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Issues Inherent in Seeking Out Investment for a Startup

Problemas inherentes a la búsqueda de inversión para una *Startup*

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ABSTRACT:

This paper examines some of the key sources of investment for startups, including startuppers' own funds and those provided by their family members and friends, grant organizations, business angels, business accelerators, and venture capital companies. The authors describe some of the key strengths and weaknesses of each of these sources of investment; provide a detailed characterization of the key stages in the development of startup projects and investing in them; explore the current potential for and issues in the attraction of funds for developing and implementing innovative projects in today's conditions of economic development in the Republic of Kazakhstan; identify a set of unutilized sources of financial support for startups and put forward several ways to engage these sources to ensure investment in innovative projects. Separately, by way of an expert survey, the authors explore the possibility of employing crowdfunding and crowdinvesting as alternative forms of attracting investment resources from volunteer non-professional investors through the Internet. Building on this, the authors bring forward a project that implies creating a crowdinvesting online platform based at K.I. Satpaev Kazakh National Research Technical University, which is expected to facilitate the accumulation of resources to ensure funding for startup projects initiated by students and graduates of the above institution of higher learning.

RESUMEN:

Este documento examina algunas de las principales fuentes de inversión para *startups*, incluidos los propios fondos de *startuppers* y los proporcionados por sus familiares y amigos, organizaciones de subvenciones, business angels, aceleradores de negocios y compañías de capital de riesgo. Los autores describen algunas de las fortalezas y debilidades clave de cada una de estas fuentes de inversión; proporcionar una caracterización detallada de las etapas clave en el desarrollo de proyectos de inicio e invertir en ellos; explorar el potencial actual y los problemas en la atracción de fondos para desarrollar e implementar proyectos innovadores en las actuales condiciones de desarrollo económico en la República de Kazajstán; identificar un conjunto de fuentes de apoyo financiero inutilizadas para nuevas empresas y presentar varias formas de involucrar a estas fuentes para garantizar la inversión en proyectos innovadores. Por separado, a través de una encuesta de expertos, los autores exploran la posibilidad de emplear crowdfunding y crowdfunding como formas alternativas de atraer recursos de inversión de inversores voluntarios no profesionales a través de Internet. Sobre la base de esto, los autores presentan un proyecto que implica la creación de una plataforma en línea de inversión colectiva basada en K.I. Satpaev Kazakh National Research Technical University, que se espera que facilite la acumulación

In addition, the paper analyzes some of the best foreign practices in employing said forms of attracting investment. The authors conclude that at this time crowdfunding and crowdinvesting appear to be increasingly gaining in relevance and entering wide use across the global economic environment and, amid a chronic lack of investment resources, are coming to be regarded as quite an accessible and promising form of attracting financial resources to fund startup projects.
Keywords: startup project, business angel, business accelerator, venture capital company, methods of investing, crowdfunding, crowdinvesting, online platform

de recursos para garantizar la financiación de proyectos de inicio iniciados por estudiantes y graduados de la institución superior de educación superior. Además, el documento analiza algunas de las mejores prácticas extranjeras al emplear dichas formas de atraer inversión. Los autores concluyen que en este momento el crowdfunding y la inversión colectiva parecen estar ganando relevancia y entrando en un amplio uso en el entorno económico global y, en medio de una falta crónica de recursos de inversión, se están convirtiendo en una forma bastante accesible y prometedora de atracción. recursos financieros para financiar proyectos de inicio.
Palabras clave: proyecto de inicio, business angel, acelerador de negocios, empresa de capital de riesgo, métodos de inversión, crowdfunding, crowdfunding, plataforma en línea

1. Introduction

A basic premise for the successful development of any nation is the availability of innovations capable of both making the life of a particular individual easier *and* improving the quality of life throughout society as a whole. Innovations are grounded in a certain idea, which under particular conditions may turn into a product that is sought after in the market. One of the key factors in this transformation is financial support for the implementation of such ideas. Therefore, of special relevance are issues related to searching for and attracting financial resources to ensure the support and development of creative, and at the same time possibly risky, business establishments – startups, especially given the sharp increase lately in the number of Kazakh startups and in demand for them.

A startup is a new, recently established company (which may have yet to get registered officially, but is planning to do so) that builds its business based on innovations or innovative technology, has limited resources (both human and financial), and plans to enter the market. Innovative technology applied by a startup can be global (i.e., it will be regarded as an innovation on a global scale) or local (i.e., it is a derived technology or idea that will be treated as an innovation within a particular region or country) (Barringer & Ireland, 2008).

However, original ideas do not always survive in the market and receive funding for their development. Startup developers often have to put in a significant amount of effort in order to locate a source of funding. In terms of the 'venture capital availability' indicator, which is part of the Global Competitiveness Index (on which the nation is ranked 57th (among 137 nations) with a score of 4.35 (out of 7)), Kazakhstan is currently ranked 102nd in the world with a score of 2.5, against the world average score of 2.95. To compare, Russia is ranked 38th with a score of 4.64 overall and 89th in venture capital availability with a score of 2.6 (World Economic Forum, 2018).

At the very beginning, the implementation of a startup's idea is carried out based on the '3F's rule', which implies that it is believed in and supported financially only by family, friends, and fools ("The 3F's Rule," 2014). A key benefit of this kind of financial source is that there is no debt and that the startupper gets all the revenue. However, for the most part the volume of personal and family funds invested in startups is quite limited. On top of that, this source of funding for startups is more of a theoretical, than practical, nature, since the population's purchasing power is currently at a rather insufficient level.

A source from which startups can draw initial financial support on quite loyal, compared with other investors, terms is grant organizations. These institutions provide financial support to young creative individuals with progressive ideas. When the funded project becomes successful, the organization acquires a "good name" and is entitled to free public relations support.

Below is an overview of the grant organizations operating at the moment in the Republic of Kazakhstan.

The way is definitely led by the National Agency for Technological Development, which offers multiple funding programs, in the form of grants and direct investment alike. Some of the priority areas toward which the above institution provides grants include information/communications technology, biotechnology, energy efficiency, and robotics. Kazakh entrepreneurs can receive technology acquisition grants to the tune of up to $3 million to buy a license or a patent from Russian partners.

The Damu fund, jointly with leading Kazakh banks, provides grants via the 'Roadmap for Businesses – 2020' program at the level of local councils (akimats) in cities and oblasts based on the place of registration of a company or the place of residence registration of a natural person applying for a grant.

The autonomous cluster fund Techgarden provides a financial tool for the support of the innovative activity of participants which is based on funds accumulated mainly by way of disbursements from mineral developers. The fund implements programs related to acceleration and incubation, which, inter alia, are backed via grants. Today's top-priority areas include smart industry and new materials, smart environment, energy development, clean technology, e-commerce, and media.

At present, the primary investors for startups are business angels, business accelerators, and venture capital funds.

A business angel is a private person with some capital that makes smaller (compared with venture capital funds) investments in a smaller (compared with venture capital funds) share of a startup. As a rule, a business angel is a human who used to be or still is a private entrepreneur. These individuals look to maximize their investment returns – and, plus, may have a personal interest in the startup they are investing in. Normally, they not only will invest in a startup project and wait for it to start generating profit but will also provide it with technical and consulting support (especially, if the startup is operating within an area in which the investor has been successful) (Mitteness, Sudek, & Cardon, 2012).

Kazakh business angels have had close ties with foreign investors, which has enabled them to accumulate capital and invest it in both progressive and risky ideas. Currently, Kazakh startups are attracting "angel" investment from both domestic and foreign business angels. The domestic network of business angels is still poorly developed, but it has exhibited an uptrend lately. The Kazakh market for business angels, apart from some famous names (e.g., Kenes Rakishev (Kazakhstan's 7th richest man among the nation's 50 businessmen in 2016), Nurzhas Makishev, Adil' Nurgozhin, etc.), currently also features the Association of Business Angels and the MOST Club for Young Entrepreneurs ("A Business Angel," 2016). Having said that, there arises the issue of the cost of these investments, as most investors are willing to provide the financial resources only in exchange for a share in the company's capital. For instance, in the US and Europe in putting up hundreds of thousands of dollars most investors will ask for just a small percentage in the company (Mertens, 2005).

A key disadvantage of working with business angels is that there is direct interference with the management of the project, which does not always match the startupper's vision of things. Plus, there is the threat of funding getting discontinued at any stage in the implementation of the project.

The next source of financial support for startups is business accelerators (business incubators), which come as either institutions or as programs, organized by them, for the intensive development of companies through mentoring, training, and financial and expert support in exchange for a share in the company's capital. A distinct characteristic of accelerators is that they offer a structured program that can help a team work out its business model, get connected, and boost sales. The key difference between accelerators and business incubators for traditional small and medium-sized businesses is that the former offer an acceleration program that lasts from 3 months to half a year (with business incubators, this kind of program may last from 1 to 4 years). Normally, business accelerators work in tandem with a venture capital fund (the fund provides an investment and the accelerator provides an educational program, networking, and infrastructure) (Kirillova, 2015).

The participant in an accelerator (the startupper) gets the opportunity to: work with highly qualified professionals specializing in various areas (e.g., IT, finance, law, and business consulting); attend workshops in adjacent areas and lectures and undergo practical training, which will help them acquire the knowledge needed to develop their business going forward; conduct their innovative activity within a favorable environment (accelerators provide one with office space, office equipment, and access to the Internet); receive information support (accelerators are brands that are well-connected and have some media influence, which enables projects to start gaining in popularity in the press as soon as they become a part of the program); attract an investor (investors often focus on startups that are a part of accelerator programs, because these programs feature the more competitive, robust, and promising startups) (Bezrukova, Stepanova, Shanin, & Durakova, 2015).

Currently, there are over 40 business incubators operating in Kazakhstan. The year 2000 saw the launch of the Kazakh Association of Business Incubators and Innovative Centers, which brought together 14 business incubators and technological parks from various cities across the republic, the most powerful of which are the business incubators MOST and ISTARTUP.

Another source of funding for startups is venture capital funds. Venture capital funds are private capital funds that invest in enterprises which are at the early stages of their development. However, very few nations around the world have captured the term 'venture capital fund' statutorily, although in many countries these funds are highly active in the market for capital.

Some of the characteristics of venture capital funding include the following: there is a relatively small share in the company's capital, which is always smaller than the controlling stake; investing takes place at the project's early stages; the fund takes part in managing the startup; the company's shares start being sold once the product enters the market; there is risk diversification (Gorman & Sahlman, 1989).

The usual length of venture capital investments is 3–5 years, although in some cases it may reach 7–8 years. Attracting funding from a venture capital fund is a key factor for future development, and is a great chance for a startup project. Thousands of startuppers seek to partner venture capital funds, but only 10% manage to enter into an agreement with them (Dimov, Shepherd, & Sutcliffe, 2007).

The basis for success in securing venture capital funding is the startupper's ability to demonstrate their potential and strengths to the investor.

Due to the enormous diversity of startup projects and areas where they could be implemented, it is quite hard to come up with a uniform program for their development and funding. Western nations currently employ the following stages in the development and funding of startups (Bhidé, 2000):

– the grant stage, which involves registering the company, creating a prototype, and generating one's first sales. Here, the financial source, is, normally, one's personal funds, grant programs, and crowdfunding. The grant stage is characterized by funding while taking no part in the capital. Note that most projects fail at this stage due to lack of funding or lack of interest in the actual idea, or lack of experience on the author's part;

– the seed stage, which involves developing the product and getting it ready for sale. The focus here is on business angels, venture capital funds which will fund the seed stage, accelerators, as well as qualified investors. The volume of funds brought in may reach up to $1 million, with contributors, however, entitled to a share of the company's capital. And, although there are not so many investors working with the project, their potential revenue at this stage may be quite sizable, as they receive a significant share in the company's capital. Conversely, at this stage the startupper runs the maximum risk of failing and having their business idea founder while implementing a new technology;

– round A. Here, one experiences an expansion of the scale of their activity, mainly through funding from venture capital funds, and less frequently from qualified investors and business angels. This stage is characterized by significantly lower levels of investment risk, growing levels of the project's potential profitability, an increase in the number of those willing to invest in the project, which includes strategic investors keen on securing control of the enterprise, and declines in one's investment profit margins, which are still quite significant.

The volume of funding in round A ranges between $1 and 4 million;

– round B and the growth stage, characterized by an even greater expansion of the startup's scale of activity and its entry into new markets. The volume of funding, which comes from venture capital funds, other qualified investors, and, quire rarely, business angels, varies between $5 and 10 million;

– the undisclosed stage. At this stage, with the product having been developed and tested in the market, the company proceeds to its mass production. The purpose of attracting investment at this stage is to strengthen one's positions in the market. The funds are mainly provided by venture capital funds and private investors, but investment profit margins are no longer that high here, compared with the previous stages.

Each startup has a specific strategy for success, for which reason some projects can go through all the stages, while others through only some of them. It all depends on what the startup's special nature is and which area of activity it specializes in.

Currently, there are a number specialized communities and platforms in Kazakhstan which bring business angels and experienced entrepreneurs together. Year by year, there are increasingly more Kazakh startups that are a success, many attracting the attention of non-core investors as well. The last several years have witnessed a trend towards startup projects being funded by large investment funds. This is testimony to Kazakhstan's venture capital ecosystem actively developing at this time, which is creating the preconditions for boosts in investing in startups in the republic.

Another source of financial resources for startups that is still being employed insufficiently in Kazakhstan is bank loans. A key obstacle to getting a bank loan today is the high riskiness of startups, with banks running the risk of failing to get their funds back and startuppers facing high interest rates and floating charge or surety commitment arrangements. By contrast, in Western nations funding startups via bank lending on both a short-term and long-term basis is a significant factor for the development of innovations.

State support for innovative projects by startuppers includes grants, concessional lending programs, funding for research, and funding for innovative projects within certain sectors (agriculture, environmental protection, energy-saving technology, etc.). Despite the riskiness of startups, it could be possible to establish the minimum size of this type of funding based on a one-time payment equal to one year's worth of unemployment compensation – a move intended to help kick-start one's entrepreneurial activity.

Today, the nation is experiencing a major lack of investment resources, with most small and medium-sized businesses having extremely limited access to the sources of funding. The issue is especially severe when it comes to the conduct of innovative entrepreneurial activity, startups in particular. Obtaining venture capital funding is a central issue both at the startup project's development stage and at the stage of the business's subsequent expansion. To get help in obtaining funding, young entrepreneurs can, formally, turn to business incubators, accelerators, venture capital funds, and private investors. However, as evidence from practice indicates, the above resources are quite scarce at this time, while levels of investment/innovative activity remain low.

Therefore, there is increasingly greater relevance today in searching for and employing alternative forms and methods of investing. The findings from the authors' analysis suggest that this could be such resources as crowdfunding and crowdinvesting, which are relatively new to domestic practice.

Considering the relative novelty of the above forms of investing, there appears to be a lack of research into their practical use domestically, with the issue warranting more detailed investigation both methodologically and instrumentally.

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2. Methods

The purpose of this study is to explore the key features of crowdfunding and crowdinvesting as alternative forms of attracting investment for innovative entrepreneurial activity, determine the benefits of using these resources, and provide a set of specific proposals regarding their use.

For the purposes of this study, its practical part included an expert survey featuring startupper entrepreneurs, as well as students and staff members of K.I. Satpaev Kazakh National Research Technical University – a total of 52 individuals engaged in promoting startup projects.

Based on the findings from the expert survey, the authors put together a set of proposals on organizing a crowdinvesting online platform based at K.I. Satpaev Kazakh National Research Technical University which will be oriented toward investing in startup projects initiated by students and staff members of K.I. Satpaev Kazakh National Research Technical University.

3. Results

The expert survey found that mass media tend to use the terms crowdfunding and crowdinvesting interchangeably, as both refer to non-professional ("popular") forms of funding. However, as is demonstrated below, there are some major differences between the two.

Crowdfunding is joint activity by people (donors) who choose to pool together their funds or other resources, mainly through the Internet, in order to prop up the efforts of other people or organizations (recipients). To enable the implementation of these projects, first a goal must be set, target amount must be established, and all expenses must be calculated, while all information on the progress of the fund-raising process must be open to the public. In addition, crowdfunding platforms make it possible to get an answer to the question of whether the future product will benefit its users and, consequently, has a future in the market.

Crowdfunding is a form of investing whereby private microinvestors (private individuals) who are not professional investors voluntarily pool together their monetary or other resources and invest them, mainly through the Internet, with a view to propping up the efforts of other people or organizations seeking to turn their innovative ideas into reality. Funding based on this method can be oriented toward the attainment of various objectives and implementation of various projects, e.g. assistance to victims of natural disasters, financial support for artists or athletes, support for political campaigns, etc. A key condition for the start of the fundraising procedure is setting a goal and establishing the cost of getting it achieved, while information on calculating the expenses and raising the funds must be available to the public freely at all times.

Until recently, most projects funded this way used to be charity- or arts-related and could not be carried into effect without this kind of financial support. For this reason, crowdfunding is often likened to just donating money. However, at present, amid the rapid development of information and communication technology, this method is increasingly employed by young startupper entrepreneurs – for instance, to amass startup capital for their project. Further, based on the findings from the authors' survey, most entrepreneurs locate potential microinvestors through relevant Internet communities. Consequently, the array of different types of crowdfunding is quite wide and may incorporate the following:

– raising funds on a gratuitous basis without having to make the name public and with no required direct paybacks to the donor;

– raising funds with the donor's name made public;

– borrowing funds on a repayment basis – microinvesting;

– raising funds to secure quasi-equity capital (with the investing scheme not having to fit certain regulations dealing with initial public offerings), etc.

Crowdinvesting is another form of investing which enables a large number of microinvestors (private individuals) with, normally, not too much money in hand to invest in new projects and startups through the Internet. However, in this case it is done exclusively on a repayment basis. The key incentive for a potential investor engaging in crowdinvesting is the possibility of generating relatively sizable revenue in the event of the startup project being a success and then growing further. In this case, investors who invested their money in a project at the stage of its inception have the opportunity to generate a major profit in the event of it getting sold to a large investor at a later stage (a startup "exit").

This method provides microinvestors (private individuals) with the opportunity to take part in the implementation of startups via a relatively small investment. An investor can pursue a certain microinvesting strategy of their own, like, say diversifying the areas for investing. Still, there is a fair amount of risk of financial failure here.

To the actual entrepreneur, based on their expert opinion, a major benefit from employing crowdinvesting is reduced transaction costs of organizing the funding of startup projects through having fewer intermediaries. Also, compared with the other forms of investing, crowdinvesting is characterized by greater flexibility, faster capital accumulation, and greater information transparency. Further, this form of investing can be used to fund projects dealing with the production of both commercial and social goods, which, normally, is handled by the state. In particular, it is often employed to fund projects dealing with the provision of local public amenities and provision of assistance to certain categories of the population.

Based on the findings from the survey, most of today's crowdinvesting is carried out through online platforms. Further, virtually anyone may register their startup project on the platform. However, the actual project must also meet certain requirements with respect to expected times for completion, required volumes of investment, payoff options, and other criteria. If the project fails to obtain the amount it needs, an aggregator will send the funds back to the accounts they came in from. The use of an online platform provides an additional edge to crowdinvesting. For potential investors, it is a relatively easy and convenient way to get into the stock market; invest in projects in different countries without having to worry about statutory, territorial, authorization-related, or any other administrative obstacles; enlist the professional assistance of brokers and other professionals specializing in activity within organized capital markets. For startuppers who are in need of funding, it is an opportunity to attract funding with minimum risk relatively as easily and conveniently.

Based on the findings from the survey of students and staff members of K.I. Satpaev Kazakh National Research Technical University, the authors suggest putting in place a similar platform based at the above institution. Over the past few years, the college has been keenly engaged in popularizing and providing support for innovative entrepreneurship among students, graduates, and instructors. It has been an exciting venue for growing technological ideas, fostering technology transfer, and launching and developing innovative companies – doing so in accordance with the Provision on Establishing and Providing Support to Startup Companies within K.I. Satpaev Kazakh National Research Technical University (*Provision on Establishing and Providing Support,* 2017).

Owing to the university's support, someone is already implementing startup projects initiated by the institution's students, postgraduates, and instructors. However, despite some definite success that has been attained in the area, a true innovative breakthrough has yet to be achieved, one of the key obstacles to this being the classic issue of lack of investment resources.

Based on all of the above, having analyzed the essence of and prospects for investing in startup projects, the authors have established that, to ensure the full-course progression of the process of creating and supporting startup companies, the nation needs to have in place an online platform that will enable providing projects with funding from microinvestors. The authors are of the view that, given the characteristics of Kazakhstan's current economic environment, the nation is not likely at this time to benefit much from crowdfunding, which is charity-based investing. Instead, it may help to focus on launching a crowdinvesting platform. A platform of this kind could provide students and members of university staff with a real chance to turn their startup ideas into reality.

The idea is to break the cost of each project that will be featured on the platform down into shares worth 1 to 100 conditional currency units, with anyone willing to register and buy a share allowed to do so. To be able to place the project on the platform, one will have to register on the website and submit an application specifying the following information:

– the startup project's key concept;

– the project's business model;
– the minimum budget required to launch the project;
– the amount of time required to launch the project;
– the project's projected earning capacity;
– the payback period;
– the critical level of the startup's profitability.

As soon as a new startup project is placed on the online platform, microinvestors registered in the system are going to be notified of that. They will be able to familiarize themselves with the project's characteristics, and then, if it suits them, enter an agreement and buy a share in it. After the project is launched, at some point investors will start accruing dividends and receiving payouts to their account on the platform. In the event the project's profitability level falls below the critical one, the platform will initiate a voting procedure among owners of the project's shares so as to determine how to go about it next. If an investor elects to exit for whatever reason, they will be able to withdraw their funds using any payment system they like or reinvest their funds in any other project. A startup project's initiator, who has joined the platform, will be paying the resource a certain fee equaling a percentage of the total amount they have accumulated. Part of these funds may be used to cover some of the loss incurred by investors. The idea, also, is to provide both microinvestors and startuppers with information/consulting support on the platform. However, the mechanism that will underlie the platform's operation is still a work in progress. It is also worth noting that to ensure the legitimacy and efficiency of its operation one will have to lay down certain rules, which are backed by legal norms, for the participants to follow.

The above-described form of attracting investment can be viewed as quite a promising method that lends itself to relatively easy implementation. However, it is the legal aspect that may need work. The problem is that, while foreign laws provide a pretty solid statutory framework regulating crowdfunding and crowdinvesting relationships and enable the legitimate practical implementation of most of the ways of attracting funds from microinvestors, Kazakh legislation has yet to provide clear-cut regulation for the above forms of investing. This being the case, in organizing the operation of a crowdinvesting platform it may help to employ legal instruments that are prescribed by existing legislation which would work best to regulate it, i.e. employ statutory analogy. Where it is not possible to employ statutory analogy, it may help to determine the parties' rights and obligations based on the general principles of civil legislation, i.e. employ legal analogy.

The authors suggest putting together a regulatory/legal framework for regulating interaction between participants in a crowdinvesting online platform in the form of properly styled documents that will be available on the website housing the platform. These documents could be styled as agreements regulating all aspects of participant interaction, including a user agreement (which will regulate the relationship between the platform organizers and users); an agency agreement (regulating the relationship between the platform organizers and startup initiators); a payment agreement (regulating the relationship between the platform and payment systems); a loan agreement, a purchase and sale agreement, and a service provision agreement (regulating the relationship between the investor and the project initiator; it will depend on the nature of investment); a personal data processing agreement.

These documents could be presented as forms on the website. Upon familiarizing themselves with the terms, platform users could either automatically consent to them by filling in a special field on the form or could sign off on an agreement on an individual basis after making up their mind on the matter. The coordination within the law and documentary reflection of all aspects of participant interaction in an agreement is currently regarded as the more complex task, which it is necessary to resolve as soon as possible in order to be able to launch a crowdinvesting online platform based at K.I. Satpaev Kazakh National Research Technical University in the shortest time possible.

4. Discussion

At present, there are numerous crowdfunding and crowdinvesting platforms operating successfully around the world. Most of them work off servers located in the US. The sharp increase in the use of these forms of attracting investment for projects in the area of small innovative entrepreneurship is attested to by the fact that in 2015, according to the Crowdfunding Industry Report, crowdfunding and crowdinvesting platforms helped fund over one million commercial and social startup projects. The volume of funds collected through these platforms exceeded $3 billion in 2014, with the average investment by an individual microinvestor being about $100. In 2016, the volume of investment in the sector reached $5.5 billion (Belleflamme, Omrani, & Peitz, 2015; Hornuf & Schmitt, 2016). 56.0% of all projects that received funding failed, although this statistic should be regarded as a good one and even better than what one will get on average across the startup entrepreneurship sector (nearly 90.0% of all launched startups that receive funding fail early and are terminated within their first year in business (Vulkan, Åstebro, & Sierra, 2016; Roma, Messeni Petruzzelli, & Perrone, 2017).

Evidence from practice suggests that platforms not only have solid potential for funding commercial projects but may facilitate resolving many of today's tough social/economic and social/political issues through the provision of real support for effectuating relevant civil initiatives. According to Forbes, today's largest crowdfunding and crowdinvesting online platforms dealing with generating funding for entrepreneurial projects are the following (Lukkarinen, Teich, Wallenius, & Wallenius, 2016):

1. AngelList, an American platform specializing in attracting equity- and debt-based investment toward startups. However, this is not a traditional, generally accessible platform, with only accredited investors allowed to invest through it.

2. Early Shares, an equity-based crowdinvesting platform which helps generate funding for American small businesses.

3. Crowdcube, an equity-based platform working off servers located in Great Britain.

4. Fundable, a platform which helps generate funding for small businesses both on a gratuitous basis and on a repayment one.

5. Seedrs, a British platform which enables investing in seed-stage startups.

6. CircleUp, an equity-based crowdfunding platform working off servers located in the US.

7. Crowdfunder, a global social network which enables equity-based participation and crowdfunding investing in small businesses, startups, and social projects.

8. WeFunder.com, a network that offers a fair secure mechanism that enables anyone to invest in promising startup projects.

9. Equity Net, one of the oldest platforms (launched in 2005) and the only patented crowdfunding platform, which is used by thousands of entrepreneurs, investors, government establishments, business incubators, and other members of the entrepreneurial community for investing in medium-sized private companies.

10. RockThePost, a platform for interaction between startup entrepreneurs and accredited investors.

The roster of the largest platforms also includes IndieGoGo, RocketHub, Kickstarter, and some others. This variance within the rankings is associated with the fact that it is quite hard to draw a distinction between crowdfunding and crowdinvesting platforms and separate out those oriented toward investing in commercial projects as opposed to, say, social or artistic ones – normally, a platform can mediate all of the above types of financial investment.

The successful operation of systems of this kind in Europe and the US is testimony to their high efficiency in terms of helping resolve issues of arranging the funding of all manner of projects, including highly exotic ones. However, across the post-Soviet space crowdfunding and crowdinvesting are still treated as little-known innovations whose commercial potential remains underestimated for now.

5. Conclusion

The findings from the authors' analysis of sources of funding for startups indicate that today the primary resources for the support and facilitation of innovative projects in Kazakhstan are venture capital companies, which appear to invest significant funds both at initial stages and at those of project development and expansion. By contrast, the volume of financial resources coming in from business angels and business accelerators is currently lower, with investments taking place mainly at the initial stages of project implementation. Due to the high riskiness of projects, little to no part in funding startups is taken by banking institutions. The authors are of the view that to help boost Kazakhstan's competitive advantage globally in the area of innovation it would help to conduct a thorough investigation of the nation's existing potential and mechanisms of providing state support to creative individuals and their projects.

The authors are convinced that today, amid a lack of investment resources, Kazakhstan could benefit significantly from creating and developing domestic crowdinvesting platforms. This, on the one hand, could facilitate the development of the nation's financial/investment sector and provide private individuals with the chance to become full-fledged investors and fulfill their entrepreneurial talent regardless of how much capital is available to them, while, on the other hand, help lay the groundwork for the development and implementation of innovative high-tech entrepreneurial initiatives and cultural, artistic, and charitable/social projects.

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