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**Interdependence between Enterprises
and Investors
in the Italian Economic System**

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Abstract

They are 148.531 the small and medium enterprises that creates the network at the base of the Italian economic system, able to generate an added value of €212billion and accounting, therefore, for the 12,6% of Pil (Rapporto Cerved Pmi 2018 8). These SMEs largely contribute to the peculiarity of the economic and social environment of the country, affecting the investment dynamics and, in turns, the major sources of funding. Starting from a strong dependence on debt, the Italian enterprises are moving toward alternative financing schemes, experiencing from 2012 a consistent positive trend in the major economic indicators, with an overall cash flow above the pre-crisis performance. However, in this expanding dynamic context a large number of enterprises has a potential for growth that is still untapped, mainly due to the limited capital available. It becomes crucial, therefore, to have a deep understanding of the needs and potentials that characterize both the enterprises and the investors and, at the same time, of the connections between the two, that are deeply interdependent, in order to exploit their full potential.

Context

ITALIAN ECOSYSTEM

In the recent years, Italy has often been identified as slow mover compared to the other members of the European Union, with a limited prospect for growth confirmed also by European Country Report 2019. However, in order to have a deeper understanding of its potential for growth in the medium and long-term and of the environment in which the Italian enterprises operate, a broader overview of the dynamics that characterize the Italian ecosystem is necessary. Starting from the Kaufman Foundation research on the measurement of entrepreneurial ecosystem, the following elements will be considered in order to have a more complete and less static understanding of the country: density, fluidity, connectivity, diversity (Measuring an Entrepreneurial Ecosystem).

Density

Density, intended as measure of new enterprises and of the propensity to innovate, represents the starting point for a deeper understanding of the dynamism that characterizes the Italian ecosystem. According to InfoCamere, the 2018 has seen 348.492 new enterprises with a growth in the number of limited liability companies and a positive delta with closures of 31.615 enterprises, mainly driven by the positive results of the southern part of Italy and of the islands (Movimpresa). In terms of relative density, intended as the number of new enterprises per 1000 people in an area, the 2018 has been characterized by an

index 5.77, in line with the downward trend registered in the previous years. This trend persists in the first quarter of 2019 characterized by a negative delta between new enterprises and closures, with a decrease of 0,4% compared to the results registered at the end of 2018 (Movimpresa). These data highlight a general propensity of the country to entrepreneurship slowed down by the parallel closures of existing enterprises as result of an Italian economic system that is not completely stable yet.

By looking at the concentration of employment in the medium and high technology manufacturing and knowledge intensive services, as shown in Figure 1 Italy results below the EU countries average with a percentage of total employment of 40,7% due to the poor performance at the service level (Eurostat). Indeed, as the manufacturing sector is evaluated separately, the country jumps above the average with 6,1% of employment in the sector compared to the 5,8% of the EU countries average (Eurostat). This positive result suggests the possibility for Italy to develop the entrepreneurial potential, leveraging the manufacturing system that characterizes the country.

Figure 1

Employment in High and Medium – High Technology Manufacturing and Knowledge-intensive Service, % of Total Employment.

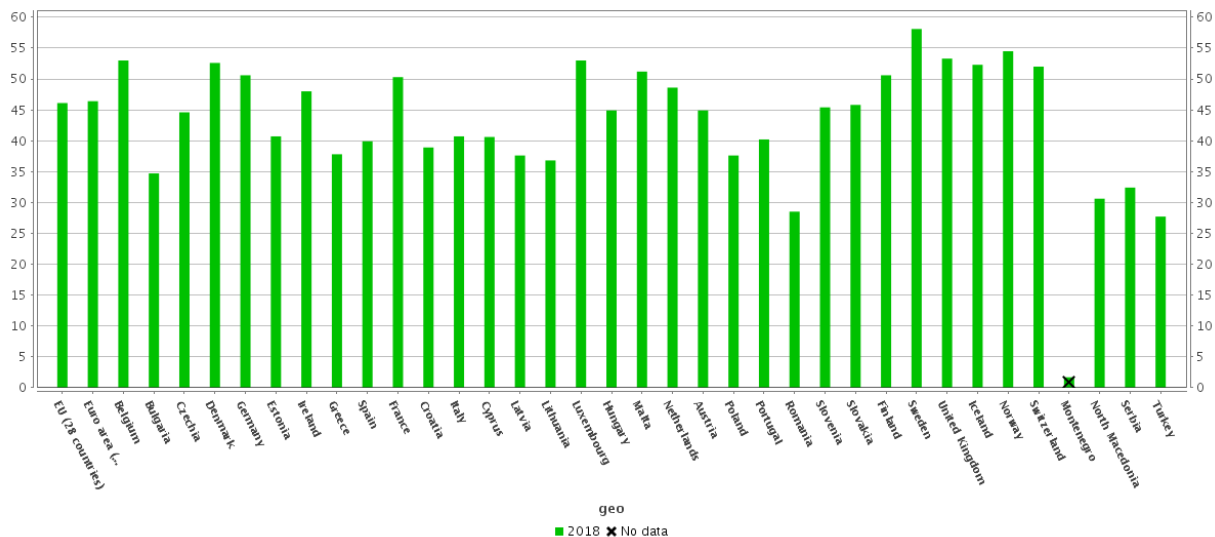


Fig1. Eurostat - Tables, Graphs and Maps Interface (TGM) table. 2019.

Fluidity

In evaluating the entrepreneurial vibrancy of the Italian ecosystem, fluidity represents an important element to consider as strongly linked to the main entrepreneurial resource: people. Starting from the population flux, that involves the mix of immigration and emigration from which the entrepreneurial soul gains its strengths, Italy has registered in 2018 an increase both in the number of people that arrive and those that leave the country, respectively 349,000 and 160,000 (Istat). Although the positive balance between immigrants and emigrants, the data show an incapacity to retain in Italy its citizens as the number of exits largely offset the returns that are limited to 49,000 for the 2018 (Istat). This phenomenon

occurs in parallel with a shift in the labor reallocation toward low-skill jobs, highlighted by the annual government report *Il Mercato del Lavoro 2018* (16). In this perspective, the mix of people and the limited labor market variation in Italy seem unable to support the entrepreneurial propensity of the country, representing a crucial element to analyze and rethink in order to sustain the Italian economic growth.

Connectivity

Starting from the existence of entrepreneurial entities and people able to sustain them, it is crucial to create connections among them in order to trigger the entrepreneurial dynamism of the country. In this perspective, dedicated programs and resources represent the starting point to create connections. At the European Union level, Italy can count on different initiatives with the goal of supporting entrepreneurs and SMEs in the area with dedicated programs such as COSME (Competitiveness of Enterprises and SMEs). With an investment of €2,3billion over the period 2014-2020, it aims at creating the best environment for the establishment of enterprises, from the access to funds and markets to the reduction of regulatory friction and the support for the development of business. Beside the EU programs, Italy in the recent years has developed a dense network of programs and funds both at the national level and at the regional one with the involvement of public institutions, universities, and private entities. These initiatives suggests the interest, both at the public level and the private one, to

support the entrepreneurial system and foster its development in the country. This is confirmed also by the large increase in the number of spin-offs in the last decade that, according to the Netval annual report, arrived at 1,192 in 2018 (Rapporto Netval 2018). The positive trend, in line with the European level, is the result of the fruitful collaboration with local entrepreneurial entities and the access to new funds dedicated to research and development.

Diversity

Beside the creation of opportunities to establish businesses, in order to have a complete understating of the entrepreneurial dynamism in the Italian ecosystem the economic diversification of the country should be considered. According to the Kauffman Foundation, the ability to specialize in different sectors foster the entrepreneurial propensity of an area and the achievement of more positive results compared to regions or cities with limited business diversification (Measuring and Entrepreneurial Ecosystem 6). In this perspective, Italy can count different business sectors on its territory, although the highest rates of productivity are still linked to the traditional ones, both at the manufactural level and at the services one. The concentration is, therefore, on sectors such as construction, textile, clothing and commerce differently from other countries, such as Germany, with a higher propensity to innovation and technology (L'Economia Italiana e il Sistema delle Imprese 48). The presence of these different sectors creates, according to Istat, a dense network of connections in the Italian territory (see

Figure 2), characterized by strong relations that, in some cases, due to their reciprocity, may limit the wide diffusion of knowledge and experience. This network of relations permeates the Italian productive and manufacturing system at the local scale as well, creating the base of the Italian districts, a concentration of knowledge and highly specialized enterprises.

Figure 2

Structure of the Inter-sectorial Relations in the Italian Economy (2014)

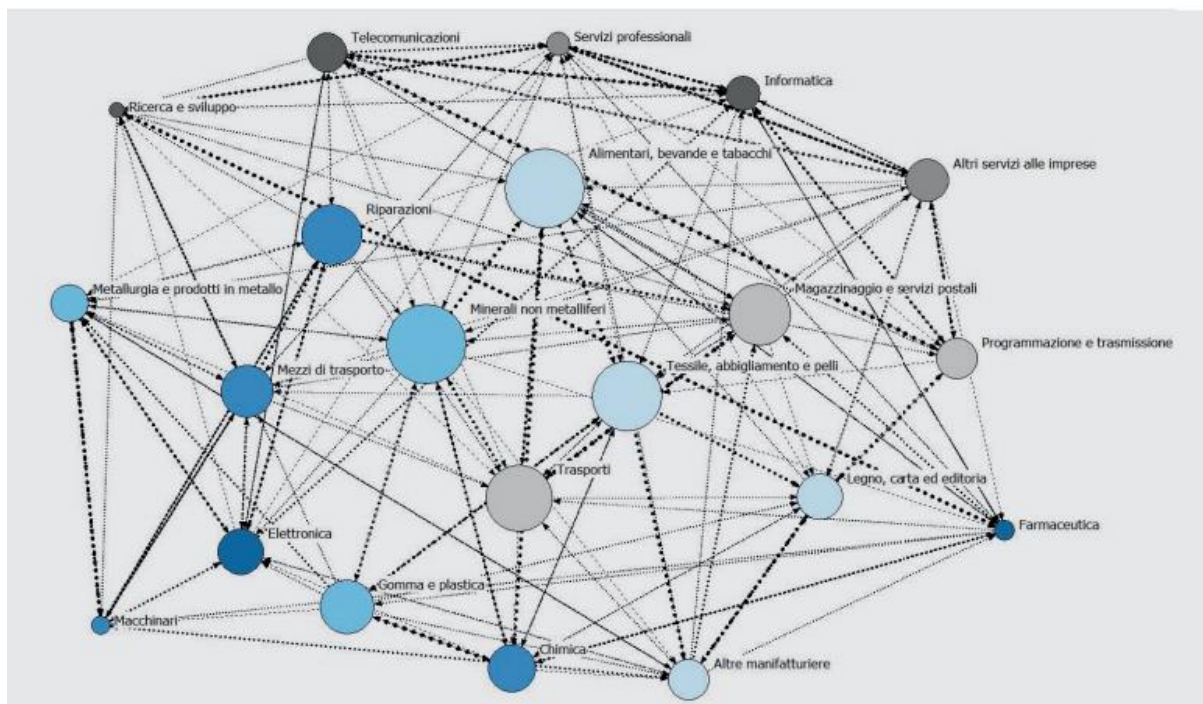


Fig.2. Istat. *"L'Economia Italiana e il Sistema delle Imprese. Reti, Legami Produttivi, Territorio"*. 2018, figure 1.18.

THE DISTRICT MODEL

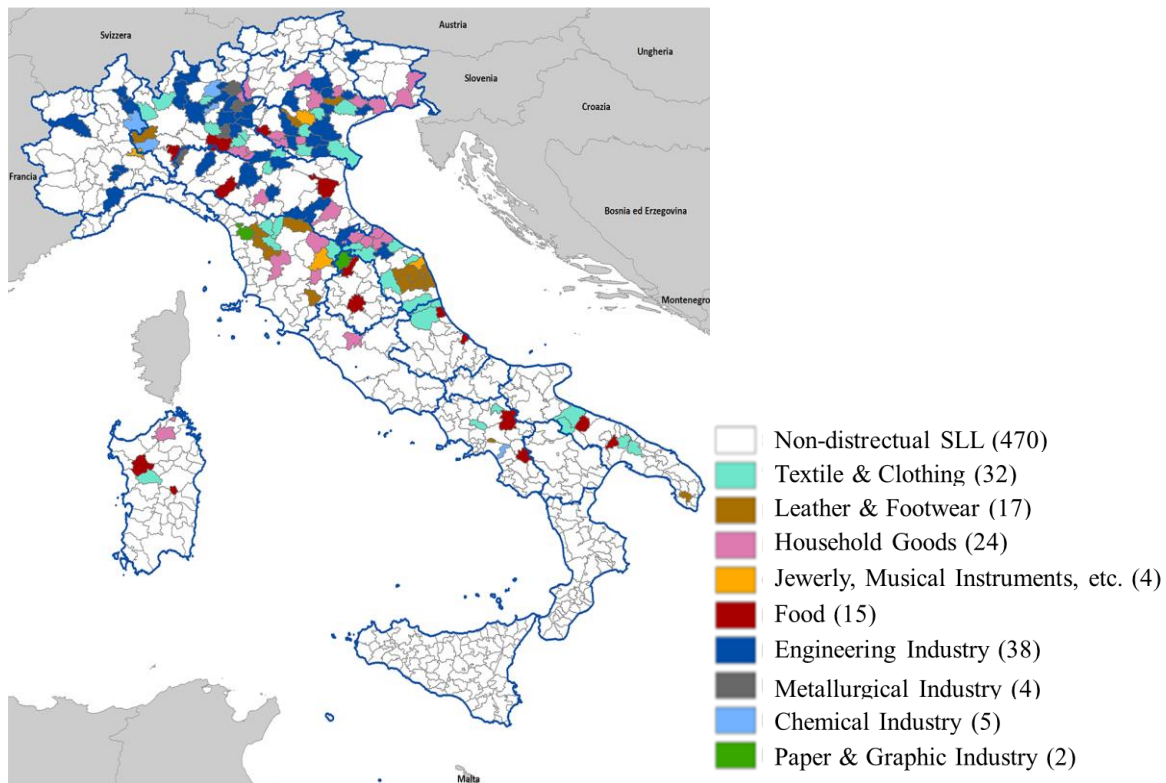
The district represents an intrinsic element of the Italian socio-economic system and the starting point for the development of the country. The first definition of district, introduced in the Italian law in 1991, that focuses on the relationship between the enterprises in an area and the resident population is explicative of the strong link with the territory that characterizes the Italian socio-economic system. Today a more general definition is in force, with district intended as a concentrated and highly specialized network of enterprises (Legge 11 Maggio 1999, n.140).

The district represents the prevailing model in the economic system of the country, increasing its presence over time both at the economic level and at the demographic one, with a constant expansion of the areas and the number of employees involved over time (Istat).

According to the 9° Istat Census on industries and services, Italy counts 141 districts on its territory with the highest concentration, for a total of 45, in the north-east area of the country that traditionally leverages on the district network. The prevalence of this model in the northern part of the country with 82 districts, followed by 38 in the central area and 17 in the South, is highlighted in Figure 3, that illustrates the diffusion and the specialization of the districts in the Italian territory.

Figure 3

Industrial Districts in Italy (Census 2011)

Fig.3. Istat. *"I Distretti Industriali"*. 2011.

The weight of the Northeast in the district system is prevailing on the occupational level as well, with Lombardia and Veneto together accounting for more than the 60% of the districts employment share. These results are confirmed in terms of performance, with the best districts for growth and income concentrated in the Northeast and Northwest of Italy (Economia e Finanza dei Distretti Industriali 8). The most performing sector is the metalworking one, thanks to a combination of foreign demand and a positive trend registered in the manufacturing system, followed by the agri-food and the fashion ones.

The distinctive feature of the district model is the dense system of connections at its base. The reduction of the distance among the participants in the supply chain encourages the development of a common identity, a high level of specialization and know how sharing, creating a competitive advantage compared to the non –district realities. Moreover, the district areas register a higher diffusion of the technologies 4.0, in particular in the mechanical sector where is equal to 37,8% (vs 30,1%), driven by the leading enterprises (Economia e Finanza dei Distretti Industriali 12). The vibrancy that characterizes the Italian districts is able to generate a positive spillover effect in the network and, at the same time, to attract and support the development of SMEs and startups. According to the report *Economia e Finanza dei Distretti Industriali* of Intesa San Paolo, the concentration of SMEs and startups in the district system is higher compared to the non-district ones in particular outside the main towns (13), thanks to the positive environment that facilitates the introduction and development of new services and products. These peculiar elements affect positively the performance of the district systems, that registered an increase in turnover equal to 4,3 % in 2017 and slightly lower in 2018, equal to 3,4% (5), with a prospect of growth limited in the next two-years period due to the uncertainty of the Italian economic system. Particularly significant is the delta in turnover of more than 5 percentage points between the district areas (16,1%) and the non-district ones, registered over the period 2008-2017 (28), highlighting the strength of the district model in the Italian ecosystem and its potential for growth.

CAPITAL AVAILABILITY AND INVESTMENTS OF ITALIAN ENTERPRISES

The overview on the elements that contribute to the dynamism of the Italian entrepreneurial ecosystem points out a strong potential for growth and development starting from the strengths that characterize the Italian economic environment and working on its limits, with the goal of creating a fruitful and wide cooperation among parts, that often operate independently in the territory. In addition, the peculiarity of the Italian manufacturing and economic system, based on the district model, contributes to the creation of a stimulating environment both in terms of knowledge development and in terms of economic growth, thanks to the highly specialized nature and a greater inclination to innovate.

This potential seems not to go together with the investments for growth of the Italian enterprises, held back by the economic uncertainty and the confidence lost during the crisis. According to the Centro Studi di Confindustria, the Italian enterprises have constantly improved their financial management with a liquidity higher than the pre-crisis level. However, this has not occurred in parallel with a progressive increase in the capital invested. In 2017, the internal resources available reached the 3,7% of turnover, 1,2% higher compared to 2007 when it was equal to the 2,5%. The opposite scenario occurs when the fixed and intangible investments are considered. In 2007 the amount invested has been

equal to the 4,1% of turnover, while in 2017 the capital invested stopped at a level equal to internal resources (3,8%). These data confirm that in parallel with the positive trends that the Italian enterprises are experiencing and their greater financial discipline, their willingness to invest is still moderate in particular for small and micro enterprises, that suffered the most the crisis effects. Other than the greater caution of enterprises, an evolution of investments has been registered in the last years. The enterprises become progressively less dependent on bank financing, representing the 0,5% of their turnover compared to the 1,6% of 2007, and started looking at alternative sources of financing. This process is further encouraged by the limited access to bank credit registered from the second half of 2018, that interested in particular the small and micro enterprises, for which the reliance on bank debt diminished from the pre-crisis 2,3% to 0,2% of their turnover in 2017. In this context it becomes crucial for the Italian enterprises and the SMEs in particular, to open up to alternative sources of financing to sustain investment and, in turns, foster growth.

SOURCES OF FINANCING IN EU COUNTRIES

In Europe, banks represent the main source of financing for small and medium enterprises that aim at supporting fixed investments, inventories, and working capital. However, in the recent years, SMEs have showed an increasing interest for alternative sources of financing. According to the Survey on the Access to Finance of Enterprises in the Euro Area conducted by the European

Central Bank, this demand goes together with an increased availability of alternative financing that moves faster than the effective needs, with an overall 4% negative delta between the two in the EU countries (25). This gap is particularly relevant in certain countries such as Germany, Netherlands, Portugal, and Spain while the situation is flat in France and Belgium where the financing needs and the alternative propositions are aligned (see Figure 4). At the same time, the survey confirmed the perceived lack in Italy of financing sources alternative to banks, registered since 2015 (25). This occurs in parallel with a greater difficulty for Italian SMEs to obtain bank loans mainly driven by the discouragement to apply and the high costs (28), for an overall tightening of access to credit. In general, according to the EU survey, the SMEs in this area do not consider bank as the best alternative to access the funds needed due to the costs involves, the high interest rates, the lack of sufficient guarantees, and the large number of information to provide (34).

Figure 4

Change in the External Financing Gap Perceived by SMEs across EU Countries

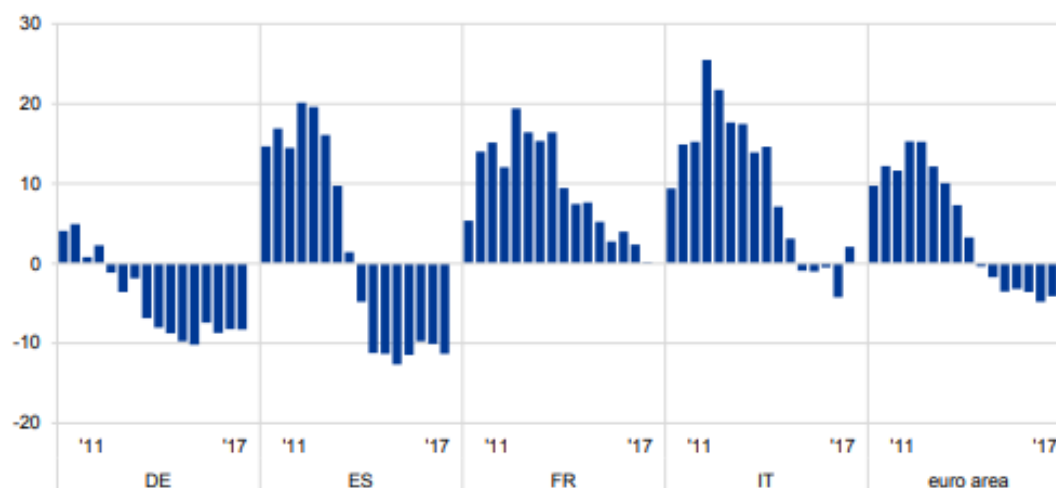


Fig.4. European Central Bank. *"Survey on the Access to Finance of Enterprises in the Euro Area "*. 2019, figure 17.

At European level, like in Italy although to a different extent, emerges the persistent key role of banks as source of financing for small and medium enterprises, with limits given by the access to credit and the limited economic convenience. In parallel, the enterprises are progressively more open to alternative sources of financing, that in the last period are even exceeding the expectations, in terms of availability and diffusion. In this perspective, becomes crucial for the enterprises, on one hand, to exploit these financing opportunities available to invest and support growth and for investors, on the other hand, to reach out to the unfulfilled financing needs, resulting from the SMEs difficulty to access traditional credit channels and an overall discouragement.

Enterprises & Investors

The Italian enterprises are traditionally characterized by a strong dependence on banks and a prevalence of debt as source of financing. This is in line with the economic structure of the country based on a dense constellation of small and medium enterprises that leverage on bank as main or unique source of access to the capital they need. The weight of bank financing of the Italian enterprises today is equal to 60%, representing the highest value in the Eurozone and being 25-30% higher compared to the United States and the United Kingdom level (La Finanza d'Impresa in Italia 4). In this context, banks have a limited capacity to mitigate risks and, therefore, to sustain investments with a higher level of uncertainty, given by their time-horizon or their innovative nature. Not surprisingly the 40,8% of Italian SMEs has not relied on banks for financing their activities in 2017, significantly higher compared to the 29% in 2009 (Rapporto Cerved PMI 2018). The lack of a diversified financial system has limited the introduction of new technologies and the reaction to global challenges, missing opportunities for growth and development. In this perspective, it becomes crucial the development of alternative sources of financing for enterprises in order to adapt to changes and opportunities and, in turn, to foster the stability of the overall Italian economic system.

MINI-BONDS

Introduction and Legislation Development

A mini-bond represents a debt instrument generally issued by enterprises of small or medium size to raise capital and subscribed by investors that receive coupon payments regulated by the contractual agreement in exchange. Introduced in Italy with the so-called Decreto Sviluppo (Decreto Legge 22 giugno 2012 n. 83), that removed also for the non-listed companies the limit of bond issues below twice the share capital, the legal reserve and the available reserve under the last financial statement, in the last years the mini-bonds have been subject to different regulations aiming at encouraging their use. With this provision, the mini-bond became an alternative financial instrument for small and medium enterprises designed to be quoted in regulated market or Multilateral Trading Facilities (MTF). In this context, Borsa Italiana created in 2013 ExtraMOT Pro, a multilateral trading facility dedicated to professional investors, representing the most suitable channel for this financial instrument. Aiming at providing SMEs with a simplified tool to access the capital markets, other than the availability of a document with essential information this professional segment requires only the publication of the last two financial statements, with the last one in particular subject to audits (Borsa Italiana). Despite the advantages in terms of visibility and flexibility offered by ExtraMOT Pro (Borsa Italiana), the access of SMEs to this market may be limited by the cost of the service and the compliance with

regulations to which the enterprises become subject. An example is the Market Abuse Regulation (La Finanza Alternativa per le PMI in Italia 11), an EU regulation introduced in 2014 to prevent market abuses and preserve the integrity of the market itself, requiring enterprises to provide different information. With the so-called Legge di Bilancio 2019, the possibility to offer mini-bonds has been extended also to the equity crowdfunding portals authorized by CONSOB, with limited access as per the other tools to professional investors. Although there is no relevance yet of the benefits deriving from this extension, the provision has the potential to facilitate in the next months the access to mini-bonds and expand their emission. Finally, in terms of dimensions, the mini-bonds can be issued by a stock company (S.p.a), regulated under the articles 2410-2420 of Codice Civile, a limited company (S.r.l), whose issuance is covered in the article 2483, and a cooperative company. According the article 32 of the so-called Decreto Sviluppo (Decreto Legge 22 giugno 2012 n. 83), both small and medium enterprises are allowed to issue bonds while are excluded bank companies, SIM or SGR, and micro-enterprises, that are those companies with less than 10 employees or with an annual income below €2Mil.

The Mini-bond Market in Italy

At the end of 2018, Borsa Italiana has registered 207 titles traded by ExtraMOT with a nominal value equal to €13,8billion, issued by 153 companies (Borsa Italiana). These data confirm the positive trend that characterized the mini-

bond market in the previous years, starting from a limited number of listed companies, that were only 30 at the beginning of 2014, and constantly increasing its weight in the country over time (Borsa Italiana). The main driver for enterprises is represented by the possibility to raise capital to sustain internal growth, such as the development of new products, the investments in R&D, and the expansion in new markets. The internal growth becomes even more relevant when SMEs are considered, representing the main motivation for 60% of them compared to the 52% of big enterprises (5° Report Italiano sui Mini-Bond 34). Another relevant driver, that characterizes in particular the enterprises with a bigger dimension, is the possibility to use the capital to rebalance the mix of the different sources of financing. Focusing on the 2018 data collected by the Polytechnic of Milan, the number of min-bonds issued is equal to 198 and is higher compared to the previous year when they arrived at 188. However, when the euro value of the issues is considered the result registered in 2018 (€4,315billion) is lower compared to the previous year (€6,547billion), indicating an average lower value per issue. A similar decrease in value occurs when the SMEs are considered, with a total contribution of €668million compared to €1,531billion in 2017 (5° Report Italiano sui Mini-Bond 41-2). The majority of the enterprises issuing mini-bonds are S.p.a. representing more than 72% of the total and followed by the almost 26% of S.r.l.. Compared to the previous year, the 2018 has been characterized by a turnaround in the portfolio of enterprises issuing mini-bonds, with a decrease in the number of S.p.A and a significant

increase of S.r.l, that were limited to 14% of the total in 2017 (5° Report Italiano sui Mini-Bond 27). In this context, the role of cooperatives remains limited, with 4 enterprises in the market in 2018 and 3 in 2017. According to the data collected by the Polytechnic of Milan, the characteristics of the market observed in 2018 are in any case consistent with the long-term pattern, with a prevalence of S.p.A. representing the 81% of the 489 enterprises that issued mini-bonds in the period (5° Report Italiano sui Mini-Bond 27). The main sector that leverages on this financing instrument is the manufacturing one, representing the 41% of the total, followed by financial activities (8%) and by trade (7%). Although manufacturing still prevails among the enterprises issuing mini-bonds, in the most recent years and in 2018 in particular a greater variety of the sectors involved can be observed (5° Report Italiano sui Mini-Bond 30). As reported by the PoliMi Observatory, over the period 2012-2018 the issuers have been mainly located in the northern part of the country representing the 72% of the total and with a predominant position of Lombardia with 144 enterprises issuing mini-bonds, more than double of Veneto, at second place with 63 companies. Although underdeveloped compared to Lombardia, it is also relevant the performance of Emilia-Romagna, Trentino, and Piemonte in the Italian mini-bonds segment, counting together 128 enterprises (see Figure 5). On the other hand, the role of the South in the market is limited at almost 10%, with Campania and Sicilia as main players while the central part of the country achieves the 17,5% of enterprises, driven by Lazio with 37 of them (5° Report Italiano sui Mini-Bond 31).

Figure 5

Segmentation of Bond Emissions per Region

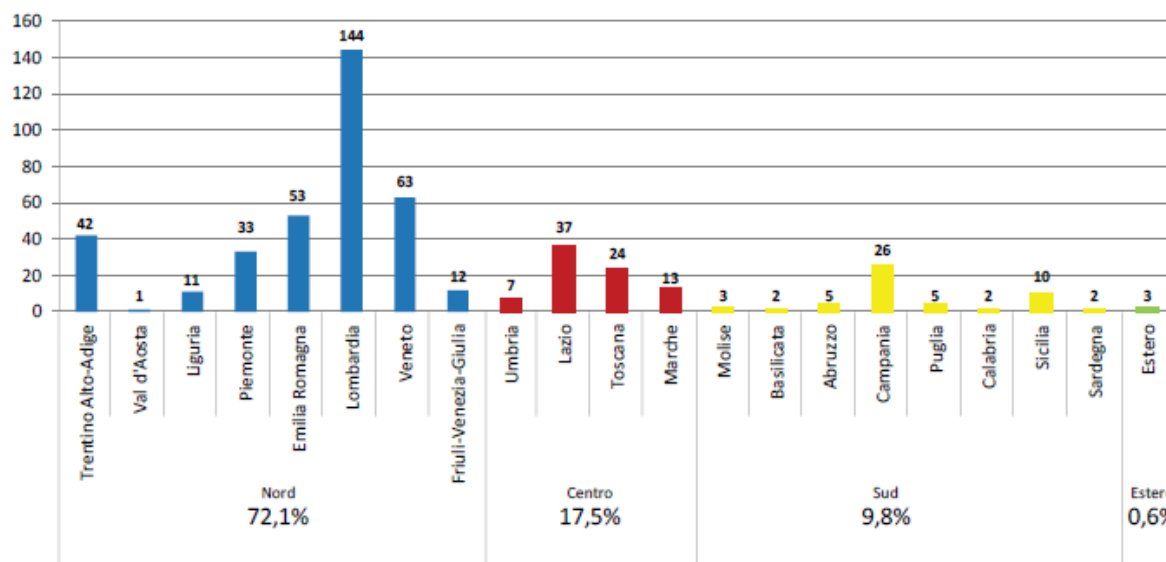


Fig.5. Politecnico di Milano, School of Management. "5° Report Italiano sui Mini-Bond". 2019, figure 2.8.

Role of SMEs in the Market

The SMEs are always more open to mini-bond, with an acceleration in 2017 and 2018, as it provides a stable and alternative source of financing to banks, other than the possibility to have a diversified financing portfolio. Significantly, as reported by the Mini-bond Observatory of the Polytechnic of Milan, among the 176 enterprises that issued mini-bonds during the previous year, 95 are SMEs weighting almost for the 54% of the total. Over the period 2012-2018 the majority of them preferred the bullet refund (56,5%), with the total amount repaid on maturity, although a considerable number of SMEs (43,5%) choose the

amortizing method, with a progressive refund. Over time an increasing number of enterprises has opted for the progressive repayment, with a parallel decrease in the bullet one, starting at 71,4% in 2013 and arriving at 52,3% in the first half of 2018 (La Finanza Alternativa per le PMI in Italia 11). In line with the overall data, more than 68% of them are located in the northern part of the country that is traditionally characterized by the highest concentration of small and medium enterprises, with a peak in Lombardia that counts 64 SMEs issuing mini-bonds. As reported by the PoliMi Observatory, the sectors involved are diversified and range from construction to financial activities, with a predominant role of the manufacturing sector that accounts for 38% of the total with 85 SMEs (see Figure 6).

Figure 6

Breakdown of SMEs per Typology of Activity

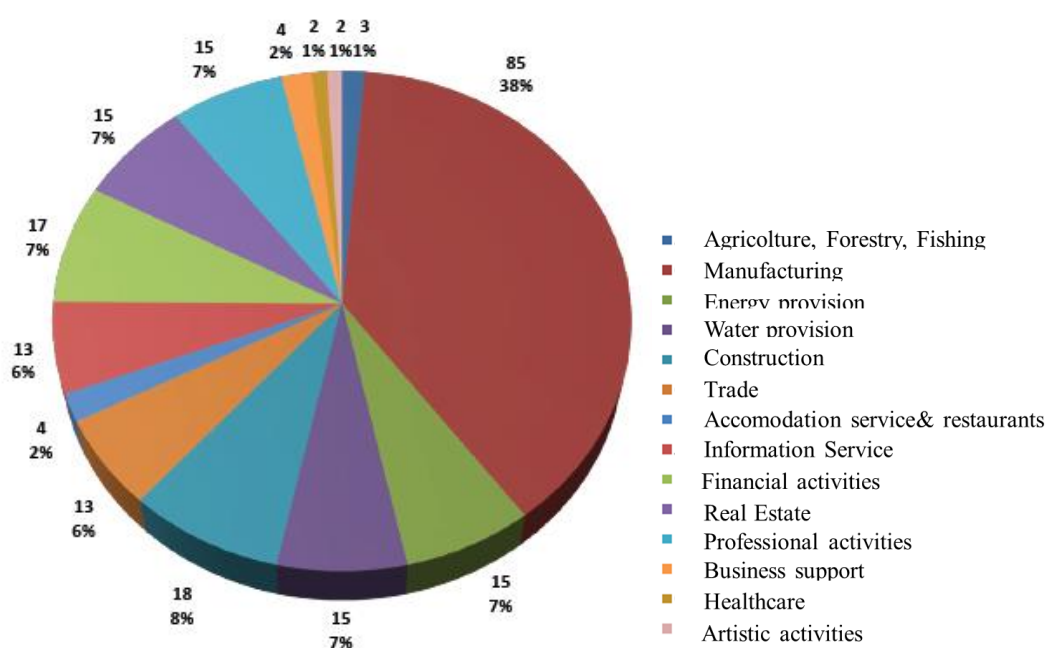


Fig.6. Politecnico di Milano, School of Management. *"La Finanza Alternativa per le PMI in Italia"*. 2018, figure 1.3.

The typology of SMEs in terms of turnover that issued mini-bonds is diversified, with 22% of them over the period 2014-18 characterized by a turnover below €2million at the last financial statement available before the emission (see Figure 7).

Figure 7

Breakdown of SMEs per Turnover

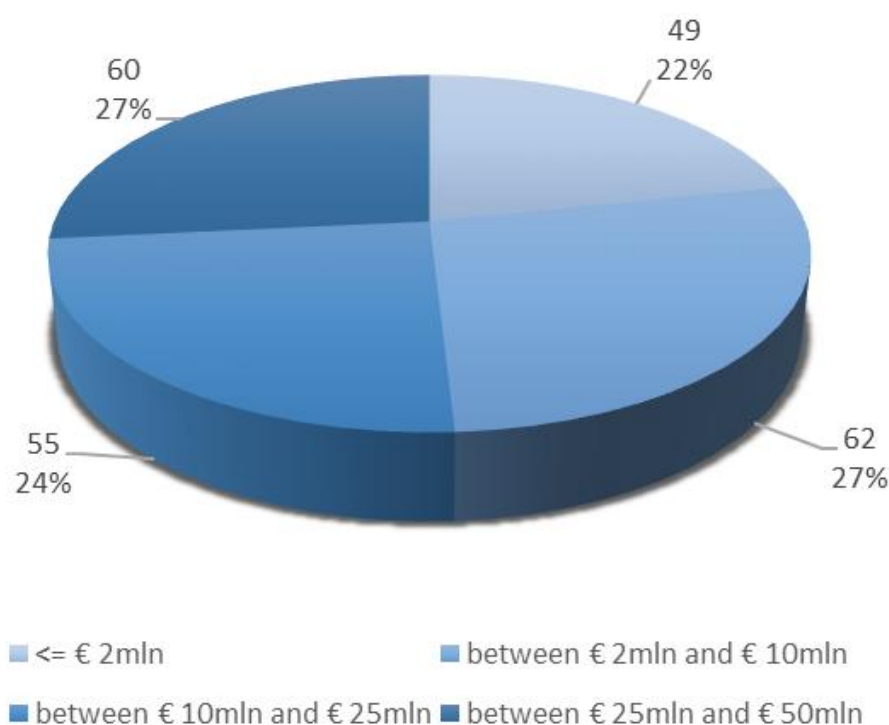


Fig.5. Politecnico di Milano, School of Management. *"La Finanza Alternativa per le PMI in Italia"*. 2018, figure 1.2.

Advantages

The mini-bond represents a valid instrument with a growing role in the Italian financial system, offering a stable alternative to bank and contributing to the differentiation of the sources of financing. Leveraging on mini-bonds, the enterprises and those of small and medium size in particular can collect the resources necessary to sustain investments, develop new products, and introduce innovative technologies with the goal of fostering growth. In addition, they can benefit from the fiscal advantages deriving from this form of financing. Indeed, the mini-bond issuers can deduct all the issue expenses, such as the consulting ones, and the interest expenses in the limit of 30% their EBITDA. This last advantage is limited to mini-bonds issued in regulated markets, MFTs, White Lists, or handled by professional investors with less than 2% of the issuer's capital and assets (Borsa Italiana). Beside the fiscal incentives for the mini-bonds issuers, the Italian legislation has introduced through years advantages for bondholders as well, aiming to encourage the development of the market. The main benefit, outlined in the Decreto Crescita and Decreto Competitività, is represented by the exemption from the 26% withholding tax at source. In addition, there is the possibility for the bondholders to ask for guarantees until 50% of the mini-bond nominal value to the Central Guarantee Fund, limited to 30% in case of mini-bond bullet (Borsa Italiana).

The Investors

Supported also by the introduction of fiscal incentives in the Italian legislation, in parallel with the diffusion of mini-bonds among enterprises, the growing role of this instrument in the Italian economic system attracts a diversified range of professional investors, to which this financial instrument is limited. Although for SPA the regulation does not exclude physical persons from investments, for a Srl the mini-bond subscription is limited to supervised entities such as funds, banks, and insurances. Overall, the major players in this sector are the Italian private debt funds weighting 26% of the total, followed by foreign funds and banks, accounting for the 25% and 21% (5° Report Italiano sui Mini-Bond 58). Although with a lower weight, additional sources of mini-bonds are represented by asset managers and by foreign insurances, characterized by a limited number of investments with significant value.

Mini-bond in Europe

While in the recent years the mini-bond is increasing its weight in Italy as alternative source of financing for SMEs, in the rest of Europe this financial instrument is growing at different paces and following the specific characteristics of each country.

In Germany, where manufacture and the network of SMEs is particularly solid, there are stock exchanges dedicated to satisfy their financing needs in all the main financial centers of the country such as M:access bond in Munich and

Entry Standard in Frankfurt. In addition, starting from 2010 it opened in Stuttgart Bondm, an official not regulated market that makes possible for SMEs to issue debt securities, addressing both institutional investors and retail ones, with a minimum denomination of €1,000 (5° Report Italiano sui Mini-Bond 24). Although the mini-bonds issued in 2018 reached €1,1billion, increasing compared to the previous year, the German SMEs continue to largely rely on *Schuldscheindarlehen*, that represents a loan bilateral agreement usually not quoted in the stock market and regulated by the German law. With a typical time length of 3-7 years, this alternative source of financing is mainly adopted by medium enterprise that benefit from its flexibility and limited costs although companies of big dimension such as BMW and SAP also relied on it (5° Report Italiano sui Mini-Bond 23).

In UK the mini-bonds are mainly issued on the Order Book for Retail Bond (ORB) of the London Stock Exchange, a platform designed for retail and with investment cuts ranging from £100 to £10,000. Differently from ExtraMOT PRO of Borsa Italiana that is dedicated to professional investors, ORB is open to small investors as well and is regulated by MiFID, the Markets in Financial Instruments Directive. In parallel, the mini-bonds in UK are diffused on online platforms as well, where have been raised only in 2017 £72million with an average value per mini-bond of £1,3Million. Compared to the previous year, the total amount raised decreased while the average value per single transaction has registered an

increment of almost 48% (Entrenching Innovation: The 4th UK Alternative Finance Industry Report 56).

Finally, in France it is possible to issue mini-bonds in there different markets, designed both for professional investors and retail ones: the segment B and C of Euronext and Euronext Growth (5° Report Italiano sui Mini-Bond 24). The first two requires to the issuer the last three statement of accounts, the public rating if not already quoted in the stock market, and a certified prospectus while Euronext Growth involves three additional figures to support the issuing process: sponsor, financial and legal advisor. As in UK, the minimum cut available is equal to €100, although with a minimum countervalue of €5million for Euronext Growth and €10million for Euronext (5° Report Italiano sui Mini-Bond 24).

CROWDFUNDING

The crowdfunding consists in the web research of investors to finance a new project or business, generally collecting a relative small amount of resources from a large number of individuals. Beside the financing opportunity, the crowdfunding makes possible to test and validate the idea with a broad network of individuals and to benefit from the visibility deriving from the process itself. An example is the record crowdfunding of more than €9bil collected by Elon Musk for the development of the first commercial electric car Tesla Model 3, that generates a strong public interest. With the growing enthusiasm for this source of financing, occurs in parallel a proliferation of platforms that offer the service that tend, therefore, to specialize in terms of nature of the project, geographic area, and the crowdfunding model proposed. In terms of models, it is possible to distinguish the donation-based crowdfunding in which no reward is offered, the reward-based crowdfunding that involves a non-monetary reward often coinciding with the product itself (pre-selling), and the royalty-based crowdfunding that offers a monetary reward without any property right. Finally, the crowdfunding offers to investors a remuneration on the capital invested in terms of equity or lending, as reward of financing.

Although the crowdfunding has reached maturity as method of financing in many countries, in Italy this market has taken credit only in the recent years. In 2018 the donation and reward crowdfunding leveraging on a total of 50 platforms has

registered an increase in the value collected of €17.645.190 compared to the previous year and counting for 34 % of the total value raised over the period 2015-18 (€51.966.577) (Il Crowdfunding in Italia 12). Until 2018, the reward/donation crowdfunding involved 12.780 projects with a relatively low average amount collected equal to €4.066 (19). Although significant, the results achieved with the donation and reward models are not crucial in the exponential development of the crowdfunding sector in the Italian economic system, which has collected €244.730.127 by 2018 of which €111.556.334 only last year (4). These results are driven by the success and diffusion of the crowdfunding in the country, both in terms of lending and equity. The lending crowdfunding has experienced a significant growth of 40% in 2018 (see Figure 8) achieving a value of €127.095.421 at the end of 2018 (16). A similar pattern occurred for the equity crowdfunding that collected only in 2018 €41.038.760 (see Figure 9), contributing for the 68% of the total value of €59.999.363 achieved by the end of 2018 (14). The significant amount collected is the result of 307 projects showing, therefore, a significantly higher average value compared to the reward/donation programs.

Figure 8

Lending Crowdfunding Growth 2015-2018

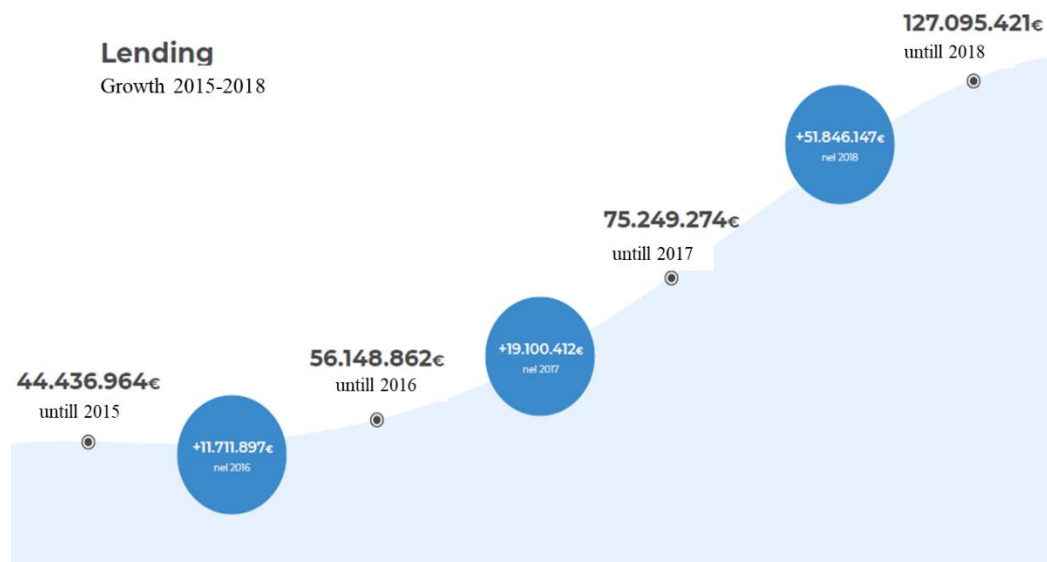
Fig.8. Starteed. *"Il Crowdfunding in Italia"*. 2018.

Figure 9

Equity Crowdfunding Growth 2015-2018

Fig.9. Starteed. *"Il Crowdfunding in Italia"*. 2018.

In line with the consistent positive trend the crowdfunding is registering in the last years, at the beginning of 2019 Glass to Power, an innovative enterprise that leverage on glasses to generate energy, has marked a new record of funds raised, with a total of €2,25million and more than 500 investors involved (Il Sole 24 Ore).

Equity Crowdfunding

The equity crowdfunding, that involves the acquisition of administrative and economic rights of a given enterprise as reward of the capital invested (Consob), has been introduced in Italy with the Decree-law 179/2012 (Decreto Sviluppo Bis) with the goal of supporting the development of innovative start-ups in the country. The regulation and the definition of specific operative details have been delegated to Consob, the Italian authority that supervises the financial markets. Although initially limited to the innovative startups, the equity crowdfunding has been extended to innovative SMEs first and then to all the SMEs thank to the Legge di Stabilità 2017 (232/2016). As the result of these legislative updates, Consob has adapted its regulation and has introduced with the occasion a reduction of the minimum offer from 5% to 3% for the small and medium enterprises.

The equity crowdfunding represents the main driver of the crowdfunding diffusion in the country, with a value of more than €60million at the end of 2018 and an expected significant increment during the next year (Il Sole 24 Ore). In

the first semester of 2019, the equity crowdfunding in Italy has reached the record amount of €25,4million, 28% of which raised on Mamacrowd (€7,1million), the leading equity platform in Italy according Starteed. Despite the growing number of enterprises involved and the opening of the equity crowdfunding market to SMEs, the innovative startups still weight for more than the 84% of the issuers by June 2018, followed by the innovative SMEs (8,4%) and by SMEs (%5,1) (3° Report Italiano sul Crowdinvesting 24). As consequence, the enterprises involved mainly operate in the ICT, social network, and sharing economy with a concentration in Lombardia, that is the region with the highest number of startups. According to Dario Giudici, Ceo of Mamacrowd, this trend is reversing in the recent period and in 2019 in particular, with an increasing diffusion of equity crowdfunding both among traditional SMEs and innovative companies in consolidated technological sectors such as the medical one (Adnkronos). In line with this search for concrete projects also among investors, StartupItalia raised in the first of half of 2019 with a single equity crowdfunding campaign the record amount of almost €2,7million (Mamacrowd). With more than 2,000 investors involved, the media company aims at creating both a digital hub with data of investors, startups, and innovative enterprises and, in parallel, a district in the heart of Milan where these figures can meet and dialogue. Finally, an academy is planned in the project, with the goal of training the professional figures of the future and define a new way of doing business (Mamacrowd).

Together with the enterprises that leverage on equity crowdfunding, are growing also the portals operating in the market authorized by Consob that are 36, of which 34 part of the ordinary section and only 2 part of the special section, dedicated to banks and investment firms (Consob). Although the growing number of portals, in 2018 has been observed a concentration of volumes among a few of them such as Mamacrowd, Crowdfundme, and Starsup (3° Report Italiano sul Crowd investing 15). According Starteed, Mamacrowd represents today the leader of equity crowdfunding in the Italia market, with a total of €33,5mil with 211 companies. The focus is on SMEs and startups, for which Mamacrowd relies on a network of trusted partners such as H-farm and LuissEnLabs, that with their expertise made a preselection of the most potential projects (Mamacrowd). Crowdfundme can boast 58 successful campaigns and €18,03million raised, ranging from food and entertainment to green economy and pharmaceutical industry (Crowdfundme). It represents the first fintech company quoted in the Italian market, with 30% of share capital and the goal of increasing the market share of the platform, reinforcing its marketing strategy and spreading this method of financing among SMEs (Tommaso Baldissera Pacchetti, Wired). Finally, Starsup, although distant from the previous two in terms of value raised (€4,7million), is the first platform authorized by Consob for the online equity crowdfunding, both for startups and SMEs. Founded in 2013 by a group of accountants, this platform have a particular inclination for small enterprises and for social projects.

Starting from 99 of the campaigns successfully closed at the beginning of 2018, the PoliMi observatory on crowdfunding has outlined the profiles of investors that operate in the equity crowdfunding market. Among the 5.685 subscriptions considered, 5.319 are of physical persons and 366 of legal ones. The majority of single subscriptions are concentrated below €5,000, with 35% of them below €499 and 51% ranging from €500 and €5,000. As the amount per single subscription increase, also does the number of legal persons and professional investors involved. The majority of investors are concentrated in Lombardia and have an age between 36 and 49, confirming the results of the previous years although with the strengthening of the age bracket 25-36. It is also confirmed the imbalance between genders, with male weighting 87% of the total number of investors observed and female still representing a niche in the sector.

Lending Crowdfunding

The lending crowdfunding involves the concession of a loan to a physical person (consumer) or to an enterprise (business) and a repayment with interests as reward for the investor. Starting from the end of 2016, Banca d'Italia (Delibera 584/2016) regulates the lending process with subjects different from banks, with a particular reference to the lending based crowdfunding in the section IX. Significant is the extension to this lending method of the fixed rate of 26% already used for other financial proceeds such as dividend, thanks to the Legge di Bilancio (Legge 205/2017).

According to the PoliMi observatory on crowdfunding, in Italy there are 11 portals for lending crowdfunding with a balanced offer of consumer lending (6) and business lending (5). These portals operate following two main business models: diffused and direct. In the first case, investors provide the platform with a certain amount and money together with indications on the desired risk-return ratio and the platform in turn allocates automatically the amount invested among different projects satisfying the conditions of the investors. Although it is not possible to select in advance the identity of the financed subject, the investors have access to information on its creditworthiness, credit risk, age in case of a physical person, and other main characteristics. As the funds are already collected from the platform, the advantage of the diffused business model is the possibility for the financed subjects to have a rapid access to funds, that include the platform fee, the reward for the investor, and eventual additional rate for financing a security fund. On the other hand, the direct business model involves an active role of the investors that select the subjects to finance and decide the amount to allocate. Compared to the diffused model, the direct one expose the investors to a higher insolvency risk linked to the possible lack of diversification of the portfolio (45). This model has been firstly introduced in Italy in 2017 when the French platform Lendix, crowd-investing leader for business in the origin country and in Europe, entered the market (October.eu).

Although the lending crowdfunding in Italy still represents a marginal source of financing for small and medium enterprises compared to bank lending, the positive trend registered in the last years and the government decision to introduce the same taxation of other sources of investment make possible to predict a greater diffusion of this tool in the following years.

DIRECT LENDING

The direct lending consists in the provision of funds from entities alternative to banks to SMEs and big enterprises generally aimed at promoting growth projects or acquisitions (Icer). Already well known in US, this financial instrument generates a growing interest in Europe as well where the number of deals registered at the end of Q2 2018 compared to the same period of the previous year increased by 34% for 102 deals, 41% of which registered in UK (Alternative Lender Deal Tracker 4). According to the data collected by Deloitte, the number of direct lending deals is growing over time in all the key European markets, with a leading role of UK, France a Germany (see Figure 10).

Figure 10

Comparison of Deals over the Period 2016-2018



Fig.10. Deloitte. *"Direct Lenders: Seizing Opportunity in an Uncertain World"*. 2018.

In Italy, the direct lending has been established thanks to D.L. 18/2016 that extended the right of lending money to entities different from banks, upon authorization of the specific request by Banca d'Italia within 60 days (Icer). This mechanism makes possible for SMEs to have an access to credits alternative to banks and, at the same time, the possibility for the lending enterprises to create an alternative source of profit. Differently from crowdfunding, the direct lending does not rely necessarily on a broad audience and an online interaction. However, there are platforms that facilitates the encounter of supply and demand. An example is Epic, a multifunctional fintech platform born in 2014 (Epic) with the goal of providing a concrete support to small and medium enterprises in Lombardia, where they account for the majority of the PIL generated in the region. More precisely, it creates a link between the SMEs associated to Assolombarda, that is the association of enterprises operating in Milan, Lodi, Monza, Brianza, and the investment funds, both Italian and European, managing the information flux and supervising the lending process.

Although developing in the recent years, the phenomenon of direct lending is still very limited and mainly related to enterprises of big dimensions compared to small and medium enterprises that have rather preferred mini-bonds and crowdfunding as alternative sources of financing. According to the research

conducted by the PoliMi, the projection of the direct lending contribution to SMEs by the first half of 2018 is equal to €20 million and it is not expected to experience a boom in the next period.

INVOICE TRADING

Beside the development of crowdfunding and mini-bonds as alternative source of financing, the role of invoice trading in the country is increasing as financial support to enterprises, of small and medium size in particular. The invoice trading is intended as the possibility for an enterprise to borrow money against the amount expected from other customers and it can be pro-soluto, if the transferor does not guarantee to transferee the creditworthiness of the debtor, or pro-solvendo when the transferor is accountable for the creditworthiness of the debtor. In terms of volume, Italy represents the first market in the continental Europe for this financial instrument with a total volume of €612,2million by the first half of 2018 and €493million only over the period June 2017- June 2018(La Finanza Alternativa per le PMI in Italia 33). The leading position of Italy is representative of the average payment timing of the commercial invoices, that is traditionally higher than in the other European countries as illustrated by the Figure 8. The average number of days necessary for payment in Italy are 56 in the B2B relations and even higher when the Public Administration is involved with 104 days on average (La Finanza Alternativa per le PMI in Italia 31). The payment timing is considerably shorter in Germany and UK, where it takes respectively 24 and 27 days in the B2B relationships and 33 and 26 days when Public Administration is considered (see Figure 11). In Spain, where the average timing for B2B (52 days) is in line with the Italian one, the days needed for public

administration payment are considerably less (56 days), at the same level of France. Italy, therefore, among the EU countries considered, holds the record of payment timing, that becomes critical when public administration is considered, having a direct impact on the enterprises of the territory.

Figure 11

Average Payment Timing (days)

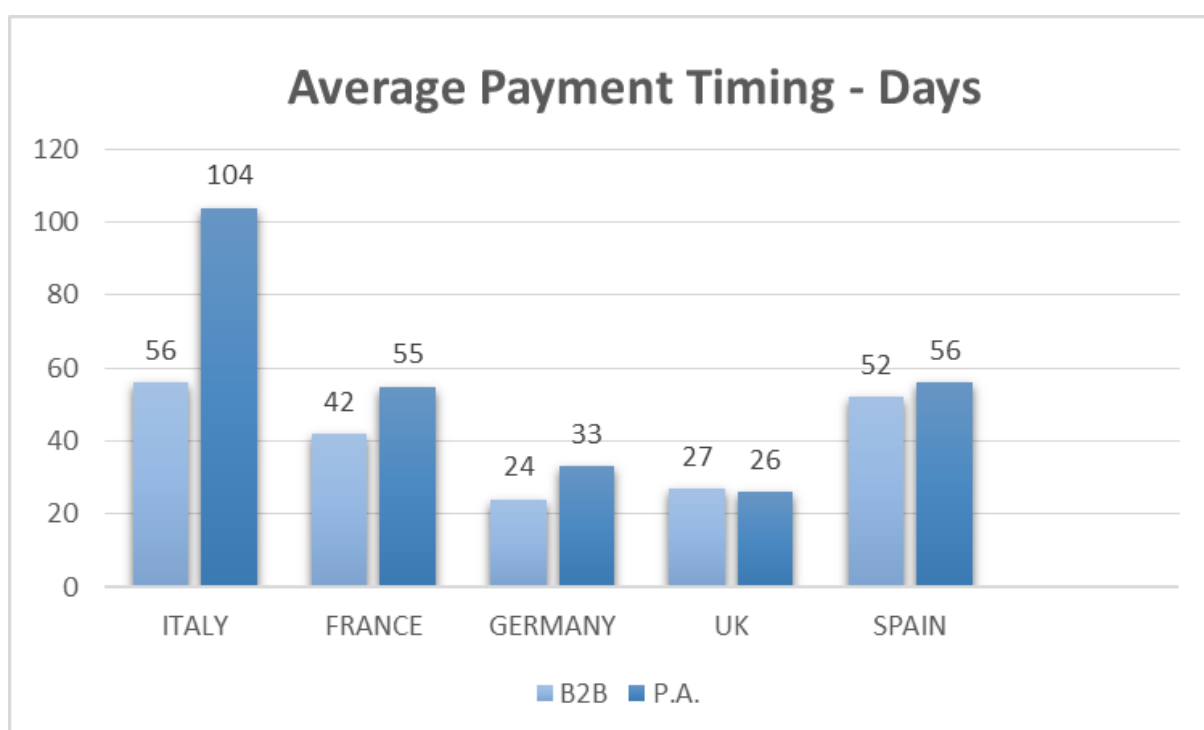


Fig.11. Politecnico di Milano, School of Management. *"La Finanza Alternativa per le PMI in Italia"*. 2018, figure 3.1.

The extended payment timing inevitably causes difficulties for the small and medium enterprises that face a liquidity issue to finance the working capital and that have a limited access to bank financing, in particular when the amount

involved is particularly high. The advantages that may derive for SMEs is the rapid access to capital and the availability of liquidity to finance capital without collateral (La Finanza Alternativa per le PMI in Italia 38). On the other hand, the investors involved are generally closed-end funds and credit funds, mainly from abroad due to the limited diffusion of this financial instrument among the Italian institutional investors.

In Italy, there are 6 portals that operate in the invoice trading market. CashInvoice and Crowdcity act as marketplaces that create a link between investors and enterprises starting from a suggested quotation, while CashMe and Workinvoice leverage on a competitive audit. Credimi, that is the only portal in Italy to operate as financial intermediary authorized by Banca d'Italia, on the other hand purchases directly the invoices and creates asset-backed securities subscribed by investors with more than €400million financed today. Finally, Fifty together with Credimi offer a supply chain finance that involves an agreement with big enterprises for the transfer of invoices from their supplier to accredited investors of the platform. In terms of total value, Fifty is the leader in Italy with a total of €428,2million transferred by the end of 2018 and 151 enterprises involved, with the 64% of the total registered over the last year period (Fiftyfinance). This result is line with the positive trend that the invoice trading market is experiencing, with a rapid growth of the value transferred on all the

platforms that operate in the sector concentrated in 2018 (La Finanza Alternativa per le PMI Italiane 33) and good prospects for growth in the future.

PRIVATE EQUITY

The private equity is generally intended as a financial activity that aims at acquiring part of the equity of an enterprise from professional investors. This process takes place in the form of buyout, when it involves the acquisition of existing shares of an enterprise from its members, or of venture capitalism, with the investment in equity of enterprises with high potential for growth (Borsa Italiana). The venture capital in turn involves the early stage financing, that is the investment in enterprises during their first stages (seed financing and startup financing), and the expansion financing, intended as a form of investment with the goals of sustaining and fostering growth in existing enterprises (Aifi). The investors involved generally aim at achieving a capital gain in the medium term with an exit phase that takes place in the form of trade sale, which consists in the transfer of shares to another investor, or of an IPO (Initial Public Offer). As the private equity involves a certain level of risk, the investment may end with a write off, with the loss of its value as result of business failure.

The private equity and venture capital market in Italy has registered a general increase of 6% compared to the previous year in the number of operators involved in fundraising (34), investment (123), and exit activities (62) decreased by 13% compared to 2017 (Il Mercato Italiano del Private Equity, Venture Capital and Private Debt 21). In line with the results of 2017, the buyout segment attracted the largest number of investors for a total of 67 (see Figure 12), followed by the

early stage activities that involved 42 operators compared to the 23 of 2017 (Il Mercato Italiano del Private Equity, Venture Capital and Private Debt 22).

Figure 12

Investors per Segment over the Period 2017-2108

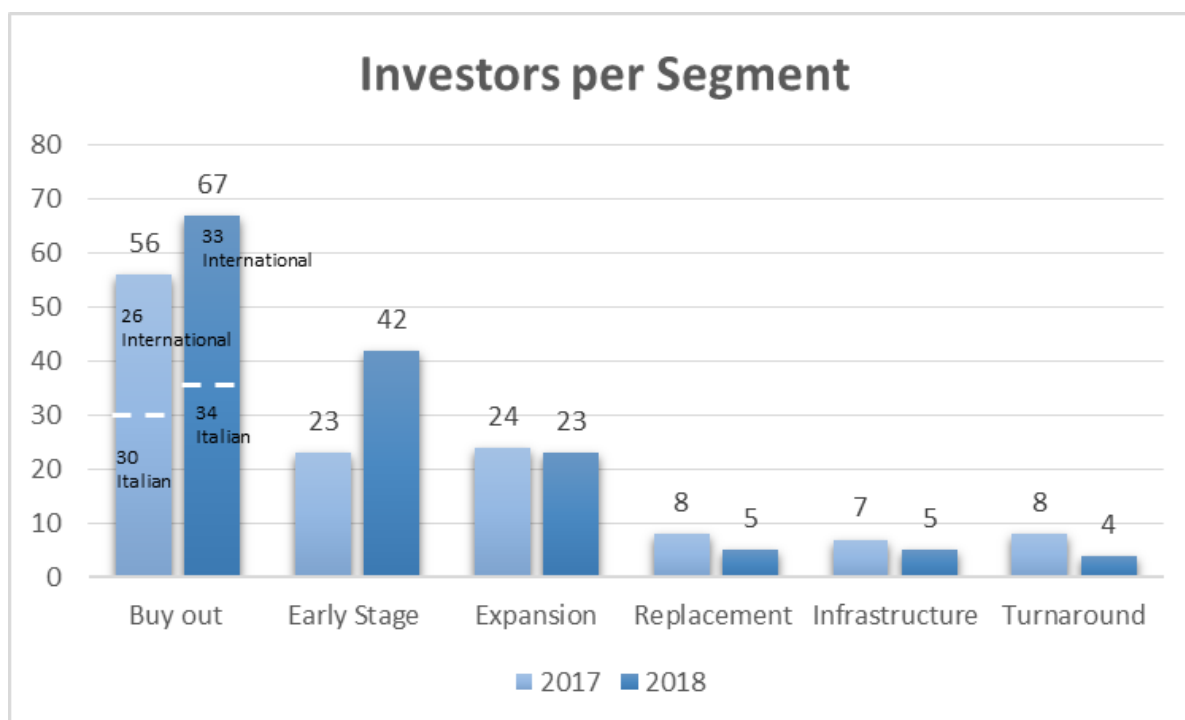


Fig.12. Aifi. *"Il Mercato Italiano del Private Equity, Venture Capital, e Private Debt"*. 2018, figure 2.

In 2018 the total capital raised is equal to €3.630million, more than 42% lower compared to 2017 when the resources collected were €6.263million thanks to the important role of institutional investors that made relevant closing during the year (Il Mercato Italiano del Private Equity, Venture Capital and Private Debt 29). Indeed, by analyzing the evolution of resources collected between 2017 and 2018 in terms of operators involved, the predominant role of institutional/public

investors accounting for almost 85% of the total in 2017 becomes secondary in 2018 when it represents only the 19% (see Figure 13).

Figure 13

Evolution of capital raised per investor typology

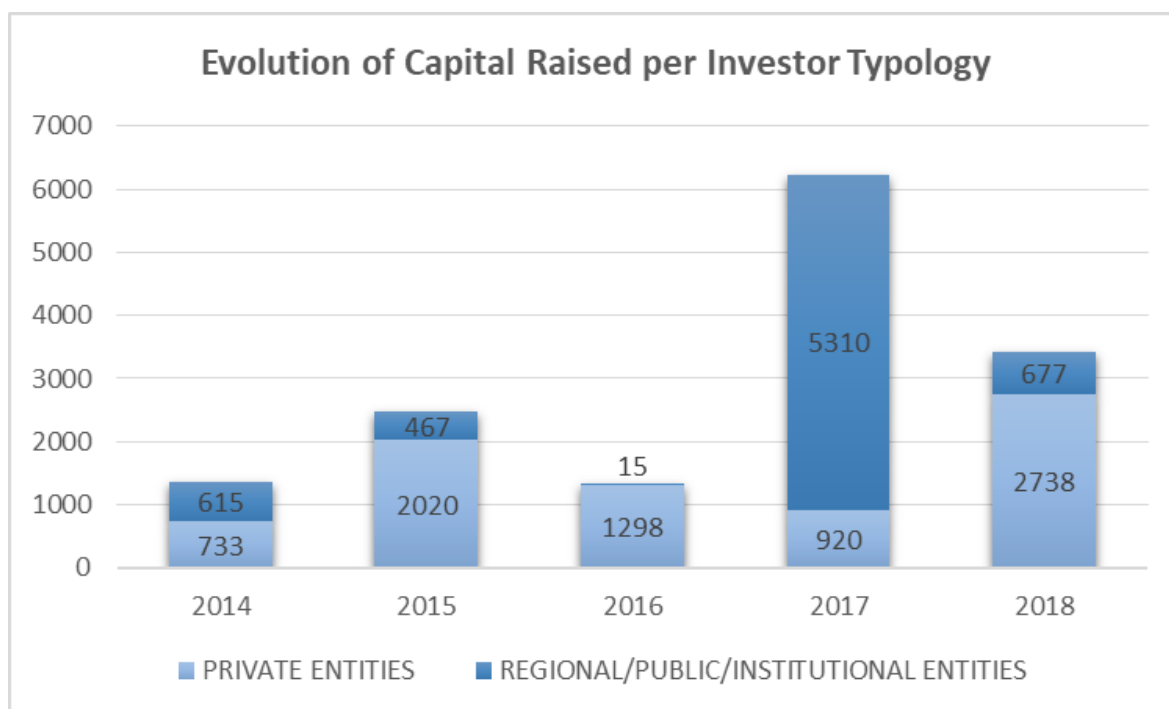


Fig.13. Aifi. *"Il Mercato Italiano del Private Equity, Venture Capital, e Private Debt"*. 2018, figure 5.

The private subjects, that in 2018 have raised €2.738million, mainly focus on operations of buyout that account for the 62% of the total, followed by expansion (20%) and early stage (16%) activities. In line with the previous years, the resources collected by private subjects are mainly from Italy although the inflow of foreign capital has a relevant role. If the resources collected in 2018 are considered, 64% of them are from Italy and 36% from abroad (30).

In term of private equity and venture capital investments in the Italian market, the 2018 has registered 359 operations, slightly more compared to the previous year when they were 311. However, in terms of value the performance of the investment almost doubled for a total of €9.788million versus the €4.938million of 2017 (Il Mercato Italiano del Private Equity, Venture Capital and Private Debt 39). Both in terms of number of operations and value invested, the buyout represents the preferred operation followed by the investments in infrastructure that are characterized by a higher average value per single transaction, that is equal to €190million versus the €48,1million of the buyout operations. The early stage has registered in 2018 a record increase in the volume invested that achieved €324million compared to the €133million of 2017 (see Figure 14). As the increase in the number of investments is less than proportional than the volume one, the 2018 has also registered a peak in the average value per single investment.

Figure 14

Early Stage: Historical Trend

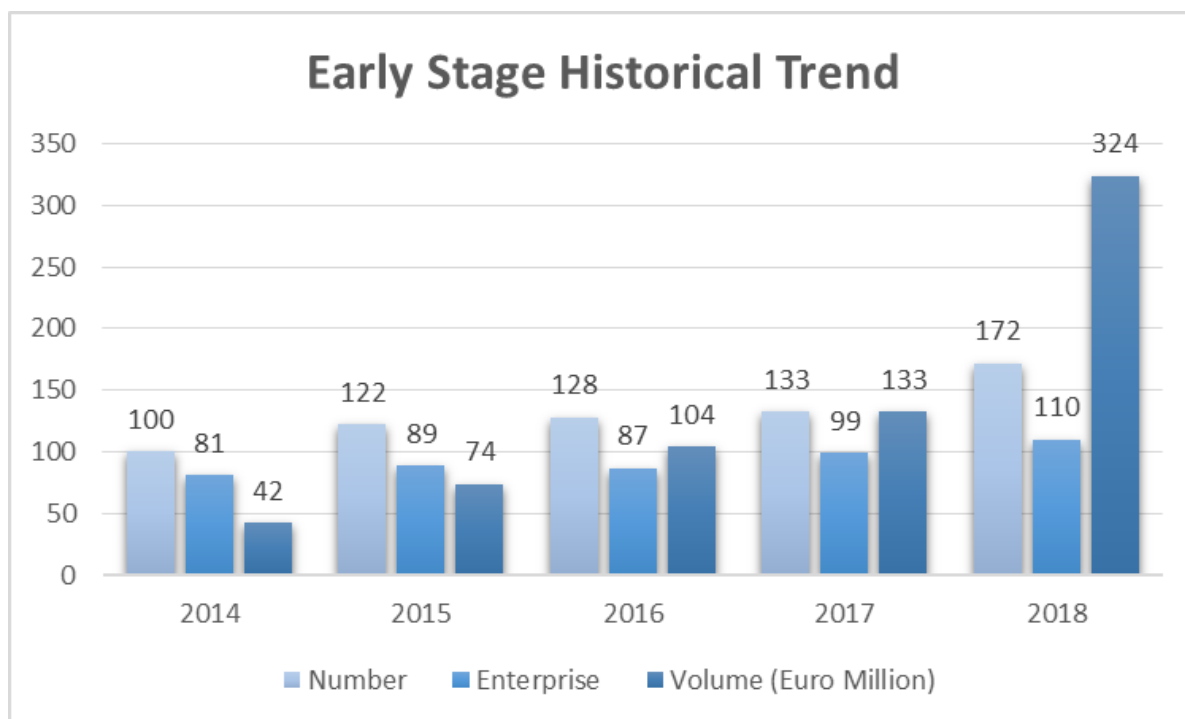


Fig.14. Aifi. *"Il Mercato Italiano del Private Equity, Venture Capital, e Private Debt"*. 2018, figure 17.

In parallel, the investment for expansion achieved €816million in 2018, 142% more compared to the previous year but still below the peak registered in 2014 (see Figure 15). The 2018 has been a positive year also for the infrastructure investment that achieved €3.041million (see Figure 16), thanks to a limited number of considerable entity in terms of volume. Although significant, the amount invested in early stage and expansion is limited in 2018 compared to the volume involved in buyout and infrastructure, respectively €5.242million and €3.041million. The peak in the infrastructure segment volume registered in 2018

has been achieved with only 16 investments, decreasing compared to the previous year and with an average value of €190million. A different pattern is observed for buyout (see Figure 16), characterized by an increasing number of investment over years and €5.242million collected in 2018, accounting for 54% of the capital invested.

Figure 15

Expansion: Historical Trend

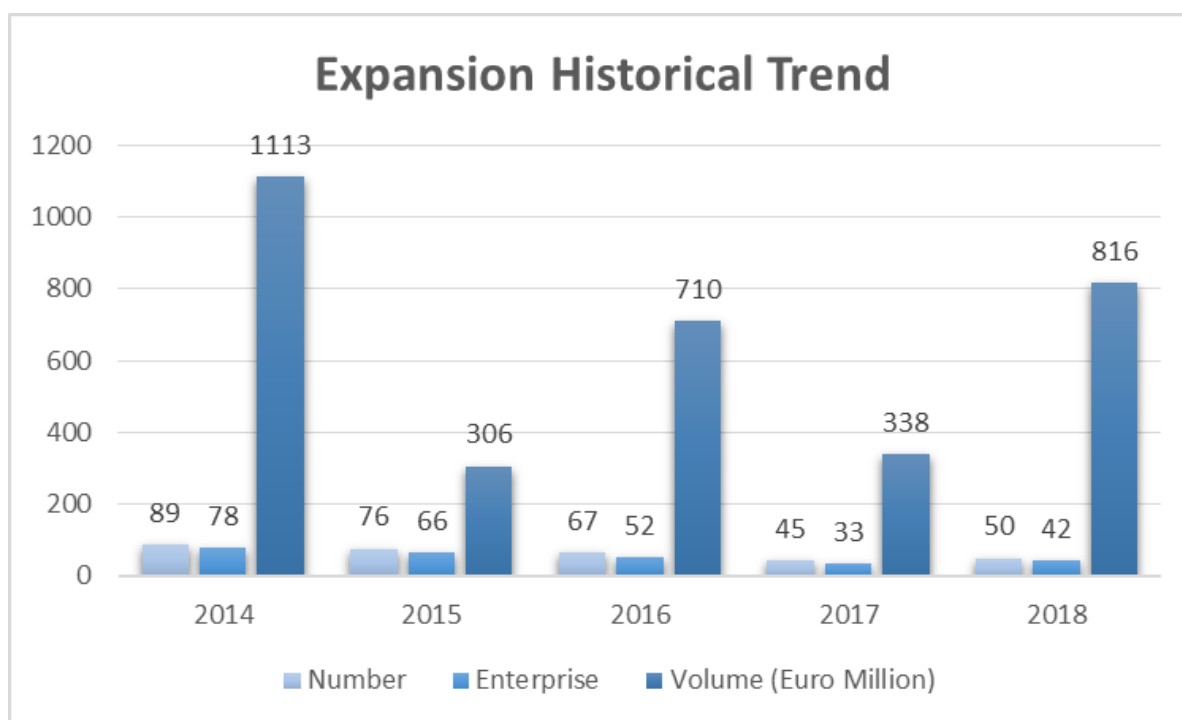


Fig.15. Aifi. *"Il Mercato Italiano del Private Equity, Venture Capital, e Private Debt"*. 2018, figure 19.

Figure 16

Buy out: Historical Trend

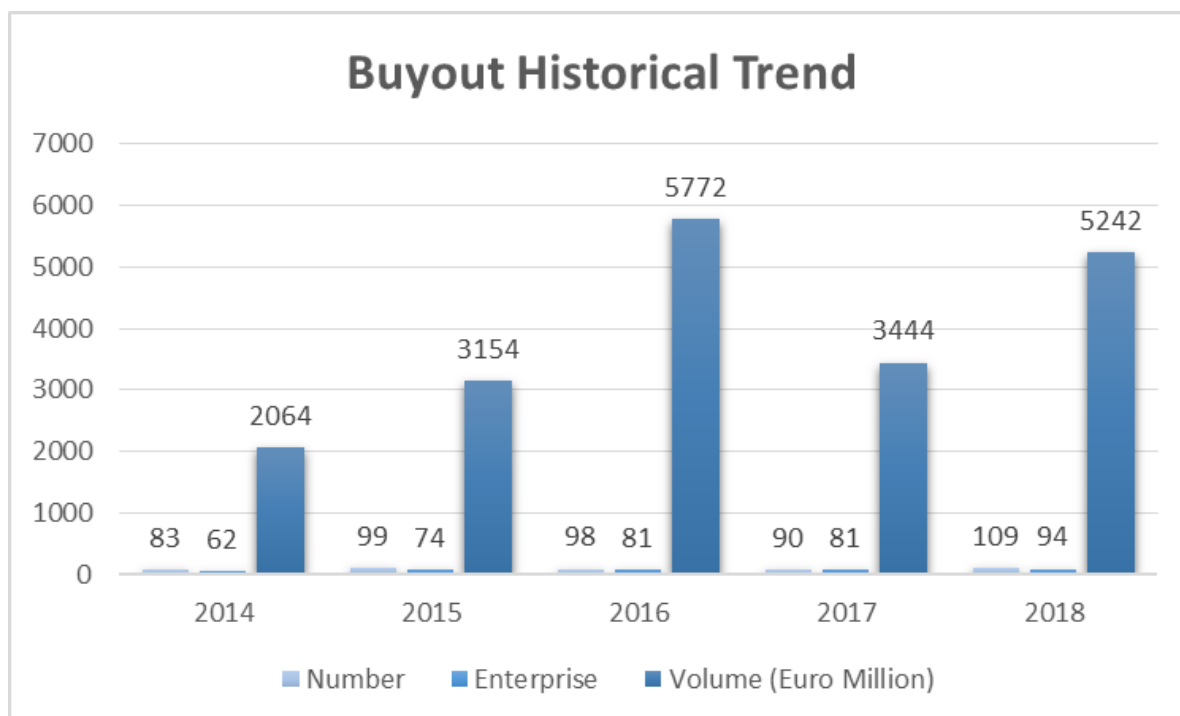


Fig.16. Aifi. *"Il Mercato Italiano del Private Equity, Venture Capital, e Private Debt"*. 2018, figure 24.

The private equity includes a wide range of operations answering to different investments needs, that vary according to the development phases in which the enterprise is. Particularly relevant for startups and SMEs is the positive trend registered in the early stage that, differently from the expansion phase, experienced a growth in the number of transactions, the enterprises involved, and the volume realised. In line with this trend and thanks to the recent years greater attention for startups and innovative enterprises, the early stage is the most promising area of development for private equity in the Country.

Crowdfunding: the Best Solution for Startups

A start-up is founded: where does it start from to collect the resources needed to finance investments and foster growth? At first sight, appealing to bank may be perceived as the easiest way, or the only alternative, to access funds. However, when the nature of the enterprise is considered emerges the need for a more flexible and dynamic source of financing, to raise funds and at the same time increase its visibility. This explains why crowdfunding, together with angel funding, is spreading rapidly in the startups environment as best solution to collect the resources needed and make themselves known.

WHY CROWDFUNDING?

The crowdfunding, already diffused as method of financing abroad, in Italy has experienced a substantial growth in the last years, with more than €111 million raised only in 2018 (Il crowdfunding in Italia 4). This positive trend, driven by equity and lending crowdfunding, has experienced a major growth between 2017 and 2018, almost doubling the volumes raised in the previous years. The increasing confidence of investors in using the crowdfunding occurs in parallel with a growth in the number of platforms that offer this service. Although the donation platforms are the most diffused in the Country because not interested by regulations, the equity crowdfunding counts 15 platform in 2018 while the lending crowdfunding 9, with a growth of respectively the 30% and 40% during the previous year. The first equity crowdfunding platform in the country in terms

of volumes raised, Mamacrowd, has been able to raise alone €33,5million with 211 projects (Mamacrowd). The diffusion of the crowdfunding platforms gives both to investors and to new enterprises the flexibility to choose the most suitable for their specific needs, according to the nature and the sector of the investments proposed, the process involved, and the rewards offered.

Overall, the growth that crowdfunding is experiencing in the country shows how this method of financing not only is being consolidated in the last years but also it has been able to gain credibility, both for investors and for the new enterprises that rely on it. At this positive trend has contributed through years also the several successful crowdfunding campaigns, in terms of volumes raised and kind of projects sponsored. An example is the Startupitalia campaign on Mamacrowd where the project to create the Startup District, for the development of startups and for the creation of a space where the startup ecosystem actors can meet, raised more than €2,6million with 2080 investors involved (Mamacrowd). Another successful campaign is Epicura, a digital health platform to easily book doctor visit and facilitate the access to healthcare, with more than €1million raised in 2019 on Mamacrowd.

Beside the crowdfunding projects that aim at raising large volumes and involving several investors, there are smaller projects that choose crowdfunding as a method to enter the market or finance growth. This is the case of Smartphoners, that raised €80,000 to further develop their app with the goal of monitoring the

driver and incentivizing positive behaviors thanks to a rewarding mechanism (Mamacrowd). In addition, the size of the amount that an enterprise aims to raise does not need to be proportionate to the size of the same, meaning that also small enterprises have the possibility to access considerable funds. This element makes crowdfunding a preferred tool for startups to raise money and finance ambitious projects, without the restrictions that other methods of financing may put in terms of capital. Finally, the range of sectors involved in crowdfunding today is wide, from sport and healthcare to real estate and green energy. This variety makes possible for investors to have a high level of flexibility in choosing the project that suits the most their interests and rewarding needs, other than not putting limits on the type of enterprises that can access this alternative source of financing.

Compared to other sources of financing, the nature itself of crowdfunding involves the crowd, a large number of individuals and entities that interact to sustain a project or an idea. The crowdfunding catches not only the attention of professional investors or occasional ones but also of simple curious, attracted by a particular theme or an effective communication. In this perspective, an enterprise that relies on crowdfunding can count on a high visibility and leverage on it to become known and raise a considerable amount of money. On the other hand, the fresh communication approach that a startup usually has makes it particularly suitable for crowdfunding, nourished by visibility and by attracting a

large number of investors. Thanks to the wide audience to which crowdfunding is addressed, it becomes also the best way for a startup to test the validity of an idea and, at the same time, of its communication method in relation not only to the amount of money raised but also to the ability to attract the interest of professionals, universities, and associations that would like to join the project. This is the case of Smartphoners, with its app to encourage a correct use of the phone when driving, thanks to the crowdfunding campaign on Mamacrowd has attracted the interest of Unasca, the Italian driving schools association. This is particularly true in the case of equity and reward crowdfunding that leverage on the campaign visibility and to the emotional sphere of investors, while lending crowdfunding acts more like an intermediary between enterprises, that need to access capital, and investors, that look for a short-medium term return. The characteristics of lending crowdfunding makes this source of financing not particularly suitable for startups, that can get more benefits from the media coverage and the investors involvement that the equity crowdfunding usually provide. Moreover, the equity crowdfunding platforms usually require enterprises to satisfy some minimum criteria to access funds, excluding therefore the majority of startups. Borsa del Credito for example, the first platform in Italy for lending crowdfunding, requires a minimum turnover of €50,000 and minimum 12 months of activities (Borsa del Credito), together with other quantitative and qualitative criteria. Starting from the peculiarities of the different forms of crowdfunding, Borsa del Credito, first platform in Italy for lending crowdfunding,

and SiamSoci, leader in the equity crowdfunding market with their platform Mamacrowd, made a deal in 2018 to create an ecosystem for startups and SMEs and facilitate their access to capital. The agreement is based on the idea of facilitating, for those enterprises that already raised funds on one channel, the access to the other, always in accordance with the rules and criteria fixed by each of the two parts. On one hand, the investors are more confident to enter in a company that has been able to finance itself through debt, on the other, the enterprises with a good and diversified capitalization have a higher reliability and result more attractive for investors (borsadelcredito.it).

HOW DOES A STARTUP ACCESS CROWDFUNDING?

A major advantage of crowdfunding compared to other sources of financing is the limited documentation requested to startups and enterprises to access the funds. The specific documents may vary according to the platform that a startup decides to use, however the following elements are usually requested during the application process: a business plan, an executive summary, a resolution on a capital increase, and eventual patents and similar. These documents will help the platform to evaluate the project and assess its potential, other than the eventual issues involved. Due to the main role played by communication in a crowdfunding campaign, some platforms may also require a highlight on the media tools available, such as social media and press, and the main contents to communicate on. This is the case for example of Mamacrowd,

that during the application process requires enterprises to share the so-called “Media Kit”(Mamacrowd), a document comprehensive of all the elements that may be necessary to communicate on the project and to create the dedicated page on the platform. Despite the different documents that platforms may require, in all of them the steps that a startup has to follow in order to be part of a crowdfunding campaign are well defined in a dedicated section, simplifying the process and making this source of financing even more accessible also for teams with a limited business experience. The submission project usually involved a first evaluation of the project made by the platform, its feedback, the forwarding of the documents requested and the publication of the project, after an additional check made by the platform on the material received.

Figure 17

Steps of Project Submission on Mamacrowd



Fig.17. Mamacrowd. 2019.

POSSIBLE RISKS FOR STARTUPS

The advantages of crowdfunding are various, however it is important for a startup that approaches this financing tool to consider also the possible risks involved.

The most relevant one when an innovative enterprise enters the crowdfunding world is that the intellectual property becomes public with the possibility for others to copy the idea or the product. Although only partially, the risk can be mitigated, for example, by filling a patent application for an invention or by registering a design, in case the product is characterized by a specific look or shape. This process has to take place before the crowdfunding campaign to protect the idea or the product concerned. Another important step in protecting the intellectual property is the registration of the trademark, preventing others from using it. On the other hand, a check of the existing patents is necessary in order to avoid the risk of patent infringement in case somebody has already developed and registered the same product or process.

Another risk related to crowdfunding is the underestimation of the costs involved, in terms of both monetary resources and timing. This risk is particularly relevant for startups that can usually count on scarce monetary capital and human one. For this reason, it becomes crucial to assess in detail all the costs involved, together with a margin for unexpected expenses, and to realistically estimate the timing and the people needed to pursue a project. The unexpected costs that a startup may face after the campaign to bring a project into reality represent the

main reason of failure in crowdfunding. Among the different examples of campaigns that failed due to the underestimation of costs involved, there are Elio Motors, a new electric vehicle that raised more than \$17million its first round (Digital Trends), and Central Standard Timing, presented as the thinnest watch in the world with more than \$1million raised. Both of them have first delayed time by time the introduction of the product in the market, arriving at the point where the costs were too high compared to the estimated ones and they have been forced to close the projects.

As part of the crowdfunding process itself, in case the target amount is not reached the money will be returned to investors. This mechanism should encourage the startup to assess the actual potential of its idea or product and, at the same time, stimulate the enterprises to communicate it in the best way in order to raise the amount set. In this perspective, a startup has to be ambitious but also be aware of its current limits.

THE INVESTOR PERSPECTIVE

The crowdfunding gives to investors the possibility to finance startups and SMEs with a simple donation, by lending money, or by purchasing a quote of the enterprise and becoming a member of the same. What distinguish crowdfunding from other types of investment is the simplicity of the process and the access to new projects and ideas, with a considerable potential for growth. Moreover, the crowdfunding process implies the achievement of a monetary target to carry out

a project and, in case of failure, the investors will receive back the amount invested. This mechanism represents a guarantee for investors to put money only on the projects with a recognized potential. Moreover, the investors that in 2019 decide to support Startups or Innovative SMEs with crowdfunding are eligible for a tax deduction equal to 40% for a maximum of €1million per year and with a minimum 3 years period investment (Mamacrowd). This incentive, introduced with the Manovra Finanziaria 2019 (1, 218), creates particularly positive conditions to invest in the Italian Startups and Innovative SMEs from a fiscal perspective. This favorable ecosystem for investments together with the advantages for enterprises in raising funds compared to other financing methods, make crowdfunding the preferred source of financing for Startups and Innovative SMEs.

POSSIBLE RISKS FOR INVESTORS

In Italy the crowdfunding is growing at a fast pace as alternative method of investing thanks to the simplicity of the process and the tax relief introduced by the Italian government to foster its development. Despite the attractiveness of crowdfunding, the possible downturns involved should be considered and, eventually, mitigated.

As per other types of investment, the investor has to be aware of the potential economic loss involved and be able to bear it. The awareness of loss becomes particularly relevant in crowdfunding, due to the easy access to this tool

and the risk of investing in startups. Although the investment in a new project or idea may lead to high returns, there is also the possibility that the startups will fail or will not be able to generate the growth expected. An example is Tiko, the unsuccessful Kickstarter campaign that promoted the democratization of the 3D printing with an at-home machine at only \$179. In 2015 the campaign “Tiko – The Unibody 3D Printer”, attracted 16,538 investors and raised more than \$2,95 million in a month despite the initial goal of \$100,000, being also promoted by the Kickstarter team on the platform (Kickstarter). The minimal design of the printer and the fresh communication strategy convinced thousands of people to invest in Tiko, also reassured by the detailed fulfillment timeline of the project with which they were promising the first shipments 6 months later the end of campaign (Kickstarter). Despite the promising future and the conspicuous funds raised, Tiko and the team failed to turn the project into a reality and cancelled it, justifying it as a mistake in their inventory strategy that they were no longer able to solve. Beside the projects that fail to exist, there are also cases in which the value of the product or of the service offered is overestimated, in particular when it comes to equity crowdfunding. This is the case of Sugru, a moldable material promoted on the crowdfunding platform Crowdcube and developed by the British startup FormFormForm Ltd, that sold the product to the German company Tesa for £7,6million, a quarter of the value communicated to investors. Although Sugru raised almost £5million with two rounds of crowdfunding, with an average investment between £1,000 and £2,000, it failed to reach the expected 50%

growth per year in the period 2016-2019 and ended up selling out to survive, highlighting the difficulty in communicating the uniqueness of the product. In this context, the investors have lost 90% of the money invested, accusing not only FormFormForm Ltd for their uncompetitive behavior but also the platform Crowdcube for the due diligence process. In this perspective, before investing in a new project or idea through crowdfunding, the investor has to know the potential risks involved, carefully look at the project, and be sure of the credibility of the platform that is promoting it. At the same time, the investor has to be aware of the fact that, despite all the checks and evaluation done, the investment in startups is large part based on feeling and can lead to high rewards as well as to conspicuous loss. In this context, the emotional sphere may represents a risk, as driven more by the personal interests and inclination rather than by the assessment of the potential returns and risks. Another important element to consider before investing in equity crowdfunding in Italy, is the exposure to illiquidity that the investor may face. Indeed, the so-called Decreto Crescita bis (art.25, comma 2) prohibits for the innovative startups the selling of the quota owned for 4 years, making the investment at least a medium term one. In this period, the investor is an effective partner of the enterprise, with its right and duties, taking the business risk.

Therefore, startups and investors may equally benefit from crowdfunding supporting each other in the process, however being aware of the potential risks in which both the parties may incur.

SUCCESSFUL CAMPAIGNS: EQUITY CROWDFUNDING

An Overview

The success rate of equity crowdfunding in Italy has experienced a consistent positive trend since 2014, with an average of 59,8% over the period 2014-2018 (Crowdfunding). According to the PoliMi Observatory on Crowdfunding, the success rate raised from 40% in 2014 to 80% in 2018, highlighting the evolution of this financing method in the Country and the definition of a more structured process that aims at raising funds for startups while creating returns for investors (Osservatorio Crowdinvesting).

In 2019 the rate of success, updated by the Observatory at the beginning of august, slightly slows down at 72,5% compared to the 80% of the previous year. Although currently lower than in 2018, it will be possible to have a more comprehensive picture of the success rate of equity crowdfunding in the Country only at the end of the year.

Figure 18

Rate of Success of the Equity Crowdfunding Campaigns (2014-2019)

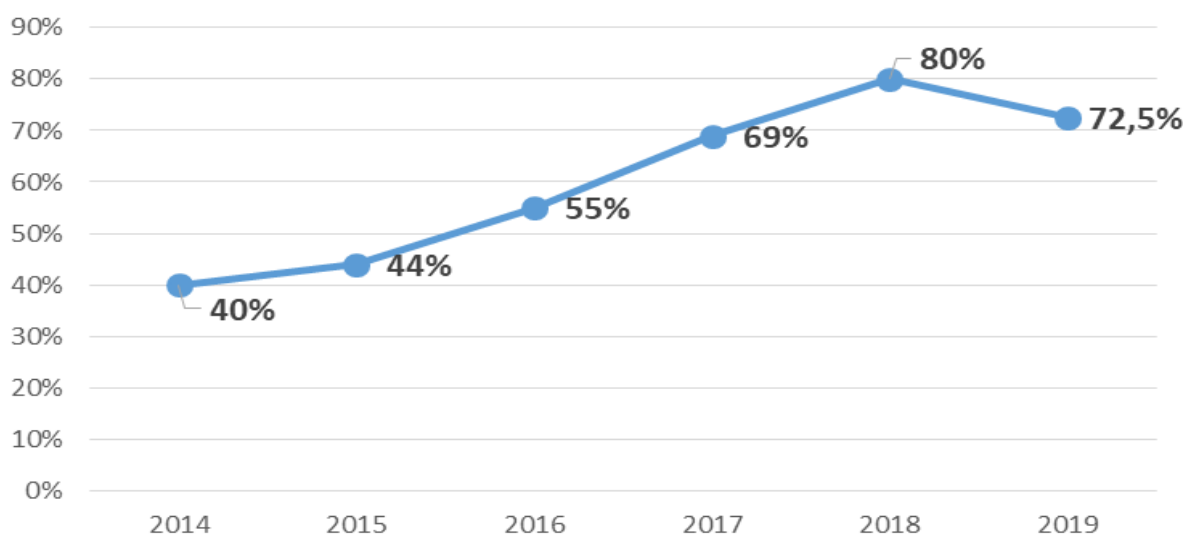


Fig.18. Crowdfunding. " *Tasso di successo dei progetti di crowdfunding ricevuti, pubblicati e finanziati* ". 2019.

When the success rate is observed across the different platforms, their performance may vary a lot ranging from 25% of UnicaSeed to 100% of platforms such as Walliance (Osservatorio Crowdfunding). This delta may depend on the number of campaigns promoted, the nature of the projects, and the goal to achieve. Walliance, for example, focuses exclusively on real estate equity crowdfunding, with only 12 projects financed and €12,9million invested (Walliance). Moreover, it can leverage on a well-structured platform, with a clear and simple communication, that facilitates the investment process.

Figure 19

Percentage of Successful Projects on Total Closed Campaigns

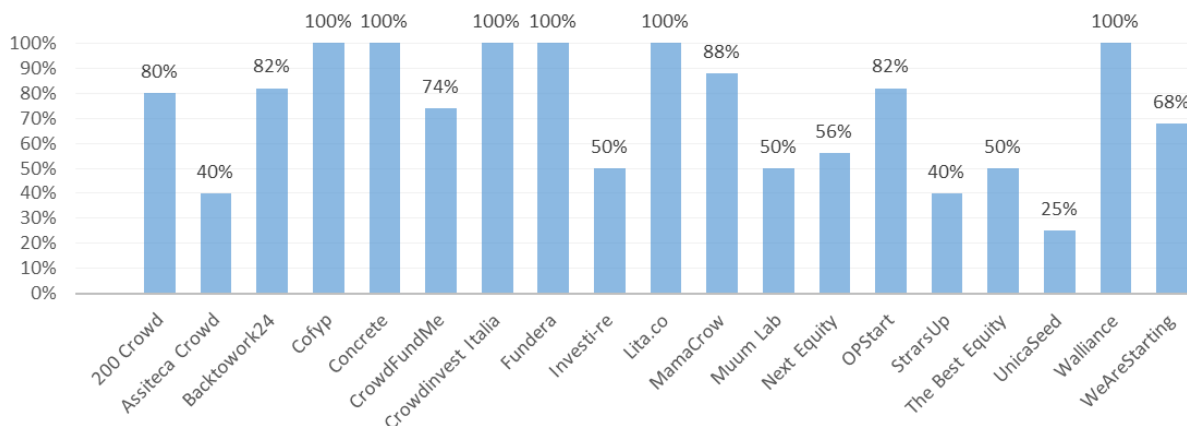


Fig.19. Politecnico di Milano, Osservatorio Crowdinvesting. August 2019.

Although the success rate is a first good indicator of the goodness of a project and of the credibility of the platform, when the campaign is closed it is important to evaluate how the capital is actually invested and if the startup is able to transform the idea into a marketed product or service. There are cases, such as the Tiko 3D Printer one, in which although the equity crowdfunding campaigns have been highly successful the startups failed to bring the project into a reality. The success of the project needs, therefore, to be evaluated as a whole: from the idea and the campaign to the market entry and its further development.

Story of Success: Glass to Power

Glass to Power is a spin-off of the University of Milano-Bicocca that produces windows with photovoltaic panels, able to generate about 50W/mq without affecting the design of the buildings, thanks to their transparency.

Founded in 2016 at the University of Milano-Bicocca, the same year Glass to Power won the Special Recognition Award at the R&D100 Awards in the Green Technology category. With the goal of sustaining research and development, in 2017 the general assembly deliberated a capital increase achieving €1,5million of valorization with a capital of €600,000 (Glass to Power). The proportion of shares that has been defined is 1 at 5. In this occasion, they launched a crowdfunding campaign on Crowdfundme, allocating €183,750 that corresponded to the 10,9% of the equity to external investors (Glass to Power). The campaign, with a minimum chip of €250 and 54 investors involved (crowdfundme.it), achieved the target amount in a couple of weeks. One year later the general assembly, after transforming the enterprise from Srl to Spa, deliberated a second capital increase, starting from €9million pre-money and achieving €11,25million (glasstopower.com). To make this capital increase possible, Glass to Power relied again on equity crowdfunding thanks to a campaign on the platform Crowdfundme that with the initial target of €500,000 achieved the record amount of €2,5million in less than 3 month, with a minimum chip of €500. Together with the validity of the product, protected by a set of patents for which Glass to Power invested more than €1million, to the success of this second crowdfunding campaign have contributed the increasing attention for green economy and, in turn, the greater media coverage for the project, able to attract 495 investors (Crowdfundme). After years of research and tests financed in part by the first campaign, with this second round of equity crowdfunding Glass to Power aims at

commercializing their photovoltaic windows and investing in marketing activities to sustain the product in the market. In this perspective two relevant Memorandum of Understanding have been signed in 2018: one with BIG Investment in Dubai and the other with a Brazilian company in the sector, interested in producing as licensor the photovoltaic windows for the South America area (Glass to Power).

Figure 20

Glass to Power Strategy & Development Phases

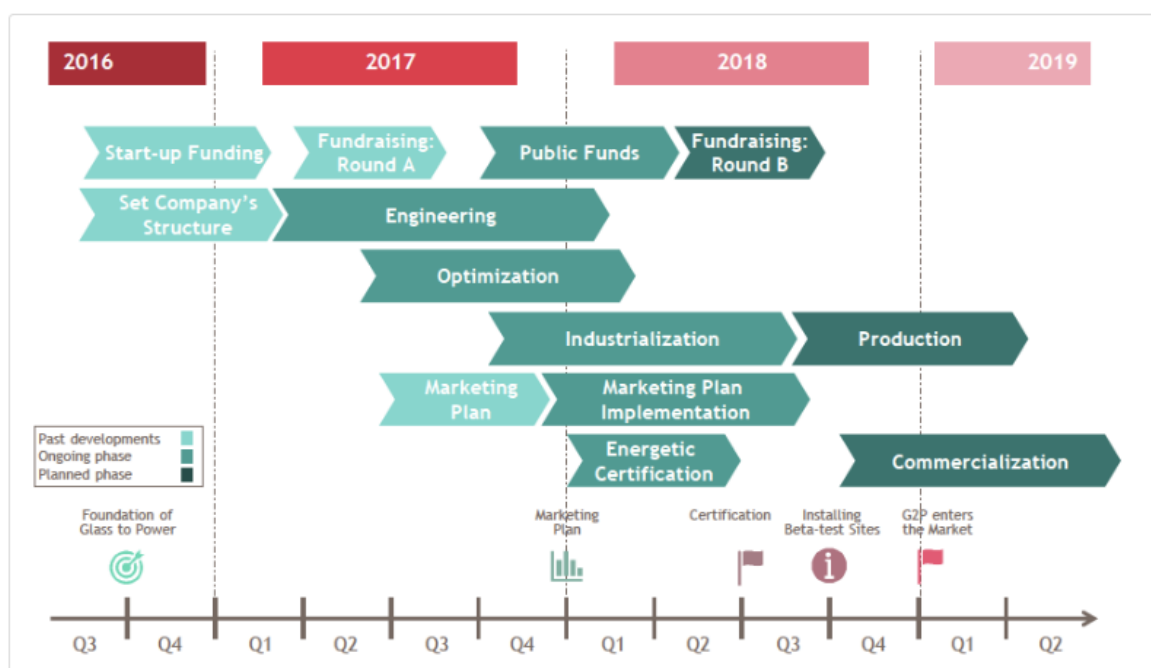


Fig.20. CrowdFundMe. "Glass to Power 2". 2019.

The timing of the market entry of the Glass to Power photovoltaic windows is crucial, as it occurs in parallel with the implementation, by 2020, of the European Directive 31/2010 /EU that requires all the new buildings to be autonomous in

terms of energy provision. Being ready and able to exploit the opportunities deriving from this directive and from an overall greater attention for environment may represent the turning points of the Italian company, that closes the 2018 with a loss of €169.835 justified by the conspicuous investments made and its non-productive phase (Glass to Power). The development process that Glass to Power has followed since its foundation in 2016, the product proposed, and the institutional entities involved suggest a positive evolution of the company in the market.

Story of Success: Soisy

Soisy is a platform authorized by Banca d'Italia to promote stage payments for e-commerce, financed by private investors in a peer-to-peer context. Founded in 2016 as market place to finance personal loans, starting from 2017 Soisy has focused on e-commerce introducing the marketplace lending in Italy. This shift in the company business model occurred to meet the demand for an easy and efficient online payment plan, in a context where more than 46% of Italian population buy online (200crowd). In parallel, Soisy offers to investors a reward of 4%-8% and an optional protection from insolvency, limiting in this case the return to 4%. In 2018, they launched an equity crowdfunding campaign on the platform 200crowd with a goal of capital raising between €500,000 and €900,000 (200crowd). More than €1,25million has been achieved in only 8 days, involving 90 investors and being 250% overfunded. This capital increase through

crowdfunding aimed at supporting the company growth and at establishing itself in a moment where there are no direct competitors in the Country. Soisy focuses on two main development paths: the involvement of professional investors and financial advisors and the integration with the main national and international gateways to address a wider audience. In parallel, the capital increase aims at financing the expansion of Soisy in the international market and in Europe in particular, fostered also by the participation at the Fintech StartupBootcamp Program, one of the most important accelerator worldwide. The crowdfunding has proved to be for Soisy the best source of financing, not only for the record capital raised but also for the media coverage that the campaign generated, making this lending marketplace known to the general public and attracting the interest of professional investors. It is not a case, therefore, that in 2020 Soisy is planning to rely again on equity crowdfunding to raise the capital necessary to achieve the break even, estimated around €2million (200crowd).

Story of success: CleanBnB

CleanBnB is an online platform specialized in the management of short-term rentals, from the strategy definition to the reception of guests and the cleaning of the property. In parallel with the boom of platforms such as Airbnb and Booking.com, CleanBnb entered the market proposing itself as “the leader in the management of the sharing economy hospitality” (CleanBnb) and providing the properties owners a service that manages the whole rental process. Founded

in Milan as innovative startup in 2016, the same year CleanBnb launched its first equity crowdfunding campaign on the platform CrowdFundMe. The Italian startup surpassed the target of €50,000, achieving €126,702 thanks to 90 investors that believed in the project since the beginning (Crowdfundme). Thanks to the capital raised through crowdfunding, CleanBnb enlarged the portfolio of apartments and the cities where the service was offered, moving from 3 to 30. The rapid diffusion of the service on the Italian territory attracted the interest of the venture capital companies Boost Heroes and BackToWork, that with two capital increase operations moved the valuation of the company from €400,000 to €4million. In 2018, CleanBnb launched its second equity crowdfunding campaign on CrowdFundMe, raising €500,000 versus the target of €100,000 with 214 investors (Crowdfundme). With this second round of crowdfunding, the company aimed at consolidating its position in the market and at fostering growth. In its process of rapid growth, CleanBnb in July 2019 arrived at the quotation on Aim Italia of Borsa Italiana, the alternative capital market for SMEs, with the goal of scaling the market and expanding beyond the national boundaries. The equity crowdfunding played a crucial role in the development of CleanBnb, in two different phases of its growth path. The first round, that aimed at collecting €50,000, made possible to transform the Italian startup from a local reality to a national one, increasing in parallel the number of apartments in its portfolio. Two years later, the second round of equity crowdfunding, boosted the expansion process of CleanBnb and made possible to rapidly scale the market driving the

company to the quotation on Borsa Italiana the year after. The CleanBnb case highlights the validity of equity crowdfunding as alternative source of financing for startups, that can rely on this tool in different phases of their development process, from the first steps to the expansion process.

SUCCESSFUL CAMPAIGNS: LENDING CROWDFUNDING

An Overview

Lending is the typology of crowdfunding that achieved the highest amount of capital raised with €51,85million in 2018, although only 9 platforms operate in the segment (Il Crowdfunding in Italia 15). The most significant amounts have been collected by Borsa del Credito, the first platform for lending crowdfunding in the Country, with €52,4million granted at the end of 2018 and €68,3million within September 2019. The platform has given a fundamental contribution for the development of lending crowdfunding in the Country, granting through years the majority of the capital in the lending crowdfunding market.

Figure 21

Evolution of Lending Crowdfunding Investments on Borsa del Credito

	2015/16	2017	2018	2019	Total
Amount granted	€ 7.015.843	€ 15.335.188	€ 30.005.122	€ 15.943.727	€ 68.299.880
Number of loans granted	248	143	213	158	762

Fig.21. Borsa del Credito. "Statistiche". 2019.

The success of Borsa del Credito is based on the advantages provided both to enterprises and investors. The firsts can rely on a feedback on the financing request within 24 hours and the provision of the amount within 3 days from the positive response, having the flexibility to seize the opportunities in the market without going through the time consuming process that the banks usually require. The seconds, can count on a gross annual return around 5% and a diversification of the capital invested, secured by a protection fund financed by the enterprises that requires the loan (Borsa del Credito). The lending crowdfunding, therefore, bring together the two parts, along with their necessities and ambitions, that are highly interdependent for the success of the project.

Differently from the equity crowdfunding that leverages on the visibility of the campaign and gives importance to the nature of the project as the investors become actual members of the company, the lending crowdfunding has a more functional role of intermediary between enterprises that need to raise capital and investors that aim at generating income in the short-medium term. As meeting point between enterprises and investors' needs, the lending crowdfunding by nature cannot be evaluated in terms of campaign success rate but rather on the investments that an enterprise is able to make thanks to the capital raised and on the return for investors on the capital invested.

Story of success: Black Marketing Guru

Black Marketing Guru (BMG) is a creative direction and marketing agency based in Rimini that focuses its business on growth hacking, that consists in rapidly testing different solutions to identify the most potential and suitable one for each company. They work with a varied group of companies such as SCM, Bulgari, and Yoox with the goal of creating an ad-hoc product for each of them. What determines their business is the rapidity with which they experiment different solutions and, for this reason, the lending crowdfunding represented the best source of financing when it came to invest on a spin-off for the world of LinkedIn. The capital needed has been provided by Borsa del Credito in 2 days, making possible for Black Marketing Guru to immediately start working on the project and get the first positive results after only 3 months (Borsa del Credito). The choice of bank as source of financing would have not made possible to keep up with the rapidity of the business and to seize the opportunities of the moment.

CHOOSE CROWDFUNDING TO FINANCE A STARTUP

The crowdfunding is growing at a fast pace in the country with more than €111million raised only in 2018, driven by the diffusion of lending first and by equity second. Among the alternative source of financing available to startups and SMEs, crowdfunding is the one that currently suits the most their needs. The main advantage of this instrument is the easy and rapid access to funds, that makes possible for enterprises, for which the time variable is crucial, to seize the

opportunities in the market. Borsa del Credito, platform leader for lending crowdfunding in the Country, guarantees a feedback on the financing request in 24 hours and the provision of the capital within 3 days in case of positive response. This is the case of Black Marketing Guru, for which the rapidity of the capital provision played a crucial role in the development of their project, that would have not been possible with the standard timing of bank loans. Another important element is the flexibility of this source of financing that is accessible to all enterprises, despite their dimensions and the industry in which they operate. The projects promoted on the crowdfunding platforms belong to a multitude of different sectors, from nanotechnology and green economy to food and real estate. This represents a positive aspect for investors as well, that can choose the projects that better suit their return objectives and their capacity to bear loss, other than their personal interests.

Among the different forms of crowdfunding, the equity one represents the best alternative for startups. The high visibility generated by the crowdfunding campaigns makes a substantial contribution in the diffusion of a project in the market and in attracting both the general public and professional investors. On the other side, the fresh communication that a startup usually has makes it particularly suitable for this source of financing. In addition, differently from lending crowdfunding, to equity crowdfunding can access all the enterprises without the need of satisfying minimum criteria such as the months of activities

and the income generated. In this perspective, the equity crowdfunding can be used to finance the first development investments as well as a worldwide expansion or the establishment as market leader. Emblematic is the case of CleanBnb, the platform specialized in the management of short-term rentals, that leveraged on equity crowdfunding in two different phases of its growth process, with equal success.

Although crowdfunding represents the best alternative for startups and for SMEs, before relying on this alternative source of financing it is important to assess also the risks involved. Among others, the most relevant for a startup that propose a new product, service, or business model is the fact that the intellectual property becomes public, with the possibility for others to copy the idea. Another risk that startups may face when raising funds with crowdfunding, is the underestimation of costs for the development and the introduction in the market of a new product or service. This is the case of the 3D printer Tiko, that after a successful campaign of Kickstarter with a total of \$2,75million raised and more than 16,000 investors involved, failed to bring the project to the market due to an underestimation of the production and inventory costs.

Overall, the benefits that crowdfunding provides both for startups and for investors, able to offset the risk involved in the process, make this source of financing the preferred one for startups and SMEs. The nature of these enterprises finds in crowdfunding the best alternative to raise funds and support investments,

thanks to the speed and the flexibility of the process that cannot be found in any other source of financing.

Conclusions

Italy is made by a constellation of micro, small, and medium enterprises with their own peculiarity, according the geographic area and the sector to which they belong. This dense network of enterprises represents an intrinsic element of the Italian socio-economic system and a main contributor to the national Pil, equal to 12,6% in 2018 (Rapporto Cerved Pmi 2018 8). From their high specialization and their deep knowledge, comes out the competitive advantage of these enterprises that can play a crucial role in the recovery and development of the Country.

Although different, all of them are united by a hesitation to invest due to the effects of the past crisis and the atmosphere of economic uncertainty. Significantly, the capital invested by SMEs in 2017 has been flat compared to internal resources (3,8% of turnover), differently from the pre-crisis level when it was 4,1%, 1,6% higher than internal resources. This occurs in parallel with a perceived lack for SMEs of financing sources alternative to banks and a greater difficulty to obtain bank loans due to the discouragement to apply and the high costs involved (Survey on the Access to Finance of Enterprises in the Euro Area). This immobility in a recovering and increasing dynamic environment as the Italian one animated by a large number of startups and innovative enterprises creates a potential for growth that remains untapped.

Going beyond the traditional bank system involved in the crisis, these enterprises can now rely on different sources of financing such as mini-bonds, crowdfunding, and direct lending to raise the capital needed to make investments and foster growth, with the flexibility of choosing the alternative that suits the most their needs. Indeed, each of these sources of financing has its own peculiarities and meets different needs.

The mini-bond represents a debt instrument, complementary to bank credit, that provides enterprises with an alternative source of financing and a high visibility in the international context. Big, medium, and small enterprises can access this financing instrument, provided that the last two financial statements have been published and the auditors certified the last one, while are excluded bank companies, SIM or SGR, and micro-enterprises. In a period when the bank finance for SMEs is limited, the mini-bond represents a solid instrument for these enterprises to access the capital needed, although they are at time discouraged by the costs involved and the requirements to meet.

The crowdfunding is the source of financing that suits the most the characteristics and needs of startups and SMEs, that can benefit from the easy access and the flexibility of the process. In addition, the crowdfunding substantially shortens the timing necessary to access funds, making possible for enterprises to immediately seize the opportunities in the market and providing, therefore, a clear advantage compared to the traditional sources of financing. The

equity crowdfunding in particular, creates the best environment for a startup that can leverage on the high visibility generated by the campaign on the platforms and can find room for its fresh and unconventional communication to attract investors.

The direct lending, that consists in the provision of funds to SMEs and big enterprises from entities alternative to banks, differently from lending crowdfunding does not involve a crowd and does not necessarily take place on an online platform. However, there are platforms, such as Epic in Lombardia, that aim at creating a meeting point for supply and demand. Despite the development of this instrument in the last years, the direct lending remains a niche source of financing in the Italian economic system, mainly related to enterprises of big dimensions rather than SMEs that have preferred mini-bonds and crowdfunding.

Instead, the invoice trading is spreading in the Country as financial support to enterprises, of small and medium size in particular. The benefits for SMEs are the rapid access to capital and the availability of liquidity to finance capital without collateral. The diffusion of this source of financing in Italy, that is the first market in the continental Europe, is explained by the extended payment timing in the Country, largely above the European average. In this context, the invoice trading aims at mitigating the difficulties of SMEs that face liquidity issues in financing the working capital and that have limited access to bank credit, in particular when the amount involved is particularly high.

Each with its peculiarities, the alternative sources of financing available provide the Italian enterprises with the possibility of choosing, among a complete set of financing instruments, the one that suits the most their characteristics and better meets their needs. An Italian enterprise can potentially leverage on each of these sources of financing, becoming progressively less dependent on bank and rebalancing the role of debt, that is now predominant. A diversified financial system, that does not exclude bank credit as one of the main source of financing, will sustain investments for growth and innovation, adapting to the enterprises needs and their different phases of development.

In this perspective, becomes increasingly important the role of investor that makes the process possible and, sometimes, becomes part of the process itself such as in the case of equity crowdfunding. This is the reason why the advantages for investors that support these alternative sources of financing have grown in the last years, both at the legislative level, with measures such as the 40% of fiscal deductibility for who decide to invest in equity crowdfunding, and in terms of returns provided. The variety of sources of financing available in the Italian market involves all type of investors, from the professional ones to the general public, with the flexibility of choosing the investment that better suits their return expectations and their risk sensitivity.

Although data already confirm a constant increasing interest of both enterprises and investors for these alternative sources of financing, to create a

diversified financial system and sustain investments for growth and development, it will be crucial for the future to continue nourishing both parts, that are deeply interdependent for this to happen.

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