

UDC 33

**CROWD ECONOMY: TRENDS AND PROSPECTS OF DEVELOPMENT IN THE REPUBLIC OF BELARUS**

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*The elements of crowd economy are examined, the factors influencing the adoption of decisions when investing are analyzed, legal support crowd-operations in the Republic of Belarus and abroad are studied, conclusions about the possibility of successful development of crowd economy in the Republic of Belarus.*

In modern conditions of development of information technologies, it is necessary to monitor economic development trends not only in the Republic of Belarus, but also throughout the world. One of these areas is crowd economy – the economy formed by communities of people who have free cash, but do not always understand the issues of its profitable use.

The main goal of this work is to study the possibility of successful development of the crowd economy in the Republic of Belarus with consideration of its directions and making proposals to the legislation of the Republic of Belarus.

In the framework of the goal it is supposed to solve the following tasks:

-to study the essence of such elements of crowd economy as crowdsourcing, crowdfunding, crowdinvesting, crowdlending;

- to analyze the factors that influence decision making when investing;

- to study the legal support of crowd operations in the Republic of Belarus and abroad;

-to study examples of the application of areas of crowd economy in practice in the Republic of Belarus and abroad;

-to draw a conclusion about the possibility of successful development of the crowd economy in the Republic of Belarus with the introduction of proposals in the legislation of the Republic of Belarus.

As research methods, such methods of economic analysis as the collection, study and synthesis of information were used.

Since this area is quite new and unexplored, the authors used INTERNET resources to study these areas.

Crowd economy includes the following forms of interaction with the society: crowdsourcing, crowdfunding, crowdinvesting, crowdlending.

Crowdsourcing is the way to solve tasks with the help of extraneous people, their knowledge and experience [3]. The technique is implemented on a voluntary basis and in most cases is performed remotely.

The goal of crowdsourcing is to reduce costs by attracting a wide segment of the population (most often, the target audience) to get creative ideas, as well as the opportunity to choose among many variants, increase loyalty, PR.

Crowdsourcing does not pay for user work, or it may be more symbolic. But it is necessary to understand that more amateurs than professionals participate in the system. Free of charge, specialists help more social projects that are aimed at solving a social problem.

An example is the Canadian gold mining company Goldcorp Inc., which, in identifying promising gold-bearing areas, was not able to independently process exploration data.

To solve this problem, the company turned to users of the global Internet and posted geological exploration data, asking all-comers to tell where there could be significant gold deposits. For the best answer, company management promised a prize of 1 million Canadian dollars.

Assumptions came from participants from around the world. More than 80% of the deposits indicated by them really possessed substantial reserves of gold.

The competition helped the company save about 3 years of exploration. Goldcorp Inc. increased its reserves, increased capitalization by 800 million US dollars, which made it one of the leaders in the industry. This example proves that crowdsourcing has a very high profitability.

This example confirms the ability to determine the most promising areas of doing business, in the Republic of Belarus as well, with minimal costs.

Crowdfunding is the collaboration of people pooling their funds to support the efforts of other people or organizations [3]. Nowadays, such a method of collecting funds has become widespread on the Internet and social networks, as it is a very convenient platform for fundraising, which has a huge audience.

## Economics

Fundraising can serve a variety of purposes – helping victims of natural disasters, financing start-up companies and small businesses, creating free software, publishing a book, and much more.

Today, in the Republic of Belarus, the most common goal of raising funds through crowdfunding is to support and create social projects of various kinds.

To use this method, first it is necessary to create a presentation of the project in order to interest your future investors. In addition to the presentation, the author of the project also thinks out a system of rewards for a donation. A reward can be either a product for which fundraising is taking place with a substantial discount, or formal gratitude in the form of a postcard.

In 2009, the first crowdfunding platform in the world appeared –Kickstarter. By 2015, the number of projects launched on this site was close to 100,000, and the number of participants who shared their money reached 10 million. There are two crowdfunding platforms in the Republic of Belarus – ulej[hive] (ulej.by) and talaka (talaka.org).

Crowdfunding is the collective investment of people whose purpose is to obtain a share of the invested company, as well as further profit.

The principle of the method is to raise funds from a large number of people to launch a project. After the project is launched, each of the investors receives an agreed share in this company.

The main role in crowdfunding is played by specialized Internet platforms, which with the help of social networks, contextual advertising and other marketing mechanisms attract the necessary amount of investors from Internet users for projects selected by the same platform. The operators of these platforms also take on technical support when investing and returning investments, for which they charge commission fees from the project being promoted (either investors or both).

From the legal side, three main players are involved in crowdfunding relations: a startup (project), an Internet platform operator, and an investor. In addition, the platform operator attracts a financial institution to conduct banking transactions – the accumulation of funds and their investing into the project.

In almost all cases, the structure of financing and, accordingly, the participation of investors in the project includes mechanisms of the so-called mezzanine financing – a hybrid financial instrument, a cross between equity (contribution to the authorized capital) and borrowed capital (loan agreement).

Crowdlending is the financing by private lenders of individuals or legal entities through special online platforms.

Mutual benefit lies in the fact that the lender receives interest, and the borrower – the capital he needs under more favorable conditions than in banks.

Crowdlending is a promising, but not widespread technology. The epicenter of the popularity of this technology is in the United States and Europe, where it is used by those who plan to start their own business. There are several varieties based on the financial participation of many people.

Lenders, private individuals or their group. They must register on one of the web sites that specialize in crowdlending. The contract (standard, corresponding to the norms of legislation) is concluded with the company-organizer of the site. It also bears responsibility for:

- checking a potential debtor and establishing a “confidence rating” (with the help of banks and credit bureaus);

- approval and disbursement of funds (in automatic or manual mode);

- collection of outstanding loans (resorting to the services of collection agencies).

Crowdlending companies charge for their work – part of the profit.

To consider the mentality of citizens of the Republic of Belarus, a survey was conducted [1]. The survey had questions about knowledge of the concepts of crowd economy, sex and age indicators and questions that made it clear whether people were ready to invest in crowd economy.

The survey involved a total of 100 people of different ages. Among them, there were 46% of women and 54% of men.

The age of the respondents: 16-20 years old– 47%; 20-25 years old– 17%; 25-35 years old – 12%; up to 16 years old – 10%; 35-45 years old – 10%; 45-60 years old – 4%.

Based on the survey data, we can conclude that the majority of respondents cannot explain the definitions used in crowd economics (crowdsourcing, crowdfunding, crowdfunding, crowdlending). 67% of respondents did not know what crowdlending is, this is the most “unknown” word.

Based on the foregoing, crowdlending is least developed not only in the Republic of Belarus, where there are no Internet platforms, but also in foreign countries.

Only 74% of those surveyed have free cash. This indicates a low income among citizens. Nevertheless, 37 people are ready to set aside up to 50 Belarusian rubles for investments, and 25 people are ready to set aside 50 to 100 Belarusian rubles.

The most acceptable investment variants were investments in shares and the purchase of a share in the authorized capital of an established business. Following these variants is a bank deposit, which means that people trust their investments only if they are protected at the legislative level. This is evidenced by the answer to the question about the readiness of investments in the crowd economy. 43% of respondents are willing to invest in the crowd economy only if they are protected at the legislative level.

The respondents considered investment returns and guarantees of their return to be the most important in investing.

It was also proposed to choose one of the proposed investment variants. 47% of the respondents chose investments in the authorized capital of the newly created organization, 39% chose the bank deposit, and 13% chose to lend money to their best friend for starting a business, receiving 30% of the income in half a year.

An interesting fact is that among those who agreed to lend money to their best friend, there are those ones who least of all trust investments and believe that it is necessary to protect them at the legislative level (people over 35 years old). Despite the fact that in the answer option there was a footnote that a friend asks for money without an official document.

From this we can conclude that the older generation is afraid of innovations in investments and does not always rely on legislation, while the younger generation is trying to take all innovations for granted and is ready to take new and risky decisions.

When conducting an analysis of the investment object, the investor always relies on several basic postulates.

The basic principles of making investment decisions include: return on investment; minimization of potential risks; acceptability of timelines for achieving the goal.

The main criteria for the effectiveness of an investment decision lie in the plane of its payback or profitability.

In other words, the actual return on investment should be greater than the costs incurred. The higher the return on investment, the more successful the investment project is and the more effective the decision. It is very important to take inflation expectations into account when forecasting return on investment. Indeed, when the country's economy develops without significant shocks, the inflation rate is quite simple to predict.

An investment decision cannot be made without an in-depth analysis of the potential riskiness of an asset. All other things being equal, the investor will always choose a project with a lower expected level of risk.

In this case, depending on the character of the investor, the following strategies can be chosen:

- minimizing the level of risk at a given level of profit;
- profit maximization at a given level of risk.

For any financial investment, the time factor is also one of the determining factors. It must be understood that each investment goal must be solved for a strictly defined time interval.

Thus, the return on investment is always considered inextricably linked to the time frames defined for the implementation of the investment project.

According to the State Program for Innovative Development of the Republic of Belarus for 2016 – 2020, the development of Internet platforms (crowdfunding) as a tool for interaction between consumers and producers of goods and services, investors and investment seekers is provided for in the framework of digital transformation of the national economy.

In the Russian Federation, the State Duma is currently considering bill No. 419090-7 "On attracting investments using investment platforms" (the original title "On alternative methods of attracting investments (crowdfunding)").

Under the bill, Russian organizations and individual entrepreneurs will be able to attract investments through special Internet platforms.

There are no special requirements for those who want to become investors.

To date, the most developed laws governing crowd economy exist in the United States.

An example of legislative regulation of crowdfunding is the Law "JOBSACT", signed by Barack Obama 04/05/2012.

The law allows companies to accept investments from ordinary citizens up to \$ 1 million with the maximum possible number of up to 2 thousand investors.

## Economics

A good example is Germany. In August 2015, legislative acts that regulate crowdfunding activities came into force. These acts are aimed at setting the maximum amount of money that can be raised through crowdfunding platforms. Thus, small investors in Germany can invest no more than 1,000 euros in crowdfunding projects.

In my opinion, it is advisable in legislation to formulate and distinguish between the concept of crowdfunding and its separate types –crowdlending, crowdinvesting, directly distinguishing these types from banking.

The author believes that it is necessary to maintain a system for checking the credit history of both the investor and the author of the project. It is proposed to introduce restrictions on crowdfunding operations in the Republic of Belarus regarding the availability of transaction security.

The crowd economy should be developed in Belarus, as well becoming the basis for amendments to the legislation, since it is a factor in stimulating money circulation and the national economy as a whole.

An important factor for the development of the crowd economy is the presence of a large number of innovative projects that their creators are ready to openly advertise and intensively promote to an unlimited number of investors.

In addition, there should be a sufficient number of active and caring Internet users who are potentially capable of investing relatively large sums of money in risky projects.

And when both of these factors are fulfilled, then a suitable legal framework for translating crowdinvesting ideas into reality will certainly be found. To facilitate these tasks, certain legal mechanisms can be borrowed from Germany or other countries.

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