

# IO1 – A1

## National report



<b>Document Title</b>	National report
<b>Intellectual Output</b>	1. Financial Check Training Course – FCT Course
<b>Activity</b>	1
<b>Deliverable</b>	2
<b>Delivery Date</b>	January 2018
<b>Organisation</b>	PAR
<b>Country</b>	Croatia
<b>Approval Status</b>	Final
<b>Language version</b>	English

[This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained herein.]



## Index

Introduction .....	3
A. Creating a cash budget .....	3
B. Obtaining financing & launching of crowdfunding campaigns .....	3
C. Cash-flow management.....	4
D. ICT-enabled Business Development.....	5



# O1 / A1 Analysis report

## THE 'STARTUP' SITUATION IN CROATIA

### Introduction

The following desk research is a reflection on the two topics that were requested to be taken into account. The first topic reflects on the financing resources of start-up companies in Croatia, while the second topic relates to their financial management.

When conducting this research, the first problem encountered by the research team was that state-backed, comprehensive, statistically sound longitudinal databases on start-up companies and their activities as such do not exist in Croatia, which makes this research limited to the available data derived from entrepreneurial support institutions operating in the Republic of Croatia. Start-up companies are in fact incubated companies using the services of these entrepreneurial support institutions. Therefore, this research is conducted on the basis of the data collected from scientific and research papers dealing with issues of startup companies, which are still in their nascent stages of development in the Republic of Croatia.

### A. Creating a cash budget

The above assertion is also supported by a survey that took into account several of the most important Croatian startups (Trends of investments in Croatian startups in 2014, Netokracija, 2014). According to available data, investments in 2014 obtained total of nineteen Croatian startups: Rimac Cars, Bellabeat, Farmeron, Replsly, Teddy The Guardian, CodeAnywhere, Madbarz, Agrivi, Cinexio, Ironward, Greenpie, Oradian, Serwantess, U:Plug, Hipersfera, ThiefScry, Colomb.io, Zzzzapp and Drive Angel.

More than twenty million euros were invested in those startups in year 2013 and this survey only presents the amounts that while publicly communicated, while a number of companies that have obtained the investments have decided not to disclose that information.

Investments in Croatian startups in 2013 were totaling EUR 2.180.000 - in rough terms, but only a year later this number doubled, so 2014 was closed with EUR 21.206.023 in investment.

This amount may be small in comparison with other ecosystems in the EU countries, but it certainly points to two aspects: the first is that there is certainly an input trend of investment in the Croatian startups, and the second is that in comparison with the start-up ecosystem from the EU countries, Croatian start-up scene is at its grassroots.

### B. Obtaining financing & launching of crowdfunding campaigns

When trying to examine Crowdfunding in Croatia (Infographics Crowdfunding in Croatia 2016., <http://www.crowdfunding.hr>, 2017), the data showed that year 2016 recorded a significant drop of investment conducted by crowdfunding campaigns in relation to 2015, despite having organized numerous activities related to group financing, such as CF Dox Zagreb, the Crowdfunding Academy and the Crowdfunding Convention for the popularization of this type of financing.



The data in 2016 showed that in domestic crowdfunding campaigns EUR 300.000 was raised, whereas in comparison to year 2015, the amount of EUR 700.000 was raised, which is 2 times less. This amount reflects the number of successful projects where half as much projects had successfully completed the crowdfunding campaign. In 2016, 49 projects from Croatia were launched, mainly on the *Indiegogo* platform, of which only 12 collected the required amount, as opposed to 23 successful projects in 2015.

The number of domestic campaign sponsors in 2016, fell to 6163 supporters, which is less than even in 2014. Campaign promoters are also focused on socially oriented projects, and only a small number of them are in the field of creative and productive activity. From the conducted research it is also recognized that the average successful campaign had 423 supporters. This data could be very useful for the future campaigners as an indicator of the number of people that must make a financial contribution in order for project to succeed.

We can conclude that this negative development of crowdfunding campaigns, having in mind the amount that could be obtained in line with the number of supporters, could have a potentially negative impact on future campaigns because of the general uncertainty of success of crowdfunding campaigns. It is highly possible that start-up companies in Croatia will turn to other sources of financing.

Top 5 crowdfunding campaigns in Croatia<sup>1</sup>:

Name of the campaign	Amount obtained	Number of supporters
Vitastiq 2	193.015	1.873
Buba Bar	16.821	531
1000 Days of Summer	13.256	595
Brlog.	11.856	302
Zmajev gnijezdo (Dragon Nest)	10.409	82

## C. Cash-flow management

The limitats of Croatian startups to the domestic market only could have significant impact on their cash-flow management, with the exception of web-based startup companies. Possible financing sources of Croatian start-up companies (analysis of financing sources for start-up companies, Čalopa, Horvat, Lalić, 2014) could be grouped in: Business angels in Croatia - operate within CRANE Association, Croatian Private Equity and Venture Capital Association (HVCA), Private real estate, Bank loans and other debt instruments and International investments and EU programs.

Having taken into consideration the research results of 11 startups in Croatia - the results of the research showed that 22%, i.e. 5 Croatian start-up firms are just at the beginning, or have an idea that they seek to develop into a final product or service. Furthermore, 43% Croatian start-up companies are in the stage where the emphasis is put on increasing sales of existing products or services, and 26% of start-ups are in the stage in which the first product or a service is completed, and the current goal is to develop sales of these products/services.

“Researching the ways of raising the necessary funds has shown that 83% of start-up firms in Croatia are financed informally in the beginning, including self-funding (bootstrapping), as well as by financial support of friends and family (3F - Friends, Family and Fools). Out of 83% only 6 firms searched for

<sup>1</sup> See: <http://www.crowdfunding.hr/infografika-crowdfunding-u-hrvatskoj-2016-3620>, Accessed: 13th October 2017

additional financial aid, and received it mainly from CRANE (15%), Business angels (10%) and seed camp (15%). Also, as evidence from other research confirms, Croatian start-ups first reach into their own financial savings. As much as 74% of them stated they started with the bootstrapping method.”

## D. ICT-enabled Business Development

Regarding ICT-enabled Business Development like eProcurement, eCommerce and usage of virtual marketplaces by start-ups, within the conducted desk-research, no reliable information was found.

This result is a possibility of two situations. The first being the non-existence of the database of start-ups through which the researchers could examine the above-listed parameters, while the second being the possibility that Croatian start-ups are still in its initial development and usually participate in the acceleration processes in other countries where these parameters could be important for tracking in order to determine how ICT-enabled business systems contribute to their financial management.

Desk research conducted by:

Tihana Kalčić, bacc.oec., mag.iur.

Head of legal affairs, EU and development projects office – Project manager for B-CAPP project

Ph.D. Bisera Karanović

Vice Dean, Science and International Affairs at Business School PAR – Project manager for B-CAPP project

