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Chapter

Crowdfunding: The Case of Italy

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Abstract

Crowdfunding is a fundraising process from a large audience to launch a new venture or entrepreneurial project. It is mostly based on the use of Web and represents a unique category of fundraising, with different vehicles, processes and goals. It is very diffused in the global economic landscape and in Italy where a specific discipline for crowdfunding was introduced for the first time in Europe. The chapter, after a summary of the peculiarities, spread and regulation of crowdfunding, intends to analyze the characteristics of a platform operating on the Italian market (Produzioni dal Basso), highlighting its characteristics, strengths and weaknesses. The work also intends to carry out a simulation for the realization of a crowdfunding project by an Italian Foundation operating in the social sector of child and adolescent distress, to be implemented through the use of the same platform.

Keywords: crowdfunding, Italy, regulation of crowdfunding, crowdfunding models, innovative start-up

1. Introduction

In recent years, with the development of Internet, a new and effective fundraising methodology, called crowdfunding, is diffused[1]. In particular, crowdfunding allows founders of for-profit ventures to fund their efforts by drawing on relatively small contributions from a large number of individuals, without traditional financial intermediaries, but using the web.

Crowdfunding is a growing sector also in Italy and it is characterized by the continuous novelty that affects both platforms and campaigns, which make innovation and sustainability some of the main strengths. In Italy, a specific discipline for crowdfunding was introduced for the first time in Europe.

The purpose of this chapter is to study the principal peculiarities of the crowdfunding in Italy and to analyze the characteristics of a platform operating on the Italian market (Produzioni dal Basso). The work also intends to carry out a simulation for the realization of a crowdfunding project by an Italian Foundation operating in the social sector of child and adolescent distress, to be implemented through the use of the same platform.

[1] Even if the study reflects a common view, Rosa Adamo mainly contributed to Sections 1, 2 and 7; Federico Domenica mainly contributed to Sections 4, 4.1 and 5; Mariantonietta Intonti mainly contributed to Sections 6, 6.3 and 6.4; Simona Mele mainly contributed to Sections 6.1, 6.2 and **Box 1**; Antonella Notte mainly contributed to Sections 3 and 4.2.

The chapter is divided into five sections. The first section analyzes the origin and the diffusion of the crowdfunding in Italy. The second section discusses the Italian regulation putting in evidence the principal problems and the prospect. The third section illustrates the modality of fundraising, in particular classic and new model are discussed. The fourth section analyzes benefits and risks of crowdfunding. Finally, in the fifth section, a study on characteristics of a platform operating on the Italian market and a simulation for the realization of a crowdfunding project by an Italian Foundation are realized.

2. Crowdfunding: origin and diffusion in Italy

The crowdfunding consists in the request to the public for financing, typically through an online platform, from subjects who need funds to develop projects or for personal purposes [1, 2].

The author of an entrepreneurial, cultural or social project can raise money by engaging the crowd directly to obtain the useful liquidity for the realization of the same project [3]. Unlike the classic request for a loan, crowdfunding guarantees to the borrower the possibility to contact, using online portal, a wide and heterogeneous audience, in which there are potential lenders. With the help of the lenders, in fact, it is possible to cover costs of various kinds, especially if the resources obtained from traditional funding sources are insufficient [4].

The phenomenon of crowdfunding has developed primarily in the Anglo-Saxon territory, and then it has spread in Europe and America. In particular, the first project funded by crowdfunding regards an Anglo-Saxon band in 1997 [5]. The musical group, known as Marillion, unable to bear the cost of their North American tour, turned to fans by launching a fundraiser online, with which they obtained 60,000 dollars. In 2001, the band used the same mechanism to record a new album. In 2008, former US President Barack Obama funded his election campaign through crowdfunding [6].

In Italy, crowdfunding started to spread very soon [7, 8]. However, the country did not take the typical advantages of the first mover due to the internal national peculiarities [9]. In fact, while in other economies the phenomenon was beginning to flourish, in Italy, crowdfunding has encountered more difficulties. The elements that have slowed the development of the phenomenon are the characteristics of the entrepreneurial system, the long bureaucratic chain, together with the high rate of digital illiteracy and the scarce diffusion of online payment systems [10].

In Italy, the first signs of crowdfunding took place in 2005 when Produzioni dal Basso launched an online service to finance projects on the web.

After that, some platforms of reward and donation crowdfunding have spread.

In 2013, there was a boom in the creation of crowdfunding platforms and do-it-yourself portals also began to emerge. This diffusion was supported by the issuing of the provision with which an ad hoc regulation for equity-based crowdfunding was introduced in the Italian legal system.

Next, in 2014, there have been two predominant tendencies, namely:

- the start-up of a process of proliferation of increasingly local portals, i.e., aimed at a specific Italian geographical area; and

- the application of crowdfunding also in other economic sectors, compared to those in previous years [11, 12].

These trends led to the emergence of platforms based on civic models, based on royalty and invoice trading.

Over the last few years, there has been a growth in the various types of crowdfunding portals. In particular, crowdfunding portals for real estate, financing through lending-based loans for the installment payment of purchases on e-commerce sites and the first industry index (Italian Equity Crowdfunding Index) for the equity-based market have also been launched [13].

Today, the crowdfunding sector in Italy shows substantial market specialization and segmentation. The main trends are as follows:

- Loyalty: a shift from the project to the organizers of the campaign has occurred.
- Decentralization: thanks to technological innovation, many platforms have lightened their interface, redistributing crowdfunding functions within more elastic infrastructures and also resorting to different forms of artificial intelligence.
- Internationalization: Italian portals would be able to compete with large multinational platforms.
- Complementarity: crowdfunding has begun to be used also by non-profit organizations, in fact the functioning of the third sector has developed an "integrated strategy with specific and complementary objectives with respect to traditional fundraising channels" [13].

In the coming years, crowdfunding growth is likely, thanks to its expansion to all Italian SMEs. At the same time, it is conceivable that bottom-up forms of financing are becoming part of the local economic fabric.

3. Italian regulation: problems and prospects

Italy was the first European country to have introduced a specific discipline for crowdfunding. In particular, the legislator has created legislation dedicated only to equity-based crowdfunding, while for other models—donation, invoice, pre-purchase, real estate, reward and royalty—the already existing regulation for similar financing methods is used [9, 14]. The only exception is social lending, which was recently, even if only minimally, regulated within the new provisions for the collection of savings from parties other than banks.

The interest in crowdfunding in Italy has grown above all because the companies are mainly of SME and encounter many difficulties in finding adequate financial resources for their development. This is even more evident for the start-up.

For this reason, a particular type of start-up, those c.d. "Innovative", was inserted into the Italian legal system by the Decree-Law no. 179 of 18 October 2012 (converted into Law no. 221 of 17 December 2012) (also known as "Decreto crescita bis") in the articles 25–32. The Decree has included in the Consolidated Law on Finance, i.e., Legislative Decree no. 58 of 24 February 1998, the article 50 quinquies "management of crowdfunding portals for the small- and medium-sized enterprises and for the social enterprises" and the article 100 ter "offers via crowdfunding portals". The Decree has also delegated to Consob the rules applicable to the management of portals and to offer for raising capital. In particular, the text is the "Regulation on "the collection of risk capital via on-line portals" (adopted by Consob with Resolution no. 18592 of 26 June 2013 and successively amended by resolutions no. 19520 of 24 February 2016, no. 20204 of 29 November 2017 and no. 20264 of 17 January 2018).

Over the last few years, the crowdfunding discipline has undergone numerous modifications, which have significantly changed its features. This evolution must be attributed mainly to two reasons: one of a political-economic nature and a second of a legal order.

From a political-economic point of view, it is important to support the development of entrepreneurial activities, offering alternative channels with respect to traditional lending for finding resources for growth, also through the promotion of forms of investment (and not real financing).

From a more strictly legal point of view, the modification interventions reflect a process of progressive refinement of the national discipline in light of the concrete application experience and the European regulatory framework. In fact, also due to the absence of a specific community framework, the regulation of equity crowdfunding has sometimes shown points of imperfect coordination with certain legal categories typical of financial market law, including in particular those of investment services and offers to the public.

The most significant change is represented by the extension of the audience of subjects who are allowed to offer shares of risk capital through portals.

Indeed, with the Decree Law no. 3 of 24 January 2015 (converted with Law no. 33 of 24 March 2015), also known as the "Investment Compact", the category of "innovative" SMEs was introduced, extending to them some of the facilitations envisaged for Innovative start-up.

In particular, together with innovative SMEs, UCITS and companies that invest mainly in innovative start-ups have been added. This extension has not achieved the objectives hoped for in terms of increasing the number of bidders, given the difficulty for companies to comply with the subjective requirements—related to the innovative nature—provided for by the Decree Law. Among these, for example, it includes the achievement of a volume of expenditure in research, development and innovation in an amount equal to or greater than 3% of the greater entity between cost and total value of the production of the innovative SME.

For this reason, with the Budget Law for 2017 (paragraph 70) the article 50 quinques of the Consolidated Law on Finance has been amended: the legislator has decided to allow, generally, to all SMEs, also constituted in forms of limited liability companies, to access financing channels different of banking channels, to thus more easily find the capital needed to carry out their projects. This is a very significant extension, as it greatly expands the number of companies which can use equity crowdfunding.

The objective of fostering SME development through the spread of the crowdfunding tool is the basis of other regulatory changes, such as the following:

- The enlargement of the list of so-called managers of rights to SGRs, SICAFs and SICAVs, limited to the offer on portals of UCITS shares, which mainly invest in SMEs

- The extension to all SMEs constituted in forms of limited liability companies of the simplified quota circulation mechanism provided by the paragraphs 2-bis. of the article 100-ter of the Consolidated Law on Finance

- The repeal of the obligation for intermediaries to register the shares held on behalf of the subscribers (or buyers) directly to them, after 2 years of the loss of innovative start-up qualification

The expansion of the crowdfunding subjects, on the other hand, required a strengthening of measures to protect investors. In this sense, the legislator has deemed it necessary to increase powers of the Consob of control over the activity

of the portals. In particular, Consob calls the managers, directors, statutory auditors and personnel, requests the communication of data and of information and may request the communication of data and information and the transmission of deeds and documents, fixing the relative terms, and may also carry out inspections (article 50-quinquies, paragraph 6, of the Consolidated Law on Finance).

A further novelty in the discipline of equity crowdfunding concerns, directly or indirectly, the implementation in Italy of Markets in Financial Instruments Directive (MiFID II). In fact, although operating under the regime of exemption from the MiFID, the operation of the portals, precisely by virtue of the provisions of Directive 2014/65 (for "exempt" companies), was subjected to the application of more stringent conditions.

In particular, it regards the following profiles:

- The obligation for equity crowdfunding portals to adhere to system of indemnification to protect investors or taking out an insurance policy for professional responsibility that guarantees protection equivalent to clients according to the criteria established by Consob through its regulation (article 50-quinquies, paragraph 3, of the Consolidated Law on Finance)

- The obligation for portals to develop a more rigorous and detailed policy on conflicts of interest

- The delegation to Consob for the adoption of internal systems of reporting infringements (whistleblowing, i.e., specific procedures for reporting of the facts that could constitute violations of the regulations governing the activity done)

In particular, with reference to point (a), the article 3 of MiFID II states that: "member States shall require persons exempt from this Directive pursuant to paragraph 1 of this Article to be covered by an investor-compensation scheme recognised in accordance with Directive 97/9/EC. Member States may allow investment firms not to be covered by such a scheme provided they hold professional indemnity insurance where, taking into account the size, risk profile and legal nature of the persons exempt in accordance with paragraph 1 of this Article, equivalent protection to their clients is ensured".

With regard to management of the conflict of interest (point (b)), Consob strengthened the regulations already contained in Consob Regulation no. 18592 of 2013, requiring portals to communicate to customers the nature and sources of conflicts of interest, in the event that the measures adopted were not sufficient to exclude the risk of damaging interests of the same. In this perspective, the introduction of an ad hoc regime for the offer on the portal of quotas or shares issued by the same manager or by subsidiary/controlling companies (c.d. "autocollocamento") must be read, too.

With reference to the granting to Consob of the proxy to adopt the implementing provisions of the article 4-undecies of the Consolidated Law on Finance in the matter of whistleblowing (point (c)), it derives from the desire to extend the obligation to adopt internal reporting procedures for offenses, provided by article 71 of the Directive 2013/36/UE, also to those who provide investment services, even if exempt from the MiFID.

Finally, it is important to point out that, during the revision of the Crowdfunding Regulation, Consob has decided to reduce, only in specific cases, the threshold of financial instruments that must be signed, in relation to each offer, by qualified investors. Specifically, there is a lower threshold—equal to 3% (and not 5%)—for offers made by SMEs with financial statement certification, relative to the last 2 years prior to the offer, prepared by an auditor. This is a change made by Consob to the outcome of the consultation process, at the request of the market. In the

consultation document, in fact, the 5% threshold had been confirmed, despite the difficulties (very) often encountered by the portals in meeting this requirement. Also driven by the sector operators, Consob has decided to introduce a reduced threshold at least for larger companies, for which a technical situation is available.

In conclusion, the frequent regulatory interventions have constituted an element of instability for the sector and, therefore, a brake on the development of crowdfunding operations.

4. Funds collection methods

Crowdfunding has had a great following in Italy and in the world as it manages to create a direct relationship between the author of the project and potential investors. The platform allows to give visibility to the borrower's project, thus facilitating the collection of funds.

Most platforms can operate according to two very specific collection models. These can have a decisive influence on the success of entering the project on the portal because they provide completely distinct features and modus operandi.

The first model is represented by "all-or-nothing." Its application starts from the assumption that the borrower inserts a target in his project, or indicates the sum of money to be obtained within a given period of time. During this period of time, the platform does not make any financial transactions vis-à-vis the author of the project, despite payments from investors. This is due to the fact that the transfer of the collected money is conditional on the achievement of the target: in fact, from the beginning it is established that, in the event that the objective is not achieved, all the sums of conferred money will be returned to the lenders.

On the contrary, the second collection model, called "keep-it-all" or "take-it-all" depending on the portals, provides the payment of the loans obtained regardless of whether or not the target is reached. Using this method, the proposer can periodically obtain payments from the platform or receive the credit at the end of the timing. Certainly the choice of "take-it-all" is preferred above all in cases where the sum of money determined upstream is very high or if the project is risky. To promote the use of this latter collection model, there is also the possibility of obtaining benefits if the target is exceeded; in this case, the model is called "all-and-more" or "everything and more." The incentives may consist, for example, in the exemption from the payment of the commissions withheld by the platform for the service offered or by the payment of the registration fee to the site [15].

There are different types of crowdfunding, both in terms of method and purpose.

In the literature, the "classic" models are: social lending (peer-to-peer lending), equity-based crowdfunding, reward-based crowdfunding, donation-based crowdfunding and royalty-based crowdfunding [9, 12, 16]. Four of these models (equity-based crowdfunding, reward-based crowdfunding, donation-based crowdfunding and social lending) have been codified—for the first time—in the 2012 Massolution Report [17].

In recent years, alongside these classic models, there have been new crowdfunding models that are civic, corporate and do-it-yourself. Invoice trading, real estate, recurring crowdfunding and energy crowdfunding have recently been added to them.

4.1 Classic models

In this section, the classic models are illustrated. In particular, they are social lending (peer-to-peer lending), equity-based crowdfunding, reward-based crowdfunding, donation-based crowdfunding and royalty-based crowdfunding.

4.1.1 Social lending

Social lending is one of the most widespread and articulated forms of crowdfunding. It is a money loan also known as peer-to-peer lending (P2P). Unlike other collection methods, social lending involves the direct or indirect signing of a real debt contract with the persons who request financial resources that is the promoter of the crowdfunding project. Essentially, it is an alternative to a bank loan, with the difference that investors have direct credit toward their financed subjects, contrary to savers who deposit their money in a bank that will provide credit, having so a credit toward the bank.

Generally, social lending is preferred by families, non-profit associations, SMEs, which, when registering on the platform, provide all the information needed to establish their creditworthiness. In the social lending to each subject that requests a loan, a rating is assigned, based on the data present in the central risk (as in the normal credit market). To supplement this information, social media opinions are also generally considered, such as reviews of companies that are already started and that offer services. Only if the creditworthiness is valuated adequate, the financial request will be included in the platform. The lower the rating, the higher the interest rate is required based on the risk-return ratio. Therefore, the critical success factor of the platform is the ability to correctly estimate creditworthiness in order to minimize the risk of insolvency. In this regard, some portals have created protection funds in the event of non-compliance; this on the one hand expands the protection of investors, and on the other hand, it increases the costs for the financed subjects.

It is possible to opt for one of the following hypotheses:

1. The borrower indicates upstream the reference interest rate for the calculation of the interest share to be paid. On the other hand, investors offer in a competitive auction the percentage of capital they are willing to cover and the relative interest rate. When the requested quota has been reached, the debtor will pay the interest by making an average of the rates offered, weighted on the basis of the different items.

2. The interest rate is chosen neither by the borrower nor by the investors, but it is determined in relation to the rating of the taxable person in the contractual relationship.

3. The lenders do not have the possibility to choose who to allocate their credit to because the platform automatically selects the borrowers, respecting always the duration of the loan and the risk-return profile indicated ex ante. Generally, to compensate the impossibility of choosing the recipient of the credit, the platforms provide the establishment of guarantee funds, managed by third companies, the amount of which is determined on the basis of expected losses.

4. Investors indirectly finance the project by buying investment funds, most often listed on the stock exchange.

In all the cases described therein, the typical risks of the active position of the obligatory report (credit, liquidity and interest rate risk) remain at the lender and this may compromise, in some occasions, the level of reliability of the platform. To remedy, for example, the hypothesis of an increase in liquidity risk, which would entail a significant loss of confidence by potential creditors, the possibility of transferring the contract in itinere is usually proposed, making use of secondary markets [7].

The investment on social lending platforms can take place—typically—in two ways. The first involves the subdivision of a single loan into shares (generally of the same value) that investors can purchase independently on the portals. The second mode, on the other hand, involves the presence of portals that create loan portfolios with the same risk-return ratio that can be purchased pro-rata. It is also possible that the money of the lenders is divided into several portfolios with the same risk-return ratio, so as to reduce—even more—the potential risk of insolvency. In addition to this, some platforms also offer the possibility of reselling their credits to third parties, so as to return more quickly than the investment, so creating a secondary market. It is customary to distinguish between two main business models for social lending: direct and widespread. The two types differ depending on the fact that investors decide, directly and independently, where to allocate their resources (direct model) or indirectly through the platform (common model).

Since the end of 2017, the use of social lending has begun to spread for the payment by installments on e-commerce sites. In Italy, aggregated data only for loans for natural persons are diffused and these loans vary from a minimum of € 250.00 to a maximum of € 40,000.00. A research by the Politecnico of Milan [18] found that access to this channel is generally more expensive than that in which credit institutions operate.

4.1.2 Equity-based crowdfunding

Equity-based crowdfunding is one of the tools most used by start-ups and SMEs, which, especially in the start-up phase of a business, find it difficult to access subsidized loans or government grants, although they have the required requirements. It assumes the role of equity-based when, as a consideration for the financing activity, the conferment of a participation title within a company is present. This type of crowdfunding guarantees the possibility of addressing to a more or less wide audience, thanks to which the initial feedback on their entrepreneurial activity can be seen from the initial phase. Furthermore, the only costs that the promoters will have to pay, using the platform, are mostly those linked to the commissions to be paid to the portal and to the cost of keeping the restricted current account. However, the start-up or the SME must operate in such a way as to create an intense flow of communication with the outside if it wants to reach a larger number of investors. It is possible, for example, by releasing interviews, publishing its objectives also on social media, participating or sponsoring some events of significant importance. This is still an extraordinary transaction concerning the collection of new risk capital, and therefore there are some repercussions on the level of patrimonial and administrative rights, because the company structure changes according to the number of interested investors.

As already highlighted, in Italy, Consob issued a regulation in 2013 in which the limits and obligations to be respected regarding the equity-based crowdfunding were indicated. In particular, Consob has set a maximum bid amount of 5,000,000 euros, which can only be collected through the use of the portals registered in the special section of the register of managers. Managers are obliged to provide all information regarding SMEs or start-ups registered in the portal, with a focus on individual offers, thus detailing the business plan, the curriculum vitae of the founding members and the risks associated with equity-based activities crowdfunding.

This is realized to reduce information asymmetries and to allow investors to make a rational and informed investment choice of their capital. Consob has also provided for a "conscious investment path" reserved for potential investors, thanks to which they can know the most difficult aspects linked to the activity of granting credit. Moreover, for non-professional lenders, the Regulation provides for the recognition of the right of withdrawal to be exercised even without the existence of

a particular reason and without the payment of penalties. However, this right can only be exercised in the 7 days following the membership order.

4.1.3 Reward-based crowdfunding

With the term reward-based crowdfunding, a particular online fundraising method is outlined that envisages, on the one hand, the payment by the investor of a small amount of money, and on the other hand the payment by the taker of a reward. This reward can be various, but in general, it cannot include financial compensation. The borrower is therefore obliged to provide the service or to proceed with paying the reward, because, in the event of non-fulfillment of this promise, the project could lose credibility to the lenders; however, some platforms are used to frame the consideration of the subject as a real obligation to perform, from which the typical effects provided by the law arise. Over the years, reward-based crowdfunding has become widespread above all in the artistic field, in which the promoters of cultural and musical projects found the necessary funds for the realization of the projects, providing in exchange various benefits, such as free tickets, public mentions during the events, preemptive fees for the purchase of tickets.

Over time, it has become a perfect substitute of equity because it allows to obtain liquidity without altering the corporate structure. At the same time, it has also become an alternative way to get answers from consumers on new projects to carry out: in this case, the form is defined pre-placement, most often linked to a pre-order operation with the goal to get feedback from potential customers even before the product is launched. Even some large multinationals like Nike and Coca-Cola have decided to use this tool, lightening the workload traditionally entrusted to marketing companies. This method is particularly preferred by start-ups of young people and by SMEs in the constitution phase, which wish to obtain information on the outlet market [15].

In Italy, the reward-based crowdfunding model is associated to three legal categories. The first is the pre-order that is an operation that the Civil Code defines as e-commerce, which concerns a future sale that is perfected with the realization of the good. The second, again on the basis of the Civil Code, is a modal donation (art. 793 c.c.) with which the donor requires the donor to perform an obligation to his advantage or for the benefit of third parties. The third type is the royalty crowdfunding, which will be discussed below.

4.1.4 Donation-based crowdfunding

In the case of donation-based crowdfunding, those who decide to contribute financially to a campaign take on the role of real donors, due to the fact that the financing of the activity, regardless of the amount, is carried out in the form of good work. For this reason, most of the time no budget is foreseen and, in addition, there is often no return for the benefactor, who will find satisfaction only in having participated to the realization of a project whose main objective is a "good cause."

Within this model, it is possible to distinguish two different sub-typologies according to the end pursued: some projects in fact concern private or personal spheres, while others are aimed to third parties without the purpose of profit. At the base, therefore, there is the will to support through a kind of online collection the realization of an objective that brings advantage to a part of a community, which can include not only subjects with particular social or economic problems, but also the inhabitants of a circumscribed one territorial area (e.g., public events). An example of donation-based crowdfunding, even for no humanitarian purposes, was recorded in the political sphere and, in particular, during the election period in the United States of America: on this occasion, a targeted campaign was promoted to the re-election of President Barack Obama [15].

In Italy, the donation-based crowdfunding legislation generally refers to the donation regulation contained in the Civil Code.

4.1.5 Royalty-based crowdfunding

Royalty-based is a type of crowdfunding in which an initiative is financed, receiving part of the profits in return. Whoever launches the crowdfunding campaign offers quotas of future earnings of the project for which it requires funding. Royalty-based crowdfunding consists in the sale by the owner of the business and in the simultaneous purchase by the investor of a portion of the revenues that will be generated by future sales of the economic activity. Investors can therefore obtain a regular income guaranteed by sales and, at the same time, the owners of the business, remaining the only owners of the business, maintain full control over the performance of the business. However, royalties must be deducted from turnover and therefore they add costs to the business. For this reason, royalty-based crowdfunding is mainly recommended to all those activities that have high profit margins.

In Italy, the discipline, in general, is referable to the rules on the association in participation (articles 2549 ss. of the Civil Code), in which "those who finance participate in quote to the profits generated." In fact, the lender, in this particular crowdfunding model, receives the royalties based on the amount invested, which may concern, for example, copyright, intellectual property rights, patents, licenses, registered trademarks, etc.

Some authors believe that royalty-based crowdfunding is a sub-category of reward-based, already used in the music sector for the management of copyright on songs [19].

4.2 New models

In this section, new crowdfunding models are discussed. In particular, they are civic crowdfunding, corporate crowdfunding, do-it-yourself, energy crowdfunding, recurring crowdfunding, real estate crowdfunding and invoice trading.

4.2.1 Civic crowdfunding

The civic crowdfunding is a bottom-up financing method in which public works and projects are financed by the citizens themselves. This tool is able to favor the development of the territory and of the communities since both, individuals and social organizations, can give life to civic-based projects that benefit the entire community.

The civic crowdfunding increases the sense of belonging of citizens to their territory, favoring transparency through a more effective allocation of funds. In fact, citizens can follow and access all the information (both online and directly on the territory) relating to the projects they intend to support, starting from the first stages of development until their complete realization. Furthermore, with civic crowdfunding, public administrations and local authorities can create close relationships with citizens and SMEs test citizens' interest in each new project and invest their budget in those projects considered important by citizens themselves.

The civic crowdfunding can be of the type donation, reward or do-it-yourself, but it can be developed in the forms equity-based e-social lending, too.

In Italy, a bureaucracy that is too complex and sometimes difficult to overcome is a problem for this type of crowdfunding and this is making some civic crowdfunding projects impossible. There are also difficulties regarding payment systems: many of the potential donors are often in difficulty having to pay money through a

crowdfunding campaign and they seem to prefer traditional channels, such as—for example—bank transfers.

Recently, the civic crowdfunding has become an increasingly useful tool for the implementation of match-funding projects, in which cooperation between bottom-up funding portals and public authorities is provided for the benefit of all local communities.

In 2018, in Italy, the civic-based and match-funding projects have raised a total of around 4 million euros [20]. The initiatives were mainly promoted by the public administrations themselves, also through partnerships with local entities, which increasingly play an important role for the administrations in the operational implementation of the projects. The combination between public administrations and civic crowdfunding is certainly an interesting phenomenon, given the commonality between the elements at the base of crowdfunding and the values to which the public administrations are called to respond: community involvement, transparency of funding, ease of access and dissemination, system innovation, issues of collective interest, bottom-up participation.

4.2.2 Corporate crowdfunding

The corporate crowdfunding is a type of financing of the crowd, which, starting from the concept of Corporate Social Responsibility, can help companies design products/services, directly involving customers in this phase.

In general, it can be of the type donation, do-it-yourself and reward. This is a typical Italian phenomenon. However, the mistake that the platforms often make is to orientate too much toward companies, while companies must be the result of work being done within the platform and not the opposite.

4.2.3 Do-it-yourself

The do-it-yourself is a form of crowdfunding that allows to create a campaign within the site of the organization, without switching to another specific crowdfunding platform. In essence, the do-it-yourself crowdfunding refers to customized campaigns developed on independent sites in line with the identity of the project. Generally, the do-it-yourself can be civic, corporate, donation, pre-purchase and reward.

4.2.4 Energy crowdfunding

Energy crowdfunding is a form of funding from below in the green and renewable energy sector. The purpose is the implementation of sustainable projects and energy transition, in order to reduce dependence on fossil-based fuels and contribute to the development of infrastructures and innovative technologies.

The interest toward this form of crowdfunding is demonstrated by the growth in Europe of energy cooperatives and participatory models for the development of investments in renewable energy. As in the context of energy cooperatives, crowdfunding platforms involve citizens and stakeholders allowing them to participate, invest and benefit economically from investments in the energy sector.

Over 90% of the active platforms are of financial type (crowdinvesting in equity and lending mode), that is, aimed at investing and raising capital. The rest of the platforms propose projects based on rewards in donation or reward mode.

The financial platforms propose projects defined, equity or community shares. By financing lending-based projects, investors lend their money in exchange for a future remuneration, which can sometimes be based on the sale of renewable

energy produced through the project itself. The lending projects are differentiated according to the type of debt instrument offered (short- and long-term debt, mutual fund). In equity or community share projects, investors acquire shares in companies or cooperatives active in the production of clean energy, thus benefiting from dividends issued based on the economic performance of the underlying energy investment.

An Italian example of energy social lending is Edison Crowd, while an Italian equity-based company is Ecomill, which will soon be operational. There are examples of energy crowdfunding campaigns, too, such as some of those activated on WeAreStarting.

4.2.5 Recurring crowdfunding

Recurring crowdfunding is a type of fundraising that is donation-based or reward-based, which does not expire, unlike normal bottom-up funding campaigns.

In particular, in recurring crowdfunding, patrons contribute a recurring amount of money, either on a specific time period (like every month) or every time the creator makes something new (a new song, a new album, a new video, etc.). Therefore, it is a model adopted especially for editorial or artistic projects (ideal for managing subscriptions and for new content creators such as bloggers, freelancers, YouTubers, documentarians, journalists and artists who can generate a monthly financing for their work).

In Italy, this service was launched, for the first time, on 6 March 2018 by Produzioni dal Basso along the lines of the American platforms Patreon and Drip.

4.2.6 Real estate crowdfunding

The real estate crowdfunding is a type of collective loan for real estate investments. It allows investors, in exchange for a return on capital, to participate in the financing of a real estate project in a residential or commercial environment, such as the purchase of a property to be used for income, the restructuring of a property or the development of a greenfield project.

The real estate crowdfunding is a model attributable, on the basis of the currently operating portals, to equity crowdfunding or social lending. In the first case, the capital financed is divided into two components: equity and debt. Equity accounts for 65–70% of the investment and is divided as follows: 25–30% for the entrepreneur and 40% for the online 'crowd.' The remaining 30–35% of the amount is disbursed by a bank (debt) in the form of a loan, thus reducing the overall risk of the transaction. In the second case, that is, when the real estate crowdfunding uses social lending, the functioning mechanism is similar to that of this form of collective financing.

The real estate crowdfunding allows to solve some problems of the real estate investment, such as the following:

- The financing of a real estate project (even with low amounts of money) that allows to diversify the investment, allocating the capital in several real estate projects, in different geographical areas and on different types of properties
- The delegation of property management to the promoters
- The possible increase in the liquidity of investments, when the platforms of crowdfunding real estate allow to exchange their investment shares on a secondary market

In Italy, Walliance is the only Italian platform for equity crowdfunding specifically dedicated to real estate, while Housers is an online real estate crowdfunding platform, created and launched in Spain in 2015 and landed in Italy with an investment opportunity in Milan.

4.2.7 Invoice trading

The invoice trading allows businesses to sell individual invoices in order to free up cash, to an online community of investors. It replaces the traditional "invoice discounting" of the bank to support working capital. Investors advance the invoice amount, net of the required remuneration. The investors' remuneration is given by the difference between the liquidation value of the invoice and the relative purchase price [18].

The invoice trading takes place online through the platforms and the business model requires that the company interested to an invoice transfer submit the request to an invoice trading platform. The portal evaluates the proposals received on the basis of some indicators (such as creditworthiness) relating to all the operators involved and assigns a rating crossing the available data with those present in the databases of some providers such as Modefinance or Cerved Rating Agency. Once accepted, the invoice is published on the invoice trading platform.

There are three different buying mechanisms for investors, such as: upward bidding, competitive bidding or direct purchase by the platforms and securitization of the same through asset-backed securities.

In general, SMEs with difficulties in accessing the traditional banking channel resort to invoice trading. The SMEs use the advantages of the invoice trading, such as the speed with which the liquidity is paid to finance the working capital, without guarantees and without reporting to the Central Risk Office.

In Italy, the potential market of invoice trading exceeds 400 billion Euros.

5. Benefits and risks

The crowdfunding provides various indirect and non-financial benefits, too. First of all, it allows to understand if the entrepreneurial, social or cultural idea can be appreciated and shared by third parties. In fact, if the crowd is pushed to contribute in the first phase of the project, this means that the market will be well inclined to support it even later. Access to the crowd, which includes subjects with specific skills, is useful for obtaining professional feedback at low cost, too.

Furthermore, if it is evident that the project is supported on a large scale and the risk associated with the possible use of capital reduced, there will be greater chances that informal banks or investors (angel investors) will grant loans additional on better terms.

The crowdfunding can be used as a powerful marketing tool: it puts the attention of investors and potential customers on an innovative project even before it is implemented or concluded. Usually, the entrepreneur, or more generally the proposer, should start a campaign aimed to publicize the new service or product as best as possible, in order to reach a certain level of market interest in conjunction with the launch. In this way, it is possible to focus the attention of consumers in a completely innovative way, whose main purpose is to raise capital.

However, crowdfunding is not easy to implement, as it requires a long and thorough preparatory process in order to minimize the risks that may negatively affect the borrower and investors.

First of all, it is necessary to consider the hypothesis in which the objective is not fully achieved. In the case of the "all-or-nothing" model, failure to reach the set

amount obliges the proposer to return the amount collected up to that point. For this reason, it is advisable to analyze the market and design an excellent strategy to ensure a high resonance of the project. If the platform allows it, the "keep-it-all" model is more secure.

Another widespread problem concerns the underestimation of costs, which could vary in itinere, as for example in the case of equity crowdfunding: following new share issues, in fact, there are additional administrative costs often not to be considered in the business plan.

A similar case concerns the information flow; before, during and after the fundraising phase, there must be a subject who carefully follows each step and, if the promoter does not have competence in the matter, the assignment to third parties could lead to costs not underestimate. The problem arises from the beginning when in the most complex forms of collection, such as social lending and equity crowdfunding, it is important to establish clauses that provide rights and obligations for both parties.

With regards to this, it is necessary to analyze thoroughly the concrete implications deriving from the recognition of significant rights to investors, and to avoid granting these rights with the sole purpose of making the proposal more attractive. Indeed, the failure to comply with the clauses would lead potential investors to lose confidence in the project. Therefore, it is important to consider also the complaints, which must be managed in the best possible way in order to prevent unpleasant situations from generating much more serious repercussions.

Furthermore, the fact that at the moment a national law on crowdfunding has not yet been enacted, which may be able to specifically regulate the various possible cases, raises the risk that the participants may inadvertently implement unlawful behavior. For this reason, it is advisable to carefully and meticulously refer to all the legislative texts issued to date both on the national and community territory.

The investors can lose interest in the project at any moment, without giving any notice, too. Specifically, in the case of donation or reward crowdfunding, the cessation of the interest manifests itself with the blocking of any future forms of financing; on the contrary, in the equity crowdfunding, the investors sell their share to other subjects interested. For this reason, it is important to be ready right away to up and down funding flows and to sudden changes in the social structure [19].

There are other types of risks on online projects, together with those of a financial and legal nature, for example, the possibility that the project is not successful. In this case, the promoter has a reputation damage because the promoter does not turn to a credit institution, but a heterogeneous plurality of people. For this reason, the failure to achieve the goals will be seen as a real public failure.

Moreover, even the possibility that the borrower fails to fulfill the promises made within the established terms, despite the successful collection of funds, is a risk. On the contrary, the timeliness and the perfect correspondence between when planned and when realized will allow the promoter to improve his reputation [2].

Finally, there is the risk of turning to fraudulent platforms or those unable to protect the rights of participants. In fact, the proponent exposes an innovative idea online, which becomes public knowledge. For this reason, the manager should develop a system of protection aimed at avoiding plagiarism [19].

6. Case study: crowdfunding on Produzioni dal Basso Italian platform

In Italy, there are several crowdfunding platforms currently active (**Table 1**).

Among these, Produzioni dal Basso is the oldest. Founded in 2005, it allows those who want and need to get funds for a business projects, to publish their idea

Platform name	Crowdfunding typology	Note
1 Caffè	Donation-based	It is a non-profit association that supports solidarity campaigns.
Actionworld	Equity-based	It is aimed at investors who are attentive to the new investment methods proposed by the markets.
BacktoWork24	Equity-based	It finances small businesses and start-ups.
Be Crowdy	Reward-based	It regards cultural and artistic projects.
Blender.loans	Lending-based	It aims to reduce the cost of debt.
BookaBook	Reward-based	It is dedicated to the publication of unpublished books.
BoomStarter	Reward-based	It gives the possibility to participate in the BoomContest, which gives an additional sum of money to the winner.
Borsa del Credito	Lending-based	It is a marketplace-lending that credits funds within 3 days of the request.
BuonaCausa	Ibrida	It promotes socially based ideas.
Clubdealonline.com	Equity-based	It allows SMEs and investors to find a controlled and secure counterpart.
Com-Unity	Reward&Donation-based	It aims to create synergies and collaborations for the development of new ideas.
Concrete	Equity-based	It is dedicated to real estate projects.
CrowdFundMe	Equity-based	It is based on connecting investors with start-ups and SMEs seeking funds. It is listed on the Italian Stock Exchange
Crowndarts	Reward-based	Events and shows are funded at national and European level.
De Rev	Reward-based	It is dedicated to innovative start-ups.
Distribuzioni Dal Basso	Reward-based	It supports the circulation of cultural works released under the Creative Commons License.
Donordonee	Reward&Donation-based	It elects 6 members a day, allowing them to realize their ideas.
Doorway	Equity-based	It is founded by four business angels, and it has set itself the goal of financing start-ups and creating an offline private market.
Ecomill	Equity-based	It is dedicated to high-level social sustainability campaigns.
Eppela	Reward-based	It is dedicated to any type of project (art, cinema, technology, etc.).
For Italy	Reward-based	It aims to preserve the Italian cultural heritage.
Fundera	Equity-based	It is dedicated to the cleantech sector.
Funditaly	Donation-based	It is based on the 'cooperative' crowdfunding, and it allows the investor to become a supporter of all the projects on the platform.
Giffoni Innovation Hub	Reward-based	It is dedicated to cultural-artistic start-ups.
Gigfarm	Reward-based	It finances artists and promoters, helping them to make concerts.
GoFundMe	Ibrida	It supports campaigns directed to support medical expenses and to help countries in a state of emergency.
Greenfunding	Reward&Donation-based	It finances green-economy projects.

Platform name	Crowdfunding typology	Note
Investi-Re	Equity-based	It is a platform dedicated to innovative start-ups/ SMEs
Kendoo	Reward-based	It is dedicated to digital projects (websites, social media, e-commerce, app, etc.).
Land2Land	Reward-based	It is dedicated to projects related to agriculture and gastronomy.
Let us donation	Donation-based	Its slogan is "Profit supports No-Profit."
Meridonare	Donation-based	It supports cultural and social projects for Southern Italy.
Microcreditartistique	Reward-based	It is specialized in contemporary art.
Motusquo.it	Lending-based	It offers lower interest rates for borrowers and higher returns for employers.
Muum Lab	Equity-based	It promotes fundraising for agro-industry, real estate and energy projects.
Prestiamoci	Lending-based	It offers personal loans online from private individuals.
Produzioni dal Basso	Ibrida	It promotes self-produced projects, without intermediation and without particular access requirements.
Schoolraising	Reward-based	It raises funds for school projects.
Sea-Crowd	Ibrida	It supports campaigns for the realization of ideas related to the nautical world (naval engineering, protection of the marine environment, fish, etc.).
ShinyNote	Donation-based	It is direct to promote solidarity campaigns.
Smartika	Lending-based	It is one of the first 10 platforms identified by Forbes for social lending in the EU.
Sport Supporter	Reward-based	It is dedicated to sports campaigns.
Starsup	Equity-based	It favors the collection of risk capital for start-ups with a high rate of innovation.
Starteed	Reward-based	It also offers the possibility of crowdcreation, improving ideas and projects.
Terzo Valore	Ibrida	It is part of the Intesa Sanpaolo group, and it allows the employers to assume the role of donor and/or creditor.
The Funding Spirit	Reward-based	It is dedicated to sportive and cultural projects.
Triboom	Reward-based	It is dedicated to sports projects, substantiated directly by the fans.
Ulule	Reward-based	It is born in France, and it is also very active in Italy. It has funded more than 24,000 projects.
Universitiamo	Donation-based	It collects funding for university scientific research.
Werealize	Reward-based	It finances projects related to the world of design.
WithYouWeDo	Reward-based	It is created by Italian company leader in telecommunications sector (TIM), and it raises funds for environmental, social and innovative projects.
WoopFood	Reward-based	It finances projects directed to enhance Italian food excellence.

Source: own processing.

Table 1.
Principal crowdfunding platforms currently active in Italy.

on the dedicated website. In accordance with the provisions of national and EU regulations, it is possible to include cultural and social projects, or relating to the launch of innovative products on the market.

Over the last decade, the platform has contributed to the creation of more than 2600 projects, allowing their promoters to raise over 6 million euros. The affirmation of the platform, especially on the Italian market was also supported by the partnership with several institutions and companies, including Banca Etica, a bank specialized in the field of ethical and sustainable finance, with the aim of facilitating access to credit and financial inclusion of people who are unbanked.

The collaboration between Banca Etica and Produzioni dal Basso platform consists mainly in the publication of periodic tenders, to which the holders of ideas conforming to the indications of the call (e.g., tenders for the financing of female entrepreneurial projects) can participate to obtain, together with the funds collected through the platform, funds provided by the bank to achieve specific collection targets.

Depending on the area of reference, it is possible to select other partners of significant importance such as Arci, Fastweb4School, Infinity, Telethon Foundation and ENPA, which give greater prestige to one's idea. In this way, it is possible to obtain a more effective sponsorship.

The Produzioni dal Basso portal provides four different ways to raise funds.

The first mode is called "collect all" and can be used for any type of project, regardless of nature and objectives. It reports the same characteristics of the "keep-it-all" combined with the methods provided by the reward-based crowdfunding. At the time of entering the project, the proposer will have to provide one or more types of reward to be sent to the lender when the funds are mobilized. In relation with the offered service, Produzioni dal Basso holds a 5% fee on the money collected, to which are added the costs related to the chosen payment method, indicated later. In order to access the "collect all" mode, information is needed regarding the timing, that is, the persistence of the project on the platform (max 365 days), and the indication of the budget necessary for the realization of the idea.

The second mode is the so-called "simple donation," comparable to the donation-based crowdfunding. This type is used particularly for altruistic projects and is directed toward lenders motivated by the desire to contribute to the realization of an idea that can improve collective well-being or of particular categories, without getting any kind of reward in return. In this case, Produzioni dal Basso provides a 3% deduction on the amount collected. In the "simple donation," the author is required to indicate only the timing.

In the "recurring donation," the third collection method, the lender undertakes to contribute periodically to the realization of the project, renewing the financing automatically, usually every 30 days. In this case, the fee is 3% and is calculated on each transaction, while the forecast of the reward is at the discretion of the borrower. In the "recurring donation," the indication of timing is not necessary.

"All or nothing" is the last expected mode, perfectly adherent to the "all- or- nothing" model described previously. The borrower receives the funding collected only if the target has been reached by term established (maximum 120 days). Also in this case, the sending of a reward and a simultaneous withholding of 5% by the site are planned.

Finally, fundraising on Produzioni dal Basso uses two payment methods: PayPal and LemonWay. In the case of PayPal, there is a 3.4% commission on the donated amount and a tax of 0.35 euro, which the payment system automatically holds for each transaction. In the case of the use of the payment institution LemonWay, for each transaction, there is a fee equal to 0.8% (increased by 0.15 euro in the case of bank transfer) or a deduction of 0.6% (increased by 0.15 euro if the loan is made by credit card) [21].

6.1 A simulation of crowdfunding project for an Italian Foundation[2]

Crowdfunding, as analyzed in literature [2, 4, 7, 19, 22], is a tool used both by individuals (including informal groups) and by organizations of various kinds, such as companies, foundations and associations.

In this section, a simulation of crowdfunding project for an Italian Onlus Foundation is carried out.

It is hypothesized that the Onlus Foundation, that deals with the management of educational and housing services for children and single or underage mothers with children, uses the crowdfunding in order to obtain resources for the realization of a project aimed at diversifying activities and at supporting adolescents in conditions of social hardship. To this purpose, the study is aimed at evaluating the opportunity for the foundation to make use of the Produzioni dal Basso platform, carrying out a simulation of the steps necessary for inserting the project on the portal, based on the needs expressed by the non-profit organization.

After identifying the key points of the project and the objectives pursued by the foundation, the simulation starts with the hypothetical registration of the foundation on the portal and the indication of the personal data relating to the representative of the institution (name, surname, e-mail address, date of birth, country of origin and residence). Therefore, it is necessary to draw up a brief description of the activity carried out by the institution: the foundation manages three activities, namely an educational community for minors, a daytime socio-educational center for minors and a housing community for pregnant women and single or underage mothers with children, and it is born with the aim of offering contexts that can help the minors grow and be formed, following individual and group paths. In this way, by inserting the guests in contexts similar to domestic-family ones, with a constant presence of educators and other professionals appropriate to the case, the foundation contributes to overcoming the inconvenience that afflicts parents and children in difficulty, and helping to pursue social objectives of essential importance for the community and for the surrounding area, considering that the foundation is linked to the activities of the competent children's court. The registration ends with acceptance of the terms and conditions and subsequent validation of the account via e-mail.

After logging on to the platform, the simulation continues with the drafting of the project in the section of the platform called: "Start collecting funds," in which it is necessary to choose the collection method among the four available. In the specific case of the foundation, the most suitable are that of the "collect all" and the "simple donation." The first allows to set up a budget, which indicates the amount of funds necessary for the realization of the project, with the addition of an incentive for those who decide to contribute. The second mode involves lower commissions

	PayPal	**LemonWay**	
Transaction costs	1.8% + 0.35€	Bank transfer	0.6% + 0.15€
		Credit card	0.8% + 0.15€

Source: see [21].

Table 2.
Rates for the different payment systems.

[2] The authors would like to thank the Italian Onlus Foudation Saverio De Bellis and its president, law. Virginia Dibello, for providing useful data and information.

(3% compared to 5% of the "collect all"), and the possibility of saving costs related to the production and shipment of the reward.

As regards the choice of the payment system, the simulation aimed to compare the different rates is provided in **Table 2**.

Another aspect of particular importance, emerged from the simulation, concerns the availability of payments and the related cost: if the availability of funds associated with an account (e.g., PayPal) is immediate, the amounts of money are transferred to the beneficiary from time to time, financing for financing. This means that the transaction costs are multiplied by the number of supporters and this could be very disadvantageous from an economic point of view. The situation is different if it chooses to use a payment institution that allows to create an electronic wallet, in which the sums of money collected will be temporarily conveyed. Afterwards, it will be possible to make a single withdrawal, when it is wished, giving rise to a single transaction cost.

When the preliminary phase is completed, the simulation continues with the drafting of the project. In this regard, the Produzioni dal Basso platform leaves complete freedom to the author, both in terms of form and content. For this reason, the borrower will be able to choose, in complete autonomy, how much and what information to enter in the text box, preferring those that can give more value to his business, cultural or social idea.

In order to implement a high-quality project, the simulation is based on the guidelines of the National Commission of Chartered Accountants and Accounting Experts, in order to provide the project with completeness and greater chances of success. To identify the most correct way of creating the project, it is useful to consider the prospective lender, who chooses to approach a project rather than another according to a standardized procedure, called in the technical language "funnel" that can be represented using the shape of an inverted funnel (**Figure 1**).

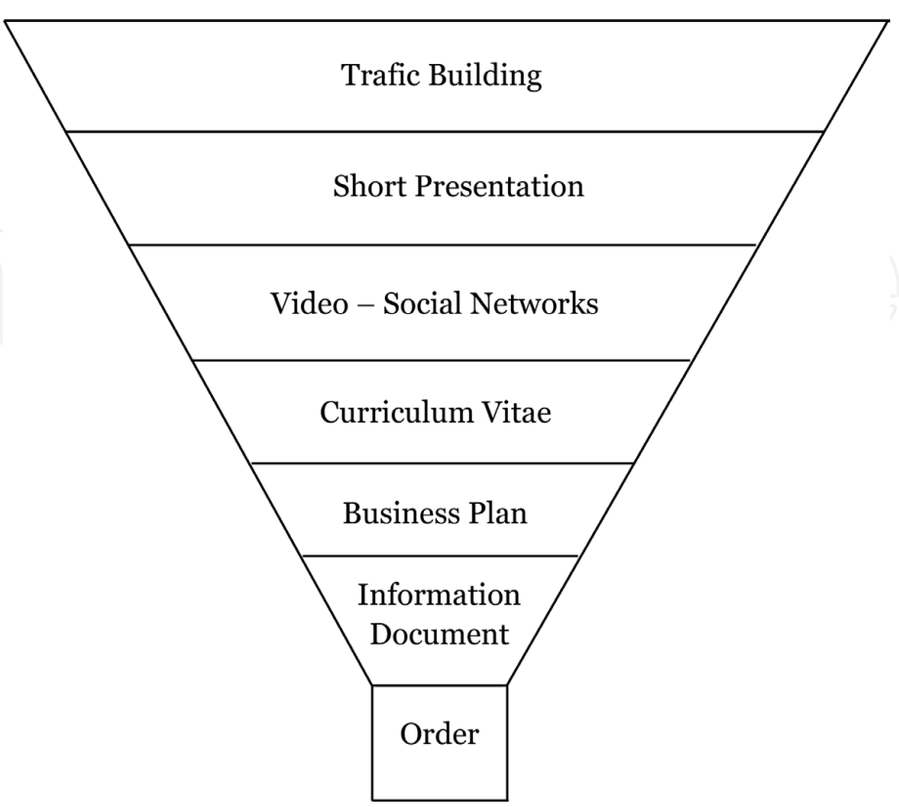


Figure 1.
Project selection process (funnel). Source: see [23].

The possible investor/donor approaches the project thanks to the traffic building action carried out by the platform. In this way, he obtains a generic view of all the proposals on which it is possible to invest, but in order to learn more about the individual projects, he will have to read the short presentation of each one. The professional lender can therefore begin to build a summary idea of the project (requested funding, timing, progress, etc.), which will be completed later with the data obtained from the social networks linked to the project, from the multimedia files, from curriculum vitae of the promoters and from the business plan. In the specific hypothesis of equity crowdfunding, everything is summarized in an informative document, which can be consulted by the user before proceeding with the financing operation [15].

The inverted funnel shape is due to the fact that, in correspondence with each step, the number of possible lenders decreases; this screening is based on the interests and objectives indicated in the project. For this reason, it is necessary to pay particular attention to every single detail entered and published on the platform. Of great impact are the photos and videos, which represent one of the main communication tools on the web; they have a high synthetic power and allow to describe the "reason why" of the project in a few minutes. The promoter of the project therefore can insert in his landing page a "pitch," namely a presentation video of 2 or 3 minutes during which the advantages related to the realization of the project are highlighted.

6.2 A business plan hypothesis for the project

After general information, the simulation includes the preparation of the project business plan. In Italy, Consob has established that the business plan is mandatory only for equity-crowdfunding; however, the business plan, adapted to the collection method chosen by the foundation, can be an excellent cognitive tool for those who intend to support the project. The role of this document is in fact of fundamental importance especially because the project is sponsored at national, as well as local, level. For this reason, the supporters who are far from the territorial area in which the Onlus usually operates can use the business plan to know the scope of intervention, the strengths, the objectives achieved in the past and the reputation.

Therefore, within the business plan, the following questions must be answered: how is the foundation born? What are the objectives pursued? What activities will be carried out with the money raised? Are there any other sources of coverage for the project? Are the simulated economic-financial projections realistic and sustainable in the Long-term?

For the purposes of preparing the business plan, the self-assessment phase is of great importance. During this phase, the promoter must be able to determine the feasibility of the project and the necessary means for its realization, without resorting to optimistic visions. In addition, the business plan must contain information about the execution times and any costs that may arise later. Furthermore, three fundamental criteria must be met: consistency, since the statements must be faithful to the proposer's mission; reliability, since each data reported must to be demonstrated with appropriate documentation if requested; sustainability, that is, there must be a real connection between the budget included in the project and the expenses to be incurred. Furthermore, the language used must be simple and communicative, with the aim of retaining the investor/donor to the proposed idea.

The business plan for the project, carried out in accordance with the indications of the National Council of Chartered Accountants and Accounting Experts [23], is reported in **Box 1**.

Who we are: the mission of the Foundation is to face the discomfort of minors and their families, including them in a context in which they can find an environment appropriate to their age group and above all a point of reference for their personal growth.

The project: the goal of the Foundation is to redevelop and renovate a historic building, respecting the historical-artistic characteristics (such as the peculiar ceiling frescoes). Once the works will be completed, the building will have a new and important social function, as it will be used to build two apartments for adolescent minors, in compliance with the directives of Regional Regulation no. 4 of 18 January 2007. The goal is to provide a residential service for young people between the ages of 16 and 18, who have been temporarily or permanently removed from their family due to legal proceedings or interventions by the social workers. In addition, there will be the possibility of accommodating guests up to 25 years in the hypothesis that the educational and recovery path has not yet been completed. Two independent apartments will be built, one for boys and one for girls, each consisting of double bedrooms, bathrooms, a kitchen and a common living area where the minors can spend time together doing individual or group activities. The Foundation will also take care of facilitating relations with the family of origin, favoring the reintegration of minors. Moreover, the minors will follow a path aimed at the growth and coordination of typical activities of daily life, gradually assuming responsibility and autonomy, accompanied by the presence during the day and at night, of at least one qualified educator. The project aroused the interest of the entire community, which shares and supports the social work of the Foundation, and the project was supported by the Puglia Region, which decided to allocate 200,000 euros of funding for the redevelopment works of the building. The remaining 157,000 euros, equal to 44% of the entire budget (357,000 euros), will instead be provided by the Foundation and by those who decide to contribute.

Therefore, the call-to-action of the Foundation is aimed at acquiring donations outside the community and neighboring countries. Each contribution, even of a small amount, will help to pursue the social objective of giving to less fortunate children not only a daily life comparable to that of their peers, which can increase their confidence and their resilience, but also growth prospects, education and integration into the world of work.

The other projects carried out: the project represents the last link in the chain of support for adolescents in difficulty. In fact, the Foundation works in the social sphere for several years, assigning its organization to three important causes. In the vast structure in which it is located, there are:

a) a housing community for pregnant women and mothers with dependent children, with five bedrooms, a dining-living room and a kitchen. Guests are constantly supported by a coordinator and by educators.

b) an educational community for children from 3 to 18 years old, with comfortable and colorful bedrooms and a playroom for children to play. Here, 24-hour assistance is offered, thanks to the work of a coordinator and six educators with degrees in Education.

c) a day-time socio-educational center for children from 6 to 18 years, active during the whole school period in the afternoon, in daylight hours during the summer season. The space has been designed to accommodate up to 20 minors, which are followed by a coordinator, an animator and the staff required by the Regional Regulations. Outside the building, there are also 1800 square meters of garden and 500 square meters of outdoor gym.

Transparency: the Foundation strongly believes in transparency and, for this reason, provides any type of information regarding the project and its activities. To learn more about the budget items and the state of progress of the renovation work, it can consult the gallery, the official website or the Facebook page.

Economic and financial plan: the Foundation owns the property necessary to start the project (investment plan) and has identified the sources of funding (sources of coverage). With regard to returns, an income statement is prepared.

Box 1.
Draft of business plan for the foundation project.

6.3 A Canvas Model hypothesis for the project analyzed

The simulation was enriched subsequently with the preparation of a Canvas Model, that is, a useful tool to summarize immediately the information entered in the business plan, highlighting the strengths. The model was created in accordance with the instructions provided by its creator, the scholar Alexander Osterwalder. In fact, the model has considered the evolution of the methods of exposure of entrepreneurial projects, which have become increasingly impactful and capable of quickly transmitting the key concepts underlying the business idea. Then, the project information is summarized in a single statement, divided into nine sections (**Figure 2**).

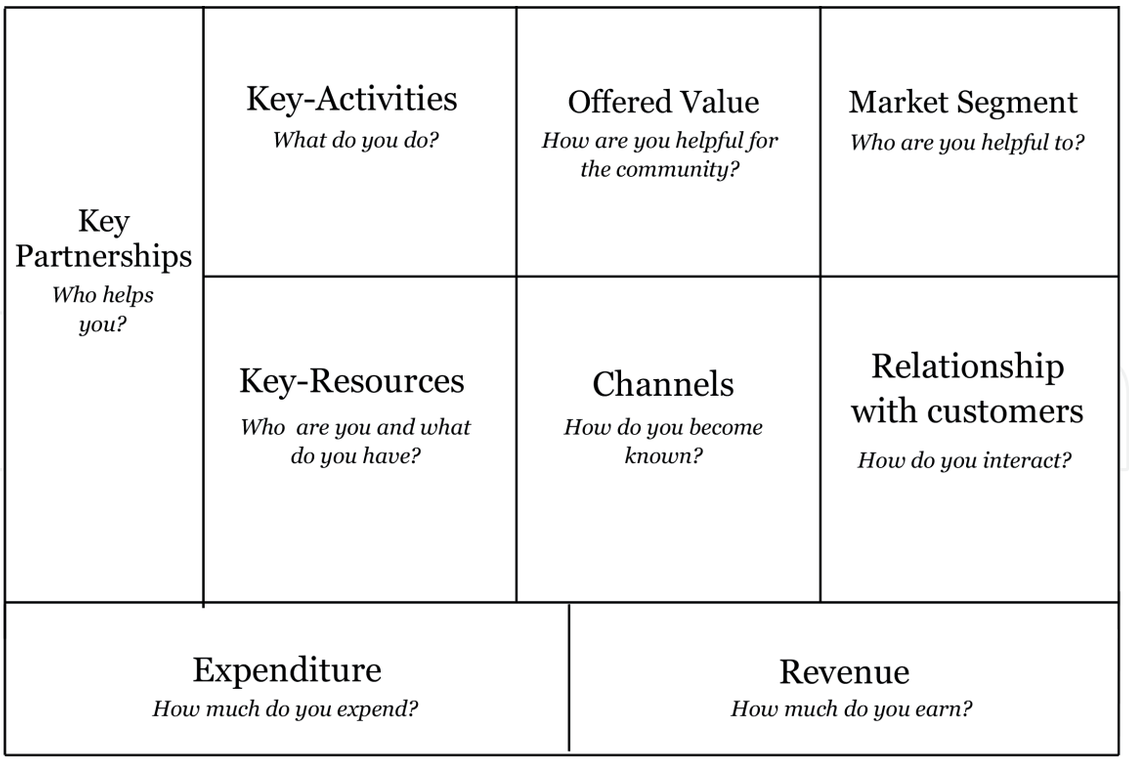


Figure 2.
The canvas model. Source: see [23].

Although the Canvas Model can be reworked in its form at the discretion of the author, generally two macro-areas can be identified: the left one, concerning costs, and the right one, in which the modality of value creation is described. In each section, few and simple words are inserted, able in first to capture the attention of the user and then to transmit emotions.

Starting from the left, the first section concerns the "Key Partnerships": any successful project must rely on collaborations and alliances with external subjects, thanks to which it is possible to reduce costs. The "Key Activities" block summarizes the most important processes in such a way as to answer the question identified by Alexander Osterwalder: "What key activities are required for the value offered?". In the area of "Key Resources," all the factors in the absence of which the project could never get underway are indicated; for this reason, it is necessary to consider the strictly essential resources, including those of a non-financial nature. The left section concludes with the "Expenditure," in which the areas of intervention that envisage higher outgoing cash flows are indicated.

In the right area of the Canvas Model, there is a very important section, namely "Offered Value". This is the true heart of the prospectus: here, the lender/donor can discover the actual usefulness of the project. The information entered is both of a quantitative nature, expressing in terms of the volumes of the activity, and of a qualitative nature, concerning, in other words, the set of services offered.

Therefore, it is necessary to decide whether to approach through a so-called sartorial logic, building a more personal communication system, or whether to adopt the more detached and automated industrial logic. The information is entered in the "Relationship with customers" area. If in the previous section it is important to consider how the borrower intends to interact with third parties, in the "Channels" area, it is appropriate to provide all the elements useful to the user to understand how the project and the services will be brought to the knowledge of most people.

In the "Market Segment" area, the project creator will have to respond in a concise and immediate manner to the question: "What is the reference target?". Therefore, it is necessary to identify category of subjects to whom the main activity is aimed, thus selecting a precise slice of beneficiaries. The Canvas Model closes with a reference to "Revenue," considering the number of subjects who will use the products and/or services and the value of the services offered. Through this area, the lender can make a final and decisive assessment of the cost-effectiveness of the project by comparing it with the "Expenditure" section, which summarizes the costs associated with the services offered [23].

Following the guidelines of the National Council of Chartered Accountants and Accounting Experts on the Canvas Model, the simulation led to its realization. First the section on the "Key Partnerships" was compiled: in the particular case of the Foundation, the project received financial support from the Puglia Region, which contributed 56% of the total amount of the budget, that is, for an amount equal to 200,000 euros.

The project aims at the redevelopment of the historic building and, subsequently, at its preparation in such a way as to respect the provisions of the Regional Regulations for the two apartments: without this preliminary phase, the building would not be accessible and the value could never be created. For this reason, the words "Restructuring" and "Furnishing" have been included in the "Key Activities" section.

Considering that this is a humanitarian project, in the "Key Resources" area are indicated those human resources that predominantly interface with minors, such as educators and auxiliary personnel.

With regards the "Offered Value," the foundation focuses on welcoming minors, and then on a path that allows the guests of the structure to be able to grow and train. In the "Relationship with customers" section are inserted the two key concepts that are at the base of the project, namely "Support" and "Comprehension." The entire work of the Foundation, in fact, is aimed at guaranteeing help to all those who are welcomed inside the structure, with the right sensitivity that the situation requires.

Also the area dedicated to the "Channels" is important so that the project can be followed in its evolution. The Foundation will mainly use its official website, the Facebook page and the YouTube channel. The Canvas Model concludes with information regarding the main project beneficiaries. In this regard, in "Market Segment" adolescents aged 16 to 18 are identified as the target of reference. Article 51 of the Regional Regulation No. 4 of 18 January 2007 provides that the apartments are intended only for adolescents in this age group, except for those who have not been able to complete their training up to the age of majority. In the latter case, the stay is granted up to the 25th year.

Regarding the "Expenditure" section, the main cost centers are considered, above all relating to the realization of the project (for example, furniture, energy, heating and water system). Finally, in "Revenue," the main financial revenues are included, which, considering the typology of the proponent, are due to contributions made by public administrations, donations and especially the crowdfunding campaign [23].

In **Figure 3**, the Canvas Model is represented.

6.4 Some reflections

The simulation carried out shows the phases and steps necessary to start a crowdfunding activity and it allows to reflect on the advantages and criticalities of this instrument: in particular, it is useful to ask whether this instrument can replace the classic methods of finding funds or can only be used alongside them.

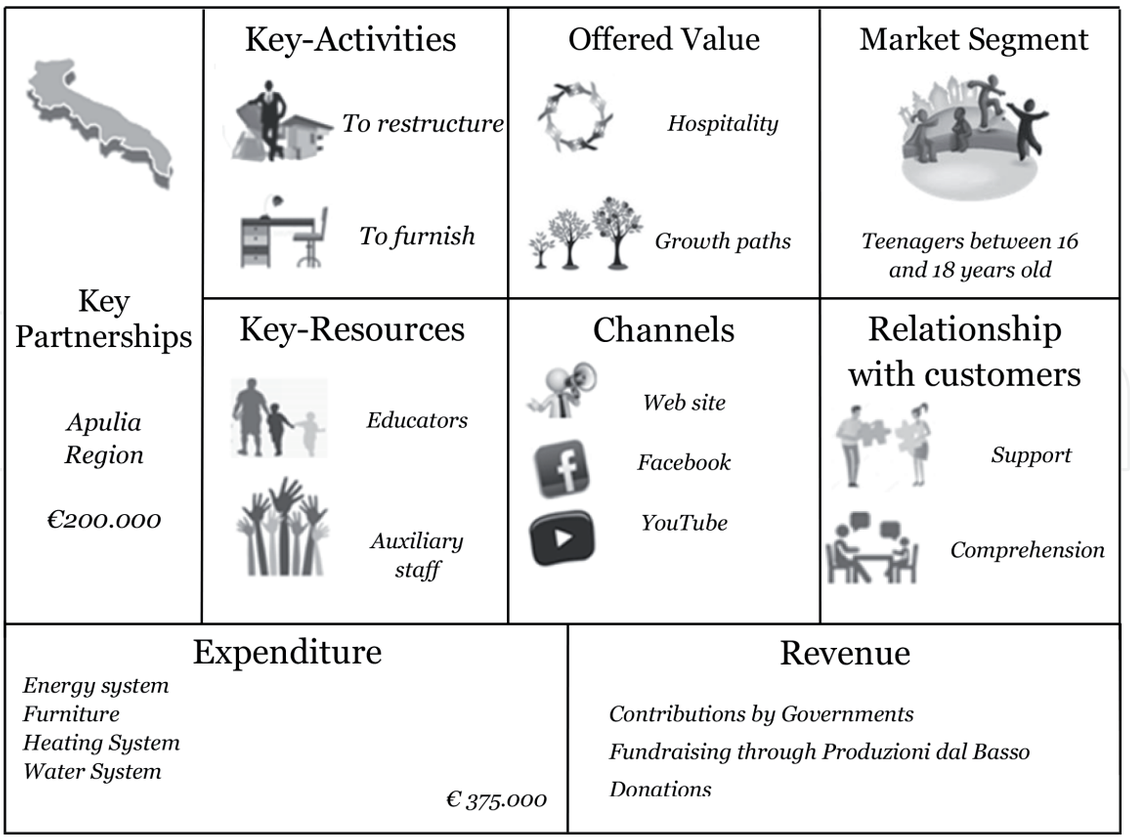


Figure 3.
The Canvas Model of the project. Source: own processing on [23] and CSVPadova.org.

Although crowdfunding presents a less bureaucratic, more streamlined and innovative process, this form of finding financial resources shows in the same way some critical points, first of all the uncertainty. The author of the project, in fact, at the time of publication cannot predict whether and to what extent he will find the crowd interest. In addition, it is not certain that the chosen network is willing to lend its support to the entrepreneurial, cultural or social idea in both financial and visibility terms. All these aspects, which manifest themselves in different ways depending on the chosen collection method, therefore designate crowdfunding as a supplementary and non-alternative channel, precisely because of its results that cannot be determined upstream.

In relation to the case study, if the inclusion of the project allows the Foundation to collect the funds necessary for its realization, it appears necessary, given the relevant amount to be collected, to operate with a different modality. In fact, to ensure that the structure receives the oblations useful for its sustenance, it is deemed necessary to resort to the "Recurring donation" method, thanks to which the institution will ensure for a certain period of time a flow of additional donations to those received previously or by other means.

Another relevant element for the choice of operating methods for the implementation of a crowdfunding project regards the aspect of the costs to be incurred. Beyond the possibility of creating a type of collection that does not provide for classic financial charges, in terms of interest to be paid, it is important to focus on the fees charged by operators that make it possible for financial resources to be transferred from the promoters to the lenders, as well as any costs associated with using the platform.

In a form of alternative financing to traditional channels, it is important that other types of costs do not grow in an excessive or disorderly manner, to the detriment of transparency and the social objective that this instrument pursues. In this context, the role of market supervisors, both nationally and internationally, is of crucial importance.

7. Conclusions

The crowdfunding has allowed the development of new fundraising methods and the support of new projects and business initiatives. The spread of crowdfunding in Italy depends on the fact that the Italian productive fabric is mostly made up of SMEs, which are starting to look with interest at alternative forms of financing.

In the European and international panorama, Italy is at the forefront of crowdfunding regulation: the legislator's goal was to encourage the exploitation of an alternative tool to encourage the financing of start-up companies, and consequently to support the economic growth and employment in Italy, where the use of traditional credit is often complicated, especially for young people.

In Italy, the most common types of crowdfunding are the social lending and the equity-based crowdfunding, which are diffused thanks to the improvement of the legislation. The largest number of platforms is donation/reward, that is, campaigns that collect funds through donations or in exchange for rewards.

Furthermore, the chapter illustrates a simulation of crowdfunding project for an Italian Foundation. The results of this simulation provide useful insights into reflections for policy makers and for potential entrepreneurs who intend to use crowdfunding to finance their business. The study can suggest further innovative analysis to strengthen the relationship between entrepreneurs and investors.

Conflict of interest

The authors declare no conflict of interest.

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