commentary on the venture capital analysis:

- Czech Republic – C is based on the analyzed data rating in the venture capital category. Venture capital financing is not so common under the Czech conditions. The number of venture capital investments according to GDP per capita is not high. Most of these investments were also noticed by ventures in their development stage of life-cycle. Based on EVCA data [13], the most active venture investor in the Czech Republic was from

Poland. Regarding the second category, the ranking is B. Czech Republic accepted the AIFMD very soon after the EU deadline (July 22, 2013). The research and development expenditures/GDP do not reach the limit of 2%, but continuous growth is forecasted. The last category got ranking C. In general, the business environment obtained average evaluation; especially evaluation of starting a business is very poor. In comparison to other evaluated countries, Estonia possesses the best conditions.

- Estonia – Estonia is quite a small country and in analytical studies it is very often related to other Baltic countries. However, Estonia is perceived as a country with favorable conditions for start-ups (e.g. business ventures such as Taxify, Lingvist). In comparison to the Czech Republic, Estonia reached better rating in the first category (B). This fact is due to higher Estonian activities in the venture capital branch and also due to quite an unsuccessful year of Czech venture capital activities. The most active investors came from Austria, the United Kingdom and Poland and provide more than 50% of all risk capital investments [13]. Regarding the second category, the ranking is C. Estonia accepted the AIFMD almost one year after the EU deadline (July 22, 2013). The research and development expenditures/GDP do not reach the limit of 2% which is even lower than in the Czech Republic. Despite the C ranking in the second category, the third category evaluating business environment proved good conditions for business ventures (B ranking). This fact is mainly thanks to the fact of e-government development and its processes.
- Slovak Republic – Venture capital is considered as not strongly developed in this country. This fact confirms also EVCA's statistics [13] showing that in years 2007-2015 the Slovak Republic was recorded only in group "other CEE". In the observed year there was only one risk investment which was not from the category venture capital. The ratio of venture capital investments to GDP is not high and confirms the lower activities in this kind of finance instrument. The ranking is C. On the other hand, the Slovak Republic was among first countries who accepted AIFMD and since 2009 there has been a systematic governmental support of risk capital investments. However, the rating in the second category is C. Business environment conditions are rated as D which signaled area for future improvement.
- Austria – based on the Venture Capital and Private Equity Country Attractiveness Index [18] Austria has the best position in comparison to other analyzed countries. Austria signaled higher activity in the branch of venture capital instruments. During the observed time period there were investments into more than 100 companies in the early stage of their life-cycle. It may seem that the area of venture capital is not so developed, but the opposite is true. Risk capital is quite developed and that is why venture capital represents only a tiny part of this financial instrument. The ranking is A. This country got A ranking also from the research and development perspective. Austria is considered as one of the top EU countries in financing research and development [16] and also as a country with widely developed start-up support. However, the business environment is not evaluated satisfactory (D) and the evaluation is on the last position in comparison the other evaluated countries.

Based on the provided analysis, it is clear that the Czech Republic is not in the best condition regarding using the venture capital as an alternative finance instrument. Especially, the first observed category (venture capital investment) showed enough space for improvement. For example, the indicator *venture capital investment / GDP* is ten times lower in comparison to Estonia's figure. Other categories demonstrate more satisfactory data. Especially in the area of research and development the Czech Republic is in a fair way. A very key factor seems to be the future development of National Innovation Fund which can be very helpful for the venture capital activities. Business environment is evaluated as being in average condition for

the development of venture capital. Especially rating of starting a business reached poor evaluation.

## 5.2 Crowdfunding

The principles of evaluation are set on the same basis as in the case of venture capital. The position of the Czech Republic and other 3 EU countries was evaluated. It is important to mention that getting the crowdfunding data is partially very difficult due to missing central statistical data. The analysis in Table 5 is provided mainly with the latest possible available data (year 2016, partially 2015).

**Tab. 5:** Comparison criteria – crowdfunding

	<b>Czech Republic</b>	<b>Slovak Republic</b>	<b>Estonia</b>	<b>Austria</b>
Volume of invested finance per capita	B	B	A+	A-
Regulatory framework	C	C	C-	A+
Approach of the banking industry	B	B	B	B
Potential	A-	B-	A	A
<b>Total rating</b>	<b>B</b>	<b>B-</b>	<b>A-</b>	<b>A</b>

Source: Own

Partial commentary on the crowdfunding analysis:

- Czech Republic – The highest volume of invested finance was in 2016 reached in the category peer-to-peer (approximately 420 million CZK, especially thanks to the company Zonky). The second widespread type is reward-based crowdfunding; in 2015 it reached approx. 46 million CZK, in 2016 more than 55 million CZK (especially thanks to HitHit and Startovač platform). As a positive fact seems to be also the development of another crowdfunding type, equity-based model (especially thanks to Fundlift platform). In total, 42 million CZK were invested in 2016 [36]. On the basis on this information, the first observed category was ranked as B. At the moment, there is a little legislative framework progress. There are some legislation examples dealing partially with some of the crowdfunding specifics. Generally, the regulation can be divided into 3 categories – regulation of collecting finance from public, regulation of consumer and regulation against money laundering. Specific for this segment is Act No. 256/2004 – Capital market undertaking act. Each platform dealing with equity-based crowdfunding is regulated by this act [34]. In the end of 2017, or in 2018, United European legislation for crowdfunding segment should be presented by the European Union. Even the development of National Innovation Fund may be helpful for legislation improvement as there is currently no overall legislative concept for this segment. Also, no near future improvement was announced. The rating for this segment is C. The approach of banking industry is evaluated as B. There was detected some effort in the past, especial in 2014 with the project “Odstartováno” launched by Raiffeissen bank, but it is over now. The most significant current example showing interest of banking industry is the peer-to-peer platform Zonky. Zonky is one of the key players on the Czech market and it is a project coordinated by the financial group PPF, more precisely by Home Credit. Year 2016 shifted crowdfunding activities toward better perspective. A new platform for equity-based activities was launched, existing peer-to-peer platforms reached significant increase in invested volume and the reward-based segment showed up with several high-quality products and campaigns. Participation in the Kickstarter platform is one of the open questions in the Czech crowdfunding world. Kickstarter is a world famous platform and direct participation would help Czech campaign authors. Czech participants can arrange a



campaign only by using a middleman. However, Czech crowdfunding is in a fair way. The last year brought a lot of changes and higher public participation. One of the future challenges is mainly the governmental and legislative approach. The overall potential is evaluated as A-.

- Slovak Republic – Crowdfunding in this country is in a similar position as the Czech Republic. The activities started in a form of donation-based model in 2007. Donation-based model is very popular. In 2015, several platforms reached an amount of approx. 48 million CZK. The reward-based model was launched later in 2014 when Czech platform HitHit joined the Slovak market. Besides the key player, HitHit, there are a few smaller platforms (e.g. Marleada, StartLab) who gained approx. 1.6 million CZK in 2016. Equity-based model is in pretty the same situation as the Czech market in its early stage. Since 2015 to present it has been possible to collect an amount of approx. 66 million CZK. In peer-to-peer segment the situation is quite similar to the Czech Republic. There is one key player, Žltý melon. This platform collected 67 million CZK from 2012 to 2016 [6]. Interesting is the fact that crowdfunding kept a large portion of attention not to business ventures, but to other ventures. Most attention is probably paid to peer-to-peer lending. The rating is B-. Regulatory framework is in the same situation as in the Czech Republic, ranking C. No overall regulatory framework is currently available, only legislation partially covering some specific areas. Banking industry is again very similar to the Czech situation and ranked as B. There might be seen some efforts, such as by the platform Žltý melon that succeeded with a cooperation with investment group FTK Invest, but there was no other significant cooperation. Crowdfunding in the Slovak Republic has different roots. It is based on donation-based type, followed by peer-to-peer segment. The other types, such as reward and equity based, are in their very early stage. The potential for further development is ranked as B-. It may be very helpful to integrate common regulation and to open the equity and reward-based market more for new platforms. The crowdfunding market in this country may be considered as important and it is expecting growth especially via peer-to-peer lending and equity-based type.
- Estonia – Estonia is a country approximately seven times smaller than the Czech Republic. It is one of the few countries that are supporting massive spread of this alternative finance source and especially the peer-to-peer type model is very successful there. In 2009 platform isePankur was established (currently active under name Bondora). In 2015 Estonia reached the second best place in volume of invested finance per capita. This fact is caused by two factors: a significant spread of peer-to-peer lending and a relatively small alternative finance market. The most famous platform for reward-based type Hooandja launched several projects in a total amount of 4 million CZK. Equity-based model is a relatively new type in Estonia, mainly represented by platform Fundwise with approximate invested amount of 12 million CZK [6]. As mentioned above, the most favorite is the peer-to-peer model. The strongest representative is platform Bondora with the invested amount of 675 million CZK. Furthermore, there is one interesting platform called Estageguru which specializes in real estate lending. The invested amount on this platform is high, approx. 320 million CZK [6], [36]. The total rating is A+. Its legislative framework is very close to the system in the Czech Republic or in the Slovak Republic. Compact legislation dealing with this topic is missing, again only partially solving. For example, equity-based platforms must have their own investment license and since 2006 also peer-to-peer platforms have had to fulfill this requirement. One of the difficulties is the current situation when only a maximum of 100 000 EUR could be fundraised from the public. Getting any investment over 100 000 EUR is very complicated and under strict conditions at the moment [6]. The total rating for this segment is C-. The approach of the bank industry is very similar to all other observed countries without any significant

exception. One of the best known examples is the cooperation of Swedbank that reached the amount of 1.1 million EUR for the reward-based and equity-based types [6]. Rating is B. Future perspective is currently valued on a very high scale, also with respect to previous successful crowdfunding projects. Especially, the segment peer-to-peer lending reaches over 100% increase annually and has still the potential for growth. The equity-based type is also very highly appreciated. As soon as it is possible to adjust legislative processes in a more convenient way, crowdfunding potential will be very strong. Currently it is evaluated as very significant, rating A.

- Austria – Austria is evaluated as one of the most important countries in the crowdfunding sphere [6], [36]. A very important step in the crowdfunding development was made in 2015, when a special law [1] dealing with this phenomenon was accepted. Every type of participant has now their exact position and knows his/her role in the process. One investor cannot offer an investment higher than 5.000 EUR to one project. Online platforms must provide clear information about the subject asking for investment, including all fees, rewards etc. Rating of this segment is A+. Year 2015 can be considered as very important for Austria alternative finance market. Since 2013 to first half of 2016 a total of 680 million CZK was invested to this segment, when during 2016 it was 370 million CZK from this amount [2]. Rating is A-; and strong expansion of this type of financing is expected there. In Austria, the approach of banking segment is on the same level as in other observed countries. Crowdfunding is accepted as one of the supplements to traditional finance system. Rating is B. Crowdfunding potential for the growth is very strong in Austria. Austria disposes of significant advantage that dwells in the complex legislative framework. The market is expected to be growing. Rating is A.

Based on the provided analysis, it is possible to sum up that the general position of the Czech Republic is satisfactory. In 2016 there were several successful campaigns and the key players on the market are expected to grow. A significant boom was monitored in peer-to-peer lending. Examples of Austria and Estonia can be an inspiration for future action in this segment; Austria in particular in the segment of regulation. Since the single regulation had been launched in Austria, during the following year Austria reached the same amount of invested finance as during previous three years. Clear legislative framework for all crowdfunding participants would support this segment strongly. Estonia is one of the countries that are connected with strong IT development and functional e-government. Since crowdfunding is mainly provided online, rapid increase is forecasted in Estonia. Such positive approach to IT and online platforms should be a clear hint for the Czech market.

## **Conclusion**

The article provides foundations for understanding new financial possibilities, especially two selected models that can now be used to start new ventures or help the existing ones grow. In the first part of the article, a review of the literature on emerging trends in alternative finance is provided, followed by setting the framework for a systematic comparative research approach. The base of the research is conducted on secondary research data which are further investigated and compared up to specified methodology.

Crowdfunding and venture capital (more precisely alternative finance in general) share a number of common features. They can be considered as an innovative approach in traditional financial systems and have diffused across the world. First, they allow offering entrepreneurs financial services that would otherwise be difficult to access. Second, they aggregate more financial funds/transactions which allow to pool investments in order to meet needs of new or expanding business venture. Crowdfunding is furthermore based on a platform-moderated approach that opens a playing field for smaller, individual transactions.

The research proved that over the last several years there have been a number of positive changes on alternative finance market. It also confirmed that the segment is expected to grow. The results pointed out only a tiny part of crowdfunding and venture capital aspects that play a role in understanding these financial tools as a future part of standard financial system. This provided analysis is a part of a larger research project which is focused on the alternative finance market. The analysis pointed out several issues that could be a future goal for stakeholders (e.g. government, online platforms, entrepreneurs, experts from various branches etc.) such as opening up a wider discussion about legislative regulations or more convenient business environment supporting these activities.

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## KOMPARATIVNÍ ANALÝZA VYBRANÝCH ALTERNATIVNÍCH ZDROJŮ FINANCOVÁNÍ

Trh s alternativními zdroji financování je považován za oblast, která stojí mimo tradiční systém financování. V současné době se tento trh dostává do popředí. Tento článek představuje analýzu dvou vybraných, alternativních zdrojů financování, konkrétně crowdfundingu a venture kapitálu. Tato analýza je součástí většího výzkumného projektu, který se zaměřuje na trh s alternativními financemi. Téma samo o sobě se stále řadí mezi ty novější. Proto se článek v první řadě zaměřuje na identifikaci teoretických informací. Následně navazuje studie, která rozebírá současné pozice těchto alternativních zdrojů financování, a to především na českém trhu. Je zpracována komparativní studie, která mapuje významné aspekty investic typu venture kapitálu a crowdfundingu. Výstup analýzy odpovídá na otázku, jakou pozici zaujímají tyto alternativní zdroje financování na českém trhu v porovnání s vybranými zeměmi Evropské unie. Zároveň otevírá další výzkumné otázky v této oblasti.

## VERGLEICHsstudIE AUSGEWÄHLTER ALTERNATIVEN FÜR FINANZIERUNGSQUELLEN

Der Markt für alternative Finanzierungsquellen wird als Bereich betrachtet, der außerhalb des traditionellen Finanzierungssystems liegt. Derzeit rückt dieser Markt in den Vordergrund. Dieser Artikel analysiert zwei ausgewählte alternative Finanzierungsquellen, konkret Crowdfunding und Venturekapital. Diese Analyse ist Teil eines größeren Forschungsprojektes, das sich auf den Markt für alternative Finanzen konzentriert. Das Thema selbst gehört nach wie vor zu den neueren. Daher konzentriert sich der Artikel in erster Linie darauf, wesentliche theoretische Informationen zu identifizieren. Anschließend folgt eine Studie, die die aktuelle Position dieser alternativen Finanzierungsquellen diskutiert, vor allem auf dem tschechischen Markt. Die ausgearbeitete Vergleichsstudie stellt wesentliche Aspekte der Art der Investition durch Venturkapital und Crowdfunding vor. Das Ergebnis der Analyse beantwortet die Frage, welche Position diese alternativen Finanzierungsquellen in der Tschechischen Republik im Vergleich zu ausgewählten Ländern der Europäischen Union einnehmen. Gleichzeitig wirft sie neue Forschungsfragen in diesem Bereich auf.

## ANALIZA PORÓWNAWCZA WYBRANYCH ALTERNATYWNYCH ŹRÓDEŁ FINANSOWANIA

Rynek alternatywnych źródeł finansowania uważany jest za obszar stojący poza tradycyjnym systemem finansowania. Obecnie rynek ten wychodzi na plan główny. W niniejszym artykule przedstawiono analizę dwóch wybranych alternatywnych źródeł finansowania, crowdfundingu i venture capital. Analiza ta stanowi elementem większego projektu badawczego poświęconego rynkowi alternatywnego finansowania. Temat ten w sam w sobie wciąż jest raczej nierozpoznany. Dlatego w pierwszej kolejności w artykule przedstawiono informacje teoretyczne. Następnie przedstawiono badania obejmujące obecną pozycję tych alternatywnych źródeł finansowania, skupiając się przede wszystkim na czeskim rynku. Opracowano analizę porównawczą, pokazującą ważne aspekty inwestycji typu venture capital i crowdfunding. Wniosek z analizy udziela odpowiedzi na pytanie, jaką rolę alternatywne źródła finansowania mają na czeskim rynku w porównaniu z wybranymi krajami Unii Europejskiej. Ponadto przedstawiono inne aspekty badawcze w tej dziedzinie.