UiA School of Business and Law   LenderKit   CrowdSpace

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2023 The European Crowdfunding Market Report

The report presents the findings of the European Crowdfunding Market Survey 2023. It outlines key facts and figures with respect to all European Crowdfunding Market stakeholders including platforms, backers, and fundraisers. In addition, it presents facts and figures concerning issues related to regulation, public knowledge, and technical aspects of crowdfunding platform management practices. Findings are presented at aggregate European, national, and model levels.

Peer review

The report text and findings have been reviewed by four independent reviewers in three European countries. All reviewers were not involved at any stage of preparation, write-up, or making of the report. All reviewers hold a PhD degree, and work at European Universities.

The Electronic version of the Report is available to download from the website of the Crowdfunding Research Center at the University of Agder's School of Business and Law. Available under "publications" here: https://www.crowdfunding-research.org/

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Dear reader,

The European crowdfunding market represents an exciting setting for examining the growing pervasiveness of alternative finance in the past two decades. Since its birth, this industry has weathered the challenges of building legitimacy vis-à-vis the established financial sector, it has negotiated and continues to negotiate regulatory amendments, as well as educating stakeholders about the opportunities and risks that come with relevant business model innovations. In addition, it has also maintained growth despite macroeconomic uncertainties following a global pandemic, energy market transformation, as well as wars at the European periphery.

Unsurprisingly, public interest in crowdfunding continues to grow thanks to its potential to aid and serve individuals and businesses, carrying promises of more democratized finance and improved access to badly needed finance in a variety of sectors. This is especially true at times when traditional actors become more apprehensive while overlooking important segments in the economy.

The current report presents comprehensive and insightful research into the current state of the European crowdfunding industry and market. It addresses questions relevant for all key stakeholders including platform managers, fundraisers, backers/investors, as well as regulators and educators.

We at the University of Agder's School of Business and Law maintain our commitment to research crowdfunding and its impact on multiple stakeholders at the local, national, regional, and international levels. Our Center for Crowdfunding Research is an internationally recognized knowledge hub maintaining a wide network of collaborations with academia, industry, and government entities internationally.

For the first time, we are excited to closely collaborate with LenderKit and CrowdSpace in delivering the current report. This partnership is based on common aspirations for excellence and leadership in understanding the European crowdfunding market through both practice and scholarly work.

In conclusion, we maintain our strong commitment to this important line of work and look forward to following its development through ever more ambitious research in the future.

Best regards,

Prof. Rotem Shneor

Centre for Crowdfunding Research
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University of Agder

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LenderKit

The crowdfunding scene in Europe has been an interesting space and has put in a lot of effort to establish its credibility alongside traditional finance in recent times. As LenderKit and CrowdSpace are both part of the crowdfunding ecosystem, representing its technical and educational aspects, we have been focusing on constant research for the past few years, particularly during global uncertainties such as the pandemic or changes in energy markets.

Our previous studies on the crowdfunding market primarily focused on its technological aspects while briefly touching upon regulatory and marketing challenges. However, this time around, we conducted a comprehensive analysis of the market. Our collaboration with Rotem Shneor from the School of Business and Law at the University of Adger has been instrumental in this regard. By combining practical industry knowledge with scholarly insights, we have gained a better understanding of this exciting market.

It’s not just numbers; it’s a story about how platforms work, how people who back projects and invest behave, and how technology is changing the game.

The dynamics of crowdfunding platforms, investor behavior, and the impact of technology are fundamental aspects that shape the crowdfunding industry. This report is a preliminary step towards more comprehensive research and a commitment to exploring the evolving crowdfunding landscape in greater detail.

Best regards,

Konstantin Boyko

CEO at LenderKit and CrowdSpace

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Research team

Editors and authors

Rotem Shneor

Rotem Shneor is a full professor of entrepreneurship at the University of Agder (UiA) School of Business and Law in Norway and is the leader of the university's Crowdfunding Research Center. His research includes issues related to crowdfunding behaviour and motivations, internet marketing, and cognitive aspects of entrepreneurship. His research has been published in leading academic journals in the areas of management, entrepreneurship, information systems, and marketing. He has served as lead editor and author of a popular book titled "Advances in Crowdfunding: Research and Practice" published in 2020 by Palgrave MacMillan. Since 2023, he has served as Editor-in-Chief of the Journal of Alternative Finance (ALF) published by SAGE Publishing. In recent years, he has also been an affiliate researcher with the Cambridge University Center for Alternative Finance, co-authoring the annual alternative finance benchmarking reports. Complementary to his academic research and teaching, he is closely involved in industry collaboration with entrepreneurial hubs and actors in the crowdfunding and FinTech sectors. His expertise has made him a popular speaker and media commentator on issues related to crowdfunding in the Nordic countries, Europe and globally.

Karsten Wenzlaff

Karsten Wenzlaff is the Secretary-General of Digital Invest Germany - the German Crowdfunding Association and organizes the European alliance of Fintech Stakeholders. His research focuses on alternative finance, FinTech and crowdfunding, with special interest in civic crowdfunding, corporate crowdfunding, and the adaptation of financial innovation through artificial intelligence by Fintechs. He is a lecturer and researcher at the University of Hamburg's Chair for Digital Markets. He holds an MPhil degree in International Relations with a thesis on international financial regulation from the University of Cambridge. Karsten was the author of the first European Crowdfunding-Survey in 2011. Since 2013, he has supported the Cambridge Centre for Alternative Finance (CCAF) with the Alternative Finance Benchmarking Report and has co-edited these reports since 2017. In 2020, he co-authored the CCAF's Global Alternative Finance Benchmarking Report and became part of the Centre's COVID-19 Response Team.

Between 2014 and 2016, Karsten served as a member of the European Crowdfunding Stakeholder Forum, an advisory body to the European Commission. He has been a lecturer in the Cambridge Center Financial Technology and Regulatory Innovation program since its inception, lecturing to regulators from across the world. He also works as a consultant for international organizations and regulatory bodies.

Konstantin Boyko

Konstantin Boyko is an entrepreneur and tech visionary with over 15 years of experience building innovative digital products. He's the Co-founder and CEO of LenderKit, a crowdfunding software designed to make it easier to create fundraising and crowdlending platforms worldwide. Besides, he founded CrowdSpace, a hub that brings together crowdfunding and alternative finance platforms in Europe. Konstantin actively participates in industry surveys and reports with the Crowdfunding Research Center in Adger, Norway. His academic background includes a PhD in Mathematics, lending an analytical approach to the ongoing survey. With his expertise in entrepreneurship, technology, and math combined, Konstantin significantly impacts the survey's depth and the FinTech field's evolution, playing a crucial role in advancing understanding within the crowdfunding community.

Prince Baah-Peprah

Prince Baah-Peprah (Ph.D.) is an assistant professor at the University of Agder (UiA) who specializes in crowdfunding research while engaging in teaching entrepreneurship courses. He is an active member of UiA Crowdfunding Research Centre and serves as an expert in advanced quantitative analysis methods such as Structural Equation Modeling. His research is related to crowdfunding marketing strategies, investor behavior, entrepreneurs' adoption and ethical issues in crowdfunding. He has been publishing in leading academic journals, contributed chapters to edited volumes, and won the best paper award at an international conference and held talks in several crowdfunding summits.

Ana Odorović

Ana is a PhD candidate at the Institute of Law and Economics of the University of Hamburg. She is also research affiliate at the Cambridge Centre for Alternative Finance at the Judge Business School (CCAF) where she has been engaged as a tutor for the Cambridge Fintech and Regulatory Innovation (CFTRI) programme since its creation in 2019. Her research is interdisciplinary and focuses on the economic analysis of fintech laws and regulations. She has published widely on the questions of crowdfunding regulation and acted as a consultant in this field for a number of renowned institutions, such as the European Commission and the World Bank.

Olga Okhrimenko

Olga oversees marketing and communications at CrowdSpace — a directory of European crowdfunding platforms. Together with Konstantin Boyko and their team, she delves into crowdfunding research, crafting comprehensive industry reports. This time, she joined the research team to help with survey distribution and the write-up of the chapter on crowdfunding technology.

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French Crowdfunding Association (Financement Participatif France) — **Florence de Maupeou**

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Lithuanian P2P Lending Association - **Dr. Vytautas Šenavičius**

Romanian FinTech Association — **Cristian Pasa**

UK Crowdfunding Association — **Daniel Rajkumar**

ASOCIACE CROWDFUNDINGOVÝCH PLATFOREM

FINTECH BULGARIA

STICHTING MKB FINANCIERING

Financement Participatif France

DANSK CROWDFUNDING FORENING

FINTECH LATVIJA ASOCIĀCIJA

bundesverband crowdfunding

NCF Norsk Crowdfunding Forening

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We also express our heartfelt appreciation to the above-mentioned associations and their representatives for their collaboration and support, which greatly facilitated the dissemination of our survey within the European crowdfunding landscape.

Special thanks go to **Barry James and his excellent team from the Crowdfunding Center** in the UK for their helpful collaboration in providing us with data from Kickstarter and Indiegogo global platforms.

THECROWDFUNDINGCENTER

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Executive summary

Market overview

- As of March 2023, there were 594 crowdfunding platforms operating in Europe, and since some platforms operate in multiple countries there were 785 platform-country pairs.
- The countries served by the largest number of platforms in absolute terms include Germany, the UK, and France. The Baltic countries (Estonia, Latvia, and Lithuania) punch well beyond their relative size in terms of number of platforms operating per capita.
- Overall, the annual average volume of funds raised per platform increased from 16m EUR in 2021 to 19m EUR in 2022, an increase of 17%.
- Lending platforms reported an average volume per year of 19m EUR in 2021, which increased to 24m EUR in 2022. In contrast, equity-based crowdfunding platforms and non-investment platforms reported similar volumes in 2021 and 2022 standing at roughly 15m EUR in equity and 9m EUR in non-investment.
- Geographically, the fastest growth in average volumes was recorded in Eastern Europe with 13% (from 11.3m EUR in 2021 to 12.9m EUR in 2022). However, the average 2022 volumes of Northern European platforms, standing at 27M, were the highest in Europe. These were 59% higher than those of Western European platforms, 125% higher than those of Eastern European platforms, and 463% higher than those of Southern European platforms.
- Public knowledge about crowdfunding was viewed as insufficient by 70% of European equity platforms and 67% of lending platforms. By contrast, only one third of the non-investment platforms argued that public knowledge was insufficient.
- Insufficient public knowledge about crowdfunding was indicated in all regions: 69% of Eastern European platforms, 61% of Western European platforms, 57% of Southern European, and 51% of Northern European platforms.
- The CMRI (Crowdfunding Market Readiness Index) incorporates six indicators of market development level. The Netherlands emerged as the top scoring market with top rankings on all indicators. It was followed by Norway, and Denmark.
- Among larger economies, the UK represents the leading market with top rankings on licensing, public knowledge, and volumes per capita. It is closely followed by France with even higher volumes per capita, but with slightly lower public knowledge of crowdfunding, and slightly lower engagement of the crowd in terms of number of backers and fundraisers.

Platforms

- Most platforms have been operating for 8-9 years. The gradually falling number of platforms that were established in the following years suggests a gradual maturation of the industry.
- Platform volumes and years in business are only weakly and positively associated, suggesting that first mover advantages of older platforms are limited, and younger platforms can compete with more mature ones based on other characteristics than tenure.
- Platforms predominantly operated in one country as indicated by 80.5% of platforms in 2021, and 82.6% of platforms in 2022.
- International outreach is most common among platforms with headquarters in Eastern Europe, and least common among platforms with headquarters in Southern Europe.
- In 2021, international flows accounted for about 17.4% of the total flows in lending and 2.3% in equity. International flows into non-investment models were negligible. In 2022, the portion of international flows into equity-based crowdfunding increased to 5.4%. In contrast, the portion of international funds flowing into lending crowdfunding dropped to 12%.
- Northern Europe is the region that benefited the most from international flows, which accounted for 32.6% of total volumes in 2021, and 24.9% of total volumes in 2022. The region benefiting the least from international flows was Southern Europe, peaking at 0.5% of total volumes being associated with international flows in 2022.
- 60% of European platforms indicate operating with a single crowdfunding model. 25% of platforms combine 2 models, 10% operate 3 models, whereas 4% offer 4 models under one roof.
- In the equity cluster, revenue sharing is often combined with equity crowdfunding. In the lending cluster, P2P business and property lending are often combined. And in the non-investment cluster, one-time and subscription-based donations are often combined.
- Frequent model combinations across clusters include fractional ownership of real estate assets with P2P business lending; security tokens with P2P business lending; and minibonds with equity crowdfunding.
- 68.6% of equity, 61.8% of lending, and 43.2% of non-investment platforms report at least one type of collaborative relationship with traditional financial institutions (TFIs). Equity-based platforms most commonly engage in lead exchange (25.7%) and strategic partnership (20%) with TFIs. Also, lending platforms mostly engage in strategic partnership (25%) and lead exchange (17.1%) with TFIs. Non-investment platforms mostly engage in collaborations around promotional (17.1%) and strategic matters (14.3%) with TFIs.
- The largest the volumes overseen by the platform the closer and more diverse the collabo-

ration they have with TFIs, and the more likely they are to become partially or fully owned by TFIs.

- A minority of platforms across models have engaged in mergers and acquisitions in the past: 12% of equity, 15.5% of lending, and 6.8% of non-investment platforms. However, larger shares expect to be engaged in mergers and acquisitions in coming years: 42% of equity, 53% of lending, and 31% of non-investment platforms.
- Cost structures of investment platforms are similar and dominated by sales and marketing (25%) as well as R&D (27%-31%). Non-investment models devote smaller shares of their budgets for ensuring legal compliance (10%) when compared to investment platforms (17%), and hence devote larger shares to R&D (38.7% of costs) for streamlining of processes in a low margins' sector.
- A large share of platforms across models indicates the use of governance impact measurement systems: 41% of equity, 43% of lending, and 52% of non-investment models.

Licensing

- In line with the risks associated with each model, a large majority of equity (81.6%) and debt (65.5%) platforms are licensed, while only 27.6% of non-investment platforms are licensed.
- In the equity cluster, 81.1% of platforms report operating under one form of license or another, while 18.9% remain unlicensed. The most frequently license type used is a bespoke national crowdfunding license (25%).
- In the equity cluster, licensed platforms oversaw an average volume of EUR 49M and EUR 51M in 2021 and 2022 respectively, while unlicensed ones oversaw an average volume of EUR 6.4M and EUR 7.4M respectively in the same years.
- In the lending cluster, 68.7% of platforms report operating under one form of license or another, while 31.3% remain unlicensed. The latter related to lack of clarity of license requirements for P2P consumer versus business lending. The most frequently licenses used are national traditional financial institution licenses (25%) or other espoke national crowdfunding licenses (17%).
- In the lending cluster, licensed platforms oversaw an average volume of EUR 25.8M and EUR 32.5M in 2021 and 2022 respectively, while unlicensed ones oversaw an average volume of EUR 18M and EUR 24M respectively in the same years.
- In the non-investment cluster, 27.6% of platforms report operating under one form of license or another, while 72.4% are unlicensed. The most frequently licenses type used are national traditional financial institution (10%) or other espoke national crowdfunding licenses (10%).

- Across models, most platforms deem current regulation as adequate. The greatest discontent is registered amongst lending platforms, where 32% view existing regulation more critically. This may be linked to less regulatory clarity with respect to P2P consumer lending, as well as abilities to implement automatic agents for investing in portfolios rather than single loans.
- The greatest satisfaction exists among platforms that hold a license from a non-financial authority, with 69% viewing regulation as adequate. This is followed by platforms holding a bespoke crowdfunding license, where 53% view regulation as adequate. In contrast, the lowest level of satisfaction is among platforms holding a license of a traditional financial institution, where 48% do not view regulation as adequate.
- Results from Spring 2023 indicate that 48% of equity platforms had not yet applied for an ECSP license. Similarly, 56% of lending platforms had not yet applied for an ECSP license.
- Most platforms agree with the following potential amendments to the ECSP: inclusion of consumer credit lending into the scope of the ECSP (58%), increase of the 5M EUR limit for offerings under the ECSP (62%), increase of the 1000 EUR limit on individual investment (60%), and expressed preferences for implementing investor knowledge qualifications over setting a fixed amount threshold (61%).

Onboarding and Success

- Non-investment platforms seem to engage in minimum campaign filtering beyond the absolute minimum necessary (i.e., AML, CTF, and fraud detection), while accepting more than 95% of campaigns for publication. Investment platforms apply much more stringent filtering where in equity only 10% of campaigns are onboarded, while in lending the share stands closer to 16% in 2021 and 14% in 2022.
- Fundraiser onboarding rates are significantly lower in Western and Northern Europe, roughly ranging around 30% every year. Rates of around 50% are recorded in Southern European platforms, while rates closer to 90% are recorded in Eastern Europe.
- Fundraisers' success (reaching minimum goal sum) rates remain high, standing at 92% in equity, 99% in lending, and ranging between 75% and 92% in non-investment models.
- Fundraisers' success rates remain high regardless of region, with particularly high success rates in Eastern (99%) and Northern Europe (98%). The lowest success rates are recorded in Southern Europe at above 60%.

Fundraisers

- Across models, most platforms had less than 51 fundraisers in both 2021 (53.0%) and 2022 (48.7%). Platforms with the highest number of fundraisers (501 and above), represented 14.8% and 16.5% of all platforms respectively in 2021 and 2022.
- Platforms that are licensed, those collaborating with traditional financial institutions, and those operating in markets where the public is sufficiently knowledgeable about crowdfunding, can attract substantially larger numbers of fundraisers than those who do not.
- In investment models, the share of large-scale equity platforms (overseeing more than 200 fundraisers) increased from 6.4% in 2021 to 9.1% in 2022, and in lending platforms it increased from 17.8% to 24.7% in the same period. In non-investment, the share of such platforms decreased from 40.7% in 2021 to 34.4% in 2022.
- Across regions, more than half of the surveyed platforms confirmed overseeing less than 51 fundraisers both in 2021 and 2022. In Western Europe this group represents 70% of all platforms and in Northern Europe it represents 53% of all platforms.
- Younger people are more likely to engage in fundraising employing non-investment or lending services. In contrast, more mature individuals appear as fundraisers in equity, where 98% of fundraisers in Southern Europe and 74% of fundraisers in Western Europe are 46-55 years old, and 40% of fundraisers in Northern Europe are 56-65 years old.
- Men continue to represent most fundraisers across most models and regions, with significantly larger imbalances between men and women in investment models. The largest share of female equity fundraisers is recorded in Western Europe (32%) and the lowest in Southern Europe (3.5%). The largest share of female borrowers is in Eastern and Northern Europe (roughly 35%) and the lowest in Western Europe (18%). Finally, the largest shares of female non-investment fundraisers are in Southern, Northern, and Western Europe with close to 50% of fundraisers, while in Eastern Europe this share stands at 40%.
- In equity platforms, the larger the share of female fundraisers the higher the volumes raised. In lending platforms, the higher the share of female fundraisers the lower the volumes raised. And in non-investment platforms there is a curvilinear relation with an optimal share of female fundraisers at 40%, where lower or higher shares of females are associated with lower volumes.
- While equity and non-investment models are dominated by one-time fundraisers, lending attracts more repeat fundraisers. Shares of repeat borrowers are particularly high in Northern Europe, where close to 95% of fundraisers are repeat borrowers, which is followed by 53% of borrowers in Southern Europe, and 47.5% in Western Europe.
- In investment models, the relationship between share of repeat fundraisers and volumes on

platforms is curvilinear, explaining 4.5% of volumes in equity, and 20.1% in lending; also suggesting optimal points around 50% in equity and 60% in lending. Interestingly, the relationship is opposite in non-investment models, while explaining 8.5% of variance in volumes, with lowest volumes when close to 50% of fundraisers are repeat fundraisers.

- Across regions and models, SME fundraisers dominated equity models in all regions with 92.5%, 81.6%, 58.3%, and 58.1% in Southern, Western, Eastern, and Northern Europe respectively. Similarly, SME fundraisers also dominated lending models in most regions with 67.1%, 58.1%, and 66.5% in the Western, Northern, and Southern Europe respectively.
- Non-investment models recorded a notable proportion of non-profit fundraisers representing 52.0%, 43.3%, 25.8% and 20.3% of fundraisers in Southern, Eastern, Western and Northern respectively.

Backers and investors

- The number of backers across Europe fell slightly by 1.91% between 2021 and 2022; and is estimated at 3.6 million. This reduction is considered trivial amid the aftermath of the covid-19 pandemic and growing economic uncertainties.
- While the number of equity investors fell by 18.7% between 2021 and 2022, the number of lenders in lending models increased by 29.6%. The reduction in backers of non-investment models stood at 4.5%.
- Most platforms reported serving less than 500 backers in both 2021 (42.6%) and 2022 (37.3%). The second largest group of platforms are those reporting serving between 1001-5000 backers (roughly 25% of platforms in both years). Moreover, the share of platforms servicing 10K-50K backers grew from 12.0% in 2021 to 16.4% in 2022.
- 64.5% and 59.7% of equity crowdfunding platforms had fewer than 500 backers in 2021 and 2022 respectively. This trend was mirrored in both lending, where 54.2% and 48.6% of the platforms served fewer than 500 backers in 2021 and 2022, respectively; and non-investment, where 40% and 34.6% of the platforms served fewer than 500 backers in 2021 and 2022, respectively.
- In equity, investors aged 36-45 dominate Eastern Europe, representing 89% and 97% of investors in 2021 and 2022, respectively. In Northern Europe younger investors, aged 26-35, dominate the market representing 61% and 73% of investors in 2021 and 2022, respectively. In contrast, in Western Europe, older investors, aged 46 and higher, dominate while representing 63% of investors.
- In lending investors aged 36-45 seem to capture a similar proportion of investors regardless of region, while ranging between 32% in Southern Europe to 38% in Northern Europe in 2022.

- In non-investment crowdfunding, backers aged 46 and above represent the largest portions of backers in Western, Southern, and Northern Europe capturing 47.3%, 45.9%, and 39.1% of backers, respectively during 2022. In Eastern Europe backers aged 36-45 represent the largest portion of backers, representing 50% of backers in 2021 and 2022.
- While women dominate backers of non-investment models, representing between 52% and 60% across regions, they are a minority among investors in investment models where they only represent between 18% and 27% of investors in equity, and 7% to 27% of investors in lending in 2022 respectively.
- The lowest shares of women backers are documented in Southern Europe, where 6.7% of lenders and 18.1% of equity investors are women. On the other hand, higher shares of women backers are seen in Western and Northern Europe, where they range between 24.8% to 26.7%.
- In non-investment, a higher share of women backers leads to higher volumes raised. In equity the same logic follows, but up until the point where most investors are women, and then volumes raised fall slightly. In lending, however, there seems to be an optimal point at around 30% women lenders. Up to this point increasing shares of women investors lead to volume increase, but after it they lead to volumes' decrease.
- Across regions, most backers on investment platforms during 2022 were repeat investors, representing 60.6% of equity investors and 66.6% of investor-lenders. However, in non-investment models only 20.6% were repeat backers.
- Relations between share of repeat backers and volumes raised on platform follows an inverted U-shape in both investment models, with an optimum point at around 50% of backers in equity and 75% in lending. The same relations follow a U-shape in non-investment models, with a minimum point at around 60% repeat backers.
- Across all regions and models, private investors represent most backers in both 2021 and 2022. Private investors constituted 72.4% of equity and 78.5% of lending investors, as well as 94.5% of non-investment backers in 2022.
- In equity platforms organizational investors captured similar shares ranging between 26% and 32% of investors in Eastern, Western, and Southern Europe. However, organizational investors represented a substantially lower share of equity investors in Northern Europe (11%).
- In lending, Western and Northern Europe saw organizational investor involvement representing 20%-23% of investors, whereas in Eastern and Southern Europe they represented 9.1% and 13.9%.
- There is no clear association between the share of organizational backers and volumes raised on non-investment platforms. However, this association does exist in investment models, but is not linear while taking a U-shape with a minimum point of 50% organizational

investors in both equity and lending.

- Across models and regions, most backers originate from domestic rather than international markets.
- In equity, platforms in Western, Northern, and Southern Europe report 1%-7% international investors, while in Eastern Europe international investors represented 38.5% of all investors.
- Lending, on the other hand, represents the most internationally influenced model in relative terms. Where 29% of investors in Northern Europe, 25.9% of investors in Eastern Europe, and 10.9% of investors in Western Europe are international investors.
- Regardless of model and region, most international backers come from other and neighboring European countries rather than non-European countries. The largest share of non-European based investors was reported by equity platforms in Eastern Europe with 6.7% of all investors.
- When examining relations between share of foreign backers and volumes raised on platforms, we find no clear association in the case of equity platforms. Nevertheless, a positive association is identified in the case of lending platforms, and a negative association in the case of non-investment platforms.

Technology

- 60% of equity and 64% of lending platforms built their crowdfunding software in-house. In contrast, only 19% of the platforms operating non-investment-based models built their software in-house. 50% of non-investment platforms outsourced the development of their platforms, while only 19% of lending and 22% of equity platforms did the same.
- Buying crowdfunding software was the second most popular strategy for non-investment platforms, as 24% of platforms chose this option. However, this strategy was the least popular among lending and equity platforms with only 3% and 2% of the platforms reporting this choice, respectively.
- Platforms from Eastern (92%), Western (61%) and Northern Europe (64%) built the platform in-house, while in Southern Europe only a minority did so (8%)preferring to outsource their crowdfunding software development (77%).
- Usage of third-party payment service providers, when compared to using own system, prevails across all models as reported by 92% in equity, 79% in lending and 83% in non-investment platforms.
- 31% of platforms from Eastern Europe and 36% from Northern Europe operate their own payment solution, as opposed to just 3% in Western and 19% in Southern Europe.

- Most popular additional features already used by equity platforms include early access to investment opportunities (44%), followed by referral system (32%), legal tech (24%), and secondary market (22%).
- The top features equity platforms are planning to implement in the future include mobile applications (30%), secondary market (26%) and auto-investing (26%).
- Most popular additional features already used by lending platforms include referral systems (45%), secondary market (38%), mobile app (35%), auto-investing (35%), early access to investing opportunities (31%), and open banking (26%).
- The top features lending platforms are planning to implement in the future include mobile applications (31%), secondary market (29%), and auto-investing (29%).
- Non-investment platforms invest the least in additional features. Those that have been implemented include a referral system (16%), early access to opportunities (14%), and a mobile app (10%).
- The top features non-investment platforms are planning to implement in the future include a mobile app and secondary market feature (14% each).
- Only a small proportion of platforms use or plan to use blockchain across models. The highest adoption is among equity crowdfunding platforms, with asset tokenization being the most popular application (6%), followed by secondary trading (4%), and crypto payments (2%).
- Asset tokenization is in the R&D pipeline of 21% of lending platforms and 18% of equity platforms, also followed by secondary trading (19% and 16%) and crypto payments (12% and 8%).
- When considering process automation, platforms view the following activities as relevant for such development: payment processing, credit scoring and risk assessment, business valuation, due diligence, KYC verification, analytics and reporting tools, AI and machine learning for fraud prevention, etc.

Introduction

The European crowdfunding market is dynamic and constantly evolving, while often representing balancing acts between harmonization trends, as driven by cross-border scaling opportunities, and fragmentation trends, as resulting from the local anchoring of activities (Wenzlaff et al., 2020). The current report is set to provide an up-to-date review of the European Crowdfunding industry covering facts and insights for the years 2021 and 2022.

In its modern manifestation, crowdfunding is defined as a fundraising method involving the collection of relatively small amounts from a large pool of funding providers via the Internet and with no or little involvement of traditional financial intermediaries. Earlier reports presenting insights on the crowdfunding industry have often covered a wider scope of services under the broad term of “alternative finance” (e.g., Ziegler et al., 2018; Ziegler et al., 2019; Ziegler et al., 2021; Ziegler et al., 2020). However, the current report focuses only on crowdfunding services. This means the report only presents data collected from platforms which are open to crowd participation as both fundraisers (demand) and funding providers (supply). Accordingly, online platforms offering fundraising services outside the traditional financial systems (e.g., digital lenders, digital invoice traders, etc.), while relying solely on institutional or non-retail private funding (i.e., not open for funding by the crowd), were excluded.

At the heart of the industry are the firms providing crowdfunding services, also commonly referred to as ‘crowdfunding platforms’ after the technology underlying their operations. The platforms they operate are Internet applications linking fundraisers and prospective fund providers while facilitating exchanges between them under pre-specified conditions (Shneor & Flåten, 2015). Accordingly, all data reported in the current report have been collected from crowdfunding platforms (hereafter ‘platforms’).

Throughout the report, data is presented in a comparative manner either with respect to core underlying models (i.e., equity, lending, and non-investment models) or geographical location (i.e., platforms from Northern, Southern, Eastern, and Western Europe). Table 1 presents the detailed model clustering approach. Here, services offering investments in return-yielding assets are grouped under an equity cluster. Services offering investments in return-yielding credit are grouped under a lending cluster. And services offering transactions with no expectation of financial returns, such as purchases of products/services or donations, are grouped under a non-investment models’ cluster.

Table 1. Crowdfunding model clusters

Model group	Logic	Models
Equity	Investment in return yielding assets	• Equity crowdfunding • Fractional ownership of Real Estate assets • Fractional ownership of non-Real Estate assets • Revenue or profit-sharing agreements • Royalty agreements • Community shares • Debt-based securities • Security Token Offering (STO) • Initial Coin Offering (ICO) • Crowdfunded invoice trading
Lending	Investments in return yielding credit	• P2P lending for consumers • P2P lending for business • P2P lending for property development • Mini bonds • Microfinance and P2P Prosocial lending
Non-investment	Purchase of goods/ services or donation	• Donation - one time • Donation – subscription • Reward-based crowdfunding

Table 2 presents the geographical regional clustering approach. Most data used in the report relates to platforms operating from a European country. However, on several datapoints we also had access to data about European operations of non-European based platforms (e.g., US-based Indiegogo and Kickstarter, etc.). We incorporated such data where relevant, but do not include separate analyses of a non-European region due to the small number and diverse nature of such observations.

Table 2. Geographical regional clusters

Model group	Countries and Territories[1]
Eastern Europe	Bulgaria, Czech Rep., Hungary, Moldova, Poland, Romania, Slovakia, Ukraine.
Northern Europe	Denmark, Estonia, Finland, Iceland, Ireland, Latvia, Lithuania, Norway, Sweden, United Kingdom.
Southern Europe	Albania, Bosnia Herzegovina, Cyprus, Croatia, Greece, Italy, Kosovo, Malta, Montenegro, North Macedonia, San Marino, Serbia, Slovenia, Vatican.
Western Europe	Andorra, Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Mona-co, Netherlands, Portugal, Spain, Switzerland.

[1]No data was found for crowdfunding activity in Andorra, Kosovo, San Marino, and the Vatican during 2021-2022.
No data was collected for crowdfunding activity in Belarus and Russia

Methodology

Data sources. The reported data comes from entries provided to the European Crowdfunding Market Survey, which was distributed to European-based crowd-funding platforms from April to August 2023. Platforms were identified based on a combination of listings on the Crowdspace aggregator database (thecrowdspace.com), lists provided by research partners, and desktop research. Each suggested platform's website was reviewed to ensure it met the following inclusion criteria: (1) offered crowdfunding services (as listed in table 1); (2) offered such services in at least one European country; and (3) did so during either 2021, 2022, or both years. Overall, 592 European-based platforms met the inclusion criteria and were deemed to represent the full population of relevant platforms as of March 2023. Since some platforms operate in more than one country, the 592 unique platforms also represented 718 platform-country pairs. Furthermore, when also including the European operations of the two US-based giants Kickstarter and Indiegogo, the population increased to 594 unique platforms and 785 platform-country pairs.

Data collection. Data was collected using a web-based survey using the Lime Survey software. The survey included five sections covering questions related to: (1) platforms' modes, scope, and scale of operations; (2) fundraisers' and borrowers' profiles; (3) funding providers' profiles; (4) legal aspects and compliance; and (5) technical development and trends. The survey was offered in multiple languages including English, French, German, Italian, Spanish, and Czech. To encourage participation, respondents were offered a free digital copy of the final report.

Survey distribution included e-mail distribution by team members, personal requests sent to platform officials via LinkedIn, e-mail distribution via national industry associations (including: Bulgarian FinTech Association, Czech and Slovak Crowdfunding Association, Danish Crowdfunding Association, Dutch SME Financing Association, French Crowdfunding Association, German Crowdfunding Association, Latvian FinTech Association, Lithuanian P2P Lending Association, Norwegian Crowdfunding Association, Romanian FinTech Association, and the UK Crowdfunding Association), as well as other individuals with relevant industry contacts. All invitations for participation involved a minimum of three reminders, but often many more. Respondents were also offered the possibility to conduct the survey as an online interview, however, nobody has opted for such an option.

Scrapped datapoints relating to European operations of the two US-based giants Kickstarter and Indiegogo were provided by our research partner - The Crowdfunding Centre (thecrowdfundingcenter.com).

Furthermore, data regarding legal standing and licensing were collected by a combination of review of relevant legal terms on respondents' websites and the information entered in the survey itself.

Finally, to further anchor the findings from the current survey in industry realities, each of the industry associations listed above was invited to provide its own short texts reviewing their understanding of market growth dynamics, trends, legal requirements, as well as insights into relevant interesting local initiatives and experiences. These insights are either interwoven into the reports' texts, or included in special text boxes, separate from the report text, with clear indications to their authors and their roles.

Data. The analyses presented in the current report are based on survey entries from 115 platforms + limited data harvesting of key figures from additional 39 platforms' websites + scrapped data about European operations from 2 platforms (Kickstarter and Indiegogo), representing 26% of the total population identified (592 European-based platforms + 2 US-based platforms). When examining the platform-country pair level of analysis we have 168 observations representing 23% of the total population (718 platform-country pairs).

Data handling. All data received from platforms is safely secured under a password protected system accessible to selected team members only. All received platform level information is not published, sold, or otherwise shared in any way or form with any entity. All reporting is done at aggregate levels (e.g., model clusters, regions, etc.) and no reporting is done at the platform level. Furthermore, platforms were informed they can withdraw their entries at any time prior to report publication by sending a written request. No responding platform made such a request by the time this report was published.

Quality control. Several actions have been taken to ensure quality control in the process. First, prior to analysis, all data entries were checked for correctness. Whenever entries were deemed unclear or suspicious, platforms were recontacted for verifying and correcting these concrete datapoints. There were no instances where such situations were not resolved through direct contact with the relevant platform.

Second, each platform was represented by a single response. In cases where one platform has provided more than one response, the more complete response was used as the single response for that platform.

Third, when reporting results, efforts were made to indicate the number of respondents the relevant analyses and insights were based on.

Furthermore, all sections of the report were subjected to both internal and external peer reviews. Internal reviews were provided by all authors of the report. External reviewers included independent researchers well-versed in the subject matter and included: ***Prof. Natalia Maehle*** from the Western Norway University of Applied Sciences (Norway), ***Prof. Ramona Rupeika-Apoga*** from the University of Latvia (Latvia), ***Dr. Joanna Adamska-Mieruszewska*** and ***Dr. Urszula Mrzygłód*** from the University of Gdansk (Poland). Feedback provided in both internal and external peer reviews was addressed and implemented in the current version of the report.

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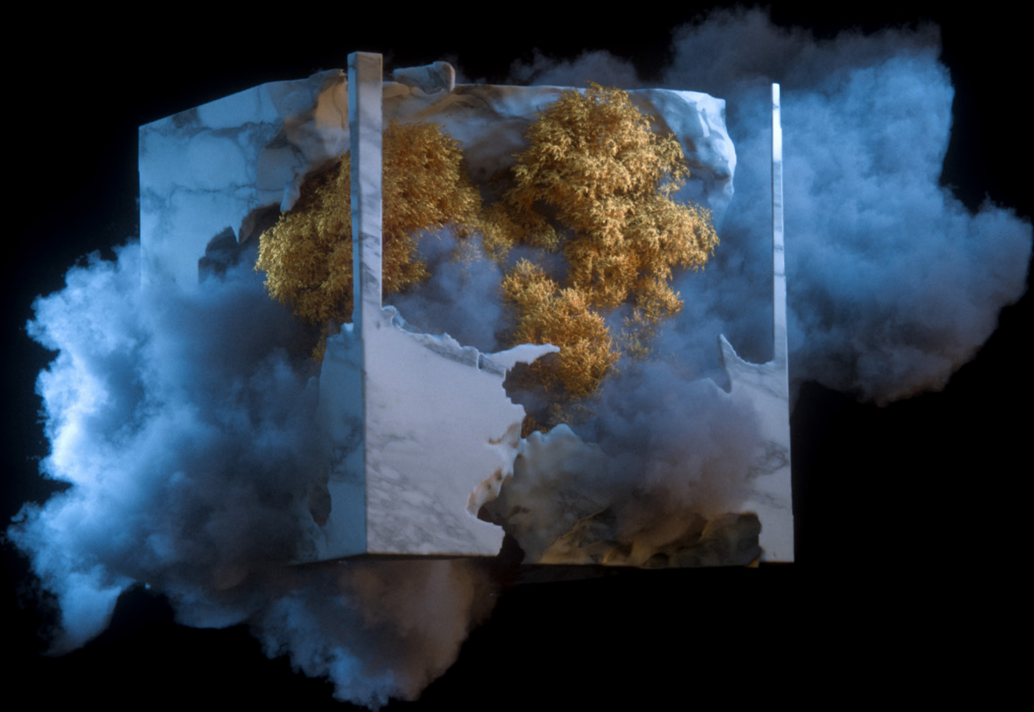
Chapter 1

Market overview



1.1 Number of platforms

As of March 2023, there were 594 crowdfunding platforms operating in Europe, and since some platforms operate in multiple countries there were 785 platform-country pairs. Table 1.1. and Figure 1.1. present the number of platforms operating in each country (not necessarily headquartered in it), as well as its ranking with respect to the number of platforms operating in that country as relative to its population size (per capita).

Table 1.1. Number of platforms operating in country*

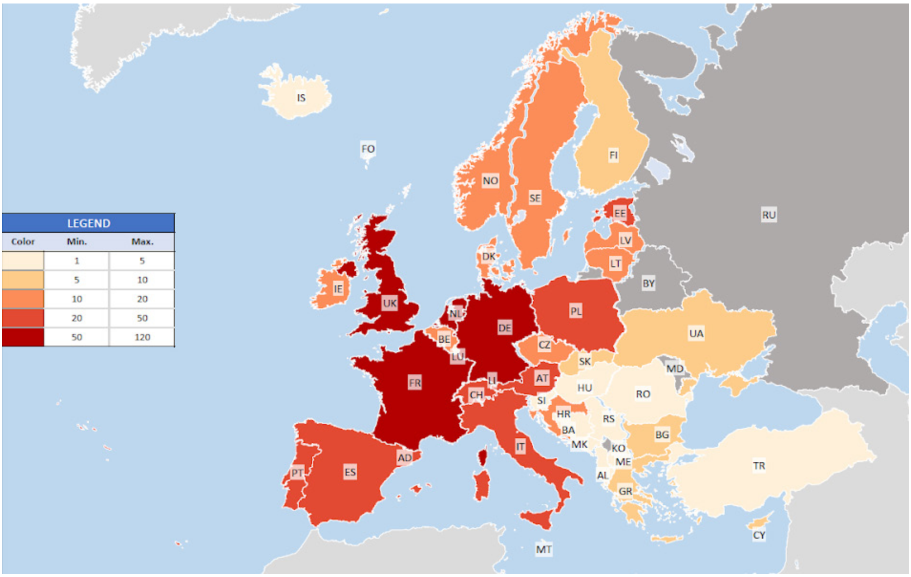
Country	Number of platforms operating in country	Rank based on number of platforms per capita
Monaco	4	1
Estonia	32	2
Malta	5	3
Latvia	18	4
Iceland	3	5
Lithuania	17	6
Switzerland	49	7
Luxembourg	3	8
Croatia	16	9
Cyprus	5	10
Netherlands	60	11
Montenegro	2	12
Norway	15	13
Austria	24	14
Denmark	13	15
Ireland	10	16
Czechia	17	17
Belgium	18	18
United Kingdom	100	19
Slovakia	8	20
Finland	8	21
France	96	22
Germany	113	23
Sweden	14	24
North Macedonia	2	25
Spain	46	26
Slovenia	2	27
Bulgaria	6	28
Portugal	8	29
Albania	2	30
Bosnia Herzegovina	2	31
Italy	33	32
Greece	5	33
Serbia	3	34
Hungary	3	35
Poland	10	36
Ukraine	9	37
Romania	4	38
Moldova	0	39

*Note: based on platform-country pairs

[1]Including US-based Kickstarter and Indiegogo.

First, the countries served by the largest number of platforms in absolute terms include Germany, the UK, and France, with 113, 100, and 96 platforms respectively, while roughly corresponding with the largest economies on the continent. Surprisingly, other large economies such as Spain and Italy are served by only 46 and 33 platforms respectively. On the other hand, the Netherlands and Switzerland, with 60 and 49 platforms respectively, represent markets with relatively many platforms when considering their market size. Interestingly, though consistent with earlier studies, the Baltic countries (Estonia, Latvia, and Lithuania) continue to punch well beyond their relative size taking the 2nd, 4th, and 6th places in terms of number of platforms per capita, which is in tune with these markets' standing leadership in financial innovation leapfrogging limited domestic traditional capital markets. Other top-ranking markets include very small rich economies, where even a relatively small number of platforms represents high levels of market coverage such as Monaco, Malta, and Iceland ranking 1st, 3rd, and 5th respectively.

Figure 1.1. Number of platforms operating in country

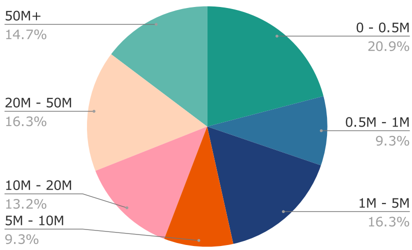


*Note: Country abbreviations not included in ISO codes: RS = Serbia, KO= Kosovo, and ME = North Macedonia.

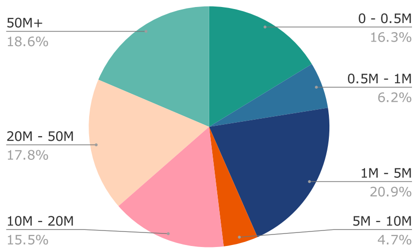
1.2 Volumes per platform

The survey data indicates that the average volume per year per platform increased from 16m EUR in 2021 to 19m EUR, an increase of 17%. In 2021, approximately one third of all respondents reported a volume of less than 1m EUR, and another 30% of the platforms reported volumes above 20m EUR. In 2022, only 22% of the platforms reported volumes of less than 1m EUR per year, whereas 36% of platforms reported volumes of more than 20m EUR per year.

Figure 1.2. Crowdfunding volumes per platform 2021-2022



Crowdfunding volumes per platform 2021 - All models

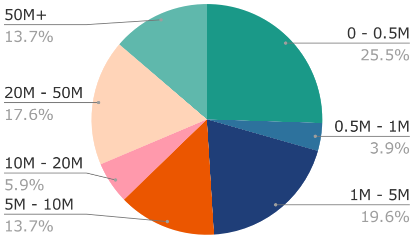


Crowdfunding volumes per platform 2022 - All models

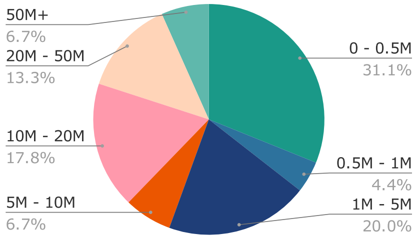
N = 129

The growth in volumes can be attributed mainly to the increased volumes of lending platforms. Lending platforms reported an average volume per year of 19m EUR in 2021, which increased to 24m EUR in 2022. In contrast, equity-based crowdfunding platforms and non-investment platforms reported similar volumes in 2021 and 2022. Equity-platforms on average reported a volume of 14.9m EUR in 2021, compared to 15.6m EUR in 2022. Non-investment platforms (donation- and reward-based crowdfunding platforms) indicated that the average volume grew from 9.1m EUR in 2021 to 9.8m EUR in 2022. The lower average of non-investment platforms stems from the fact that they facilitate significantly lower sum campaigns when compared to investment models. Accordingly, close to 48% of all non-investment platforms cited volumes of less than 1m EUR in 2022, whereas only 24% of lending-based crowdfunding platforms and only 34% of equity-based crowdfunding platforms reported volumes of less than 1m EUR in the same period.

Figure 1.3. Equity volume ranges 2021 and 2022



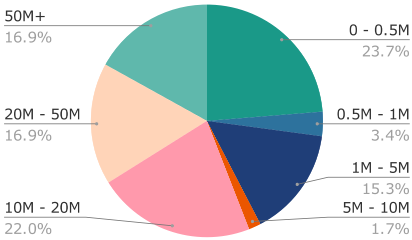
Equity crowdfunding volumes per platform 2021



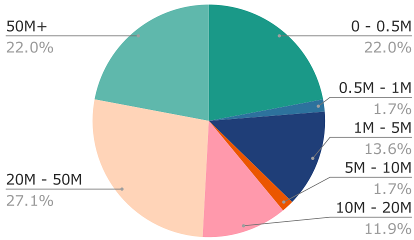
Equity crowdfunding volumes per platform 2022

Between 2021 and 2022 a smaller share of equity platforms reported volumes above 20m EUR, shrinking from 31.3% to 20%. Accordingly, an increasing share of platforms report mid-range volumes between 5m and 200m EUR, up from 19.6% to 24.5%, as well as low-range volumes of less than 1m EUR up from 29.4% to 35.5%.

Figure 1.4. Lending volume ranges 2021 and 2022



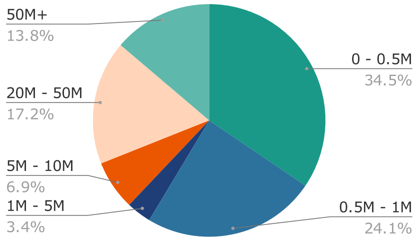
Crowdfunded lending volumes per platform 2021



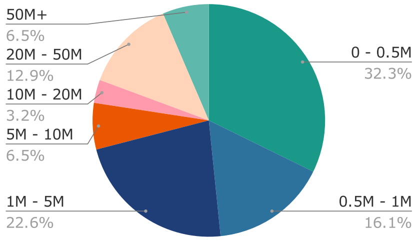
Crowdfunded Lending volumes per platform 2022

Between 2021 and 2022 a larger share of lending platforms reported volumes above 20m EUR, growing from 33.8% to 49.1%. Accordingly, a smaller share of platforms reports mid-range volumes between 5m and 20m EUR, decreasing from 23.7% to 13.6%.

Figure 1.5. Non-investment volume ranges 2021 and 2022



Non-investment crowdfunding volumes per platform 2021



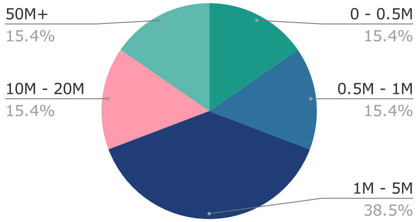
Non-investment crowdfunding volumes per platform 2022

Non-investment platforms reported a mixed development between 2021 and 2022. On the one hand, the overall share of platforms reporting volumes below 1m EUR declines from 58.6% to 48.4%. But, on the other hand, the share of platforms reporting volumes above 20m EUR has also shrunk from 31% in 2021 to 20.4% in 2022. Accordingly, the share of mid-ranged volume platforms (between 1m and 10m EUR) has increased from 10.3% in 2021 to 29.1%.

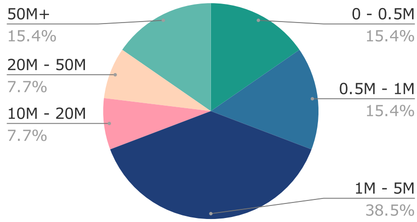
When exploring platform volumes across geographies, some important differences are noted. 13 platforms from Eastern Europe reported a 13% increase in average volumes from 11.3m EUR in 2021 to 12.9m EUR in 2022. 31 Growth in Western European platforms reflected an increase in average volume from 15.6m EUR in 2021 to 17m EUR in 2022, or 9% growth. 21 Southern European platforms indicated an average volume of 4.6m EUR in 2021, growing 4% to 4.8m EUR in 2022. And Northern European platforms indicated a 3% growth in average volumes, from 26.3m EUR in 2021 to 27m EUR in 2022.

However, the average 2022 volumes of Northern European platforms were also the highest in Europe. Specifically, these volumes were 59% higher than those of Western European platforms, 125% higher than those of Eastern European platforms, and 463% higher than those of Southern European platforms. The prominence of Northern Europe may be partially explained by the high concentration of investment platforms versus non-investment platforms (80%), when compared to other regions (69% in Eastern and 71% in Southern Europe) as well as being home to leading platforms primarily from the UK and the Baltic states.

Figure 1.6. Eastern European platform volume ranges 2021 and 2022



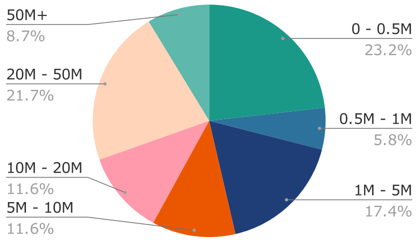
Crowdfunding volumes per platform in Eastern Europe 2021



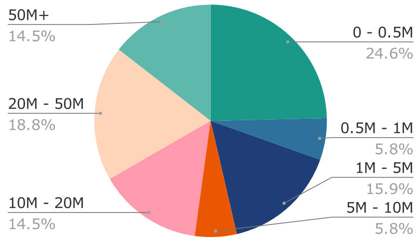
Crowdfunding volumes per platform in Eastern Europe 2022

When looking into volume ranges, no dramatic shifts were reported by Eastern European platforms between 2021 and 2022.

Figure 1.7. Western European platform volume ranges 2021 and 2022



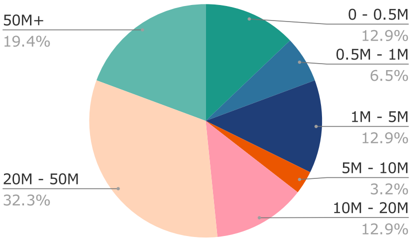
Crowdfunding volumes per platform in Western Europe 2021



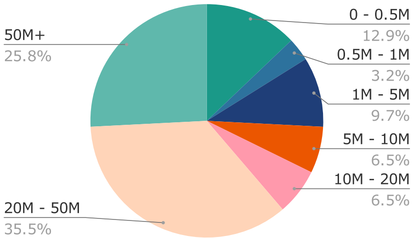
Crowdfunding volumes per platform in Western Europe 2022

Overall, no dramatic shifts are recorded between different volume ranges reported by Western European platforms in 2021 and 2022, though the share of platforms reporting volumes above 50m EUR has increased from 8.7% in 2021 to 14.5% in 2022.

Figure 1.8. Northern European platform volume ranges 2021 and 2022



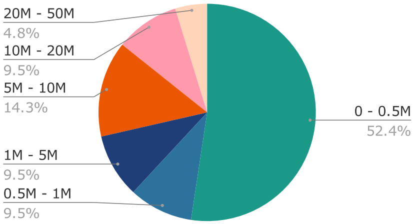
Crowdfunding volumes per platform in Northern Europe 2021



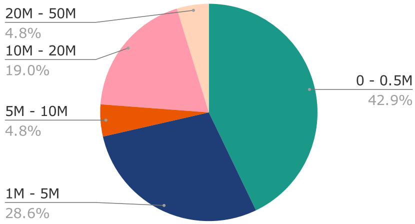
Crowdfunding volumes per platform in Northern Europe 2022

The share of Northern European platforms overseeing volumes above 20m EUR has increased from 51.7% in 2021 to 61.3% in 2022.

Figure 1.9. Southern European platform volume ranges 2021 and 2022



Crowdfunding volumes per platform in Southern Europe 2021



Crowdfunding volumes per platform in Southern Europe 2022

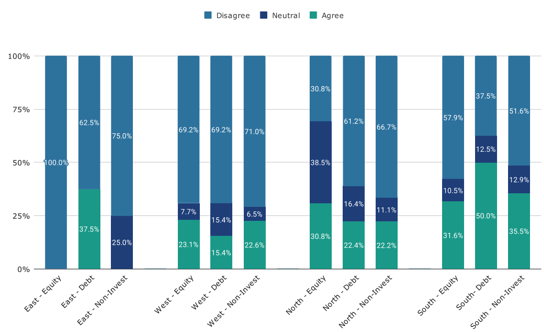
Southern European platforms have seen significant growth in the share of platforms reporting volumes between 10m and 20m EUR, increasing from 9.5% in 2021 to 19% in 2022. Growth was also recorded in the range between 1m and 5m EUR, increasing from 9.5% in 2021 to 28.6% in 2022.

1.3 Public knowledge of crowdfunding

An important aspect for market development is the degree to which the public has sufficient knowledge about crowdfunding. To capture this aspect, platforms were asked about the extent to which they agree that the public in the market where they operate has sufficient knowledge about crowdfunding. 7 out of 10 equity platforms indicated that the public's knowledge about crowdfunding was insufficient. Similarly, 67% of the lending platforms claimed the same. By contrast, only one third of the non-investment platforms argued that knowledge was insufficient, whereas close to 45% argued that the public had sufficient knowledge about crowdfunding. This indicates that fundraising through consumption via reward crowdfunding and donations via donation crowdfunding may both represent lower risk concepts with which users are already well familiar with (i.e., ecommerce and donation collections). At the same time, understanding of investment practices and risks associated with equity and lending may represent less common practice and require further educational efforts.

Furthermore, stark differences can be found at the regional level. For instance, insufficient public knowledge about crowdfunding was particularly stressed by 69% of Eastern European platforms, 61% of Western European platforms, 57% of Southern, and 51% of Northern platforms.

Figure 1.10. Share of platforms that agree that public knowledge about crowdfunding is sufficient



N=163

Platforms are counted several times if they operate in different jurisdictions and different models

1.4 Crowdfunding market readiness index (CMRI) 2022

To create a total market overview that incorporates various indicators of market readiness a new index score was devised: The CMRI (Crowdfunding Market Readiness Index). **It is calculated based on relative country rankings with respect to the following indicators as per 2022, which are equally weighted in the overall calculations:**

a. Number of platforms operating in country per capita (regardless of their HQ location).
b. Volumes of funding raised in 2022 per capita.
c. Average number of backers/investors on platforms with HQ in country per capita.
d. Average number of fundraisers based on platforms with HQ in country per capita.
e. Share of investment platforms (equity + lending) that are licensed.
f. Perceived degree of crowdfunding knowledge in the population as reported by platforms with HQ in the country.

While it was possible to calculate the first indicator for 39 countries, based on our list of 594 platforms. It was only possible to calculate the remaining indicators for 13 countries, as these were dependent on responses to our survey. Furthermore, to limit misrepresentation, we only include countries where relevant data was available from at least 3 different platforms with headquarters in the country indicated.

Table 1.2. presents the CMRI scores and ranking. Each column represents each country's rank with respect to a relevant indicator. The CMRI score represents the average of the six indicators' ranks for each country. The CMRI represents the country's overall ranking.

Overall, the Netherlands emerges as the top scoring market with top rankings on all indicators, and particularly in terms of volumes per capita, average number of backers on platform per capita, and public knowledge of crowdfunding. It is followed by Norway that while excelling at legal compliance, volumes per capita, and average number of backers on platform per capita, still indicates relatively lower levels of public knowledge about crowdfunding. Third comes Denmark excelling at crowd engagement with top rankings on both number of backers and fundraisers per capita, while similar to Norway still indicating relatively low levels of public knowledge about crowdfunding.

Among larger economies, the UK represents a leading market with top rankings on licensing, public knowledge, and volumes per capita. It is closely followed by France with even higher volumes per capita, but with slightly lower public knowledge of crowd-funding, and slightly lower engagement of the crowd in terms of number of backers and fundraisers per capita.

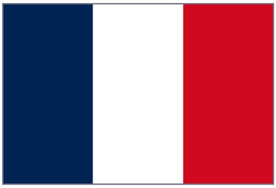
Table 1.2. CMRI scores and rankings

Country	Rank based on number of platforms operating in country per capita	Rank based on 2022 volumes per capita	Rank based on average number of backers per platform per capita	Rank based on average of number of fundraisers per platform per capita	Rank based on share of Investment platforms with license	Rank based on perceived level of the public's knowledge of crowd-funding	CMRI Score	CMRI Rank
Netherlands	11	1	2	4	4	3	4.17	1
Norway	13	2	3	5	1	8	5.33	2
Denmark	15	4	1	2	4	11	6.17	3
United Kingdom	19	5	8	7	1	1	6.83	4
Austria	14	8	6	10	1	4	7.17	5
France	22	3	5	6	3	5	7.33	6
Czech Republic	17	6	9	8	7	2	8.17	7
Belgium	18	9	7	1	5	12	8.67	8
Germany	23	7	11	11	2	7	10.17	9
Romania	38	11	4	3	6	5	11.17	10
Spain	26	10	12	9	1	9	11.17	11
Italy	32	13	10	12	5	6	13.00	12
Poland	36	12	13	13	7	10	15.17	13

1.5 Markets in focus: insights from the field

France:

Signs of Market Maturation



By Florence de Maupeou - Executive Director, French Crowdfunding Association (FPF Financement Participatif France)

In France, 2022 was a record year for crowdfunding. 2,355 million euros were raised on platforms, up +25% in 2021. Since 2015, figures have multiplied by 14, with a cumulative total of over 7 billion euros, all models combined (donation and reward, loan, equity).

Notably, the significant growth in real estate crowdfunding accounted for 2/3 of total funds raised (+40.2%). However, in 2023, the economic crisis and the difficulties encountered by the real estate sector meant that growth slowed, as did the volume of funds raised.

Overall, the number of market participants is likely to remain stable, as the crowdfunding sector in France has been established for some time. The ecosystem is in a phase of stabilization and consolidation, i.e. it is moving away from the logic of increasing volumes and increasing entrants. It is now focusing on institutionalizing and strengthening its operations, as well as on possible avenues of development with external players.

Indeed, the French crowdfunding ecosystem is increasingly interacting with external players and becoming increasingly intermediated. Here, the diversification of fund-raising mechanisms, between family offices, investment funds, asset management companies, etc., is contributing significantly to the upward trend in loans and investments. And while the direct approach continues to dominate (66% of inflows), channels such as asset management companies (15%) and investment funds (8%) are gaining ground.

These results illustrate that crowdfunding has established itself as a credible savings solution, and that the French are becoming increasingly enthusiastic about this type of financing, which is proving resilient in a tense economic climate.

Besides, this ecosystem has enjoyed strong support from the public authorities for the past 10 years (notably with the creation of a national framework in 2014). This trend is unchanged today, and is combined with the existence of a reactive, proactive, and reliable regulator. Furthermore, there is also political support, with many Members of Parliament encouraging the introduction of tax measures to encourage investment in SMEs and start-ups.

Germany:

Maintaining growth and legal plurality

By Uli Fricke, President of the Board,
German Crowdfunding Association
(Bundesverband Crowdfunding eV)

The German Crowdfunding Market is going to grow, because we see a lot of demand from companies seeking access to finance. The investors' appetite continues to be very strong, despite the many challenges which the German economy is faced with in 2023.

In Germany, there are several Crowdfunding regimes: 1) The ECSP regime; 2) The German Crowdfunding exemption for Investment Assets; and 3) The German Crowdfunding exemption for Securities between 5m and 8m EUR. We expect that by the end of 2023, we will have 6 ECSP platforms and at least 20 platforms which operate in the German crowdfunding exemption. We also expect that platforms under the ECSP-Regime from outside of Germany will continue to explore the German market. However, we also expect several platforms to operate within the German Crowdfunding exemption.

Digital Investment platforms have been pioneers of digital technology to make it easier, more reliable, and more efficient to connect companies and investors. Today, most crowdfunding platforms in Germany are using the term Digital Invest Platform (or Impact Investing Platform). Therefore, we will re-brand our association as Digital Invest Germany, thereby reaching out to new stakeholders.

Looking to the future, we expect that platforms are going to make greater use of digital technologies such as tokenization, machine learning, and digital communication technologies.

United Kingdom:

Weathering a mix of economic, regulatory, and technological changes

By Bruce Davis, Chair and Director
UK Crowdfunding Association

Overall market volumes have been hit by the combination of economic factors, the tightening of monetary policy and regulatory changes. Nevertheless, the UK industry is optimistic that as these obstacles recede there is still strong market demand for private market investments in both equity and debt.

In terms of regulation, 2023 has seen unprecedented regulatory changes for investment-based crowdfunding and P2P Lending which has had significant influence on the growth and trends in the sector. The second phase of the implementation of the "High Risk Investment" rules, changes to the guidance regarding secondary markets, and the creation of a new permission for financial promotion approval had a negative impact on growth in customers and has also been responsible for several exits from the retail investment sector by leading and minor players.

On a more positive note, the UK government continues to be supportive of fintech overall and the creation of new legislation for "Public Offer Platforms" promises a new generation of crowdfunding development with a focus on larger, more established "scale up" companies. The UK is still seen as a hub for both talent and finance for those looking to build new fintech propositions, but it should be careful not to rest on its laurels, especially regarding the developments in digital assets and the application of AI.

Looking to Europe, some of the leading UK players have also extended their offerings to EU based companies and investors, which is pleasing to see in a post-Brexit regulatory environment.

Finally, it is fair to say that the focus of the UK fintech market has moved away from "alternative finance" and is largely focused on the application of disruptive blockchain and AI technologies. However, there is still a recognition at both government and regulatory levels of the importance of innovation in finance for private companies as a significant driver of growth and importantly also a "green" economy.

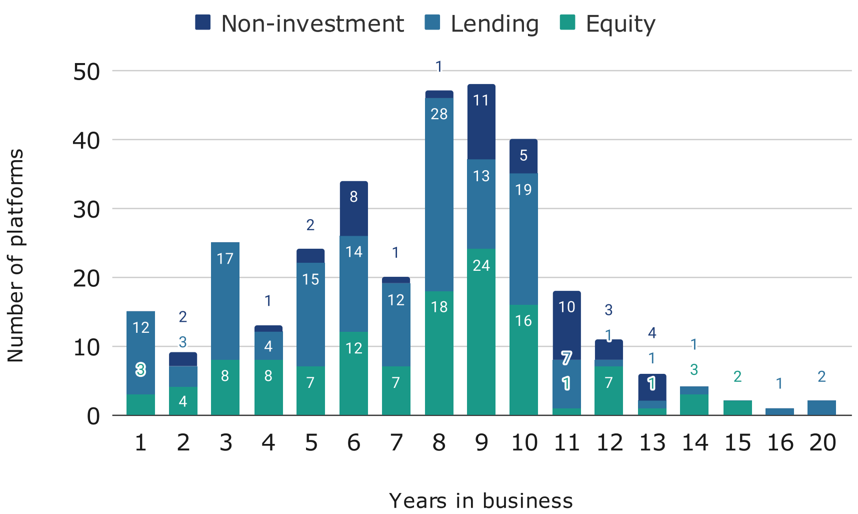
Chapter 2

Platforms

2.1 Years in business

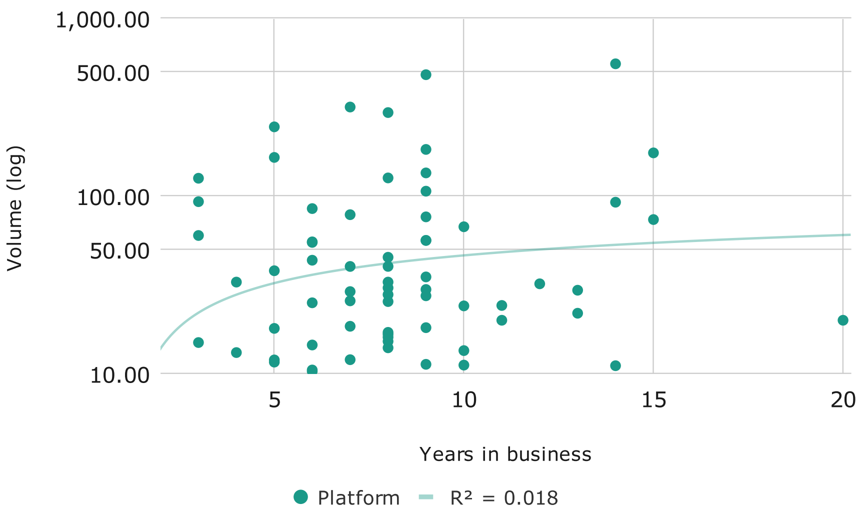
The current chapter focuses on the platforms and their characteristics. Hence, first, it is helpful to analyze patterns of platform creation in Europe for assessing the market's maturity level. The analysis is based on 319 data entries, whereas some platforms operating more than one model are counted in each model group they belong to. The oldest platforms are debt-based dating from 20 years ago, while 15 platforms (3 equity and 12 debt) are only 1 year old. The largest number of platforms are 8 and 9 years in business, which corresponds with the time when the crowdfunding market entered its growth stage. The gradually falling number of platforms in the years that follow suggests a gradual maturation of the industry. Overall, the average number of years in business is 7.6 for equity, 6.9 for lending, and 8.9 for non-investment models. This pattern may correspond with regulatory evolution, where non-investment platforms are those that have entered unregulated markets early due to lower regulatory thresholds they needed to meet. However, investment platforms have entered the market later and in parallel to the development of national bespoke regimes, implementation of regulatory sandbox processes, or under other temporary special permissions from regulators.

Figure 2.1. Number of platforms by years in business by model



The relationship between the number of years in business and volumes generated in 2022 suggests that more mature platforms attract higher volumes on average. However, the coefficient of determination (R^2) is small (0.018), suggesting that younger platforms can compete with more mature ones based on other characteristics. This may also suggest that early mover advantages for older platforms are limited, and that younger firms seem to enjoy late mover advantages, where older firms may have carried most of the burden of market education and legitimacy building that young firms now more readily enjoy.

Figure 2.2. Volumes of funding raised by platforms by number of years in business



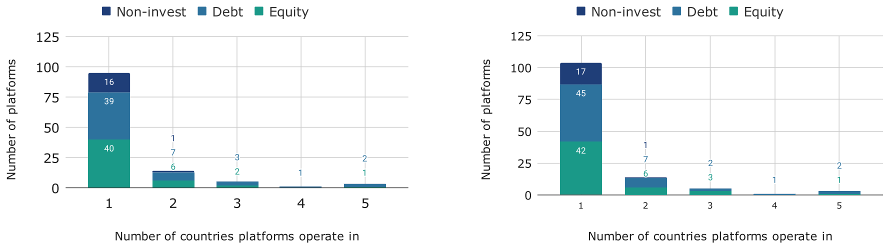
2.2 International scope

Respondents provided insights on international aspects of their business. The analysis is based on 118 and 127 responses for 2021 and 2022, respectively. Platforms predominantly operated in one country as indicated by 80.5% of platforms in 2021, and 82.6% of platforms in 2022. Such local anchoring may be explained by a combination of limited resources at the disposal of these relatively young firms, viewing their superior understanding of local markets as a source of competitive advantage in domestic markets, as well as the legal complexities of cross-border operations prior to the harmonization of regulations in Europe (i.e., the ECSP regime).

Among those operating in two countries, 6 operated an equity model, 7 operated a lending model, and only 1 operated a non-investment model. 2 equity and 3 lending platforms report operating in three countries in 2021. A single lending platform had a presence in four countries, while 1 equity and 2 lending platforms indicated spreading their operations across five different countries in the same year. This seems to suggest that investment-oriented platforms are more likely to internationalize than those offering non-investment models. Such trend seems to correspond with higher income characterizing larger fundraising rounds in investment campaigns, as well as the need to reach wider pools of relatively richer prospective investors.

Regardless, the internationalization of crowdfunding platforms has not changed much in 2022, with 105 platforms operating in a single country against 23 platforms with an international operation. Here, it remains to be seen whether new harmonized regulations (such as the ECSP regime) will enable greater international scope of business for European platforms, or whether other market barriers will continue to hinder such cross-border scaling.

Figure 2.3. Number of platforms by model and the number of countries in which they operate 2021-2022

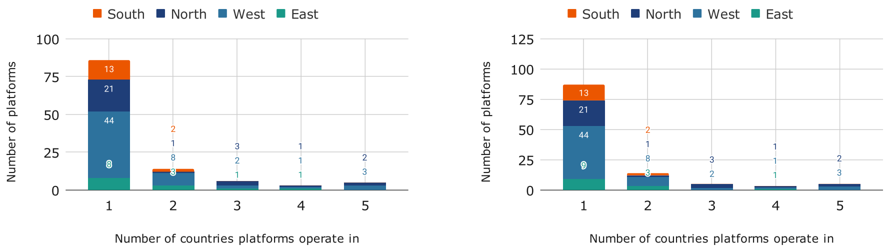


Number of countries of operation 2021

Number of countries of operation 2022

When examining whether platforms with headquarters in certain regions are more international than others, we find that in 2021 international outreach is the most common among platforms with headquarters in Eastern Europe with 38.4% reporting operations in two or more countries, and 30.7% reporting the same in 2022. This may be explained by a greater need to rely on foreign reach due to a combination of relatively less developed domestic capital markets, which are populated by publics with lower levels of social trust and higher levels of uncertainty avoidance. This is followed by Northern Europe and Western Europe, both with 24% of platforms reporting operations in two or more countries. Finally, only 15.3% of platforms headquartered in Southern Europe report operations in more than one country.

Figure 2.4. Number of platforms by HQ region and the number of countries in which they operate 2021-2022



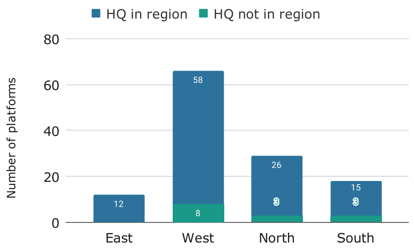
Number of countries of operation by HQ region 2021

Number of countries of operation by HQ region 2022

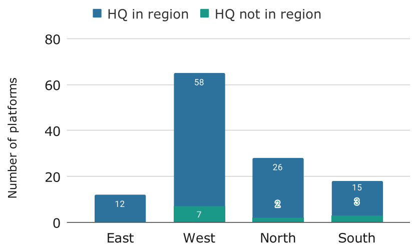
A related question is to what extent do platforms that operate in certain regions are headquartered in different regions. The results based on 126 responses for 2021 and 124 responses for 2022 indicate that platforms are predominantly incorporated in the region where they operate. Data for 2021 shows that all platforms operating in Eastern

Europe are from this region. The greatest share of platforms with headquarters outside the region were found to operate in Southern Europe (17%), followed by those operating in Western Europe (12%) and Northern Europe (10%). Data for 2022 captures a slight decrease in the number of platforms from outside the region operating in both Western (11%) and Northern Europe (7%).

Figure 2.5. Number of platforms by region and HQ locations 2021-2022



Number of platforms by region and HQ location 2021

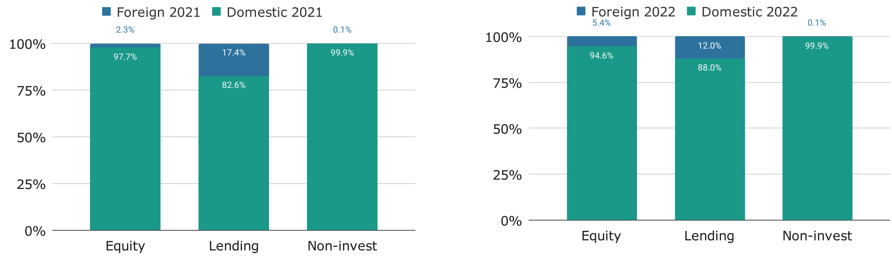


Number of platforms by region and HQ location 2022

To further capture the scope of international operations, platforms also provided information about the shares of volumes that originate from domestic versus international flows. Overall, based on data from 126 platforms, the results suggest that despite rising efforts from policymakers to encourage cross-border flows, most funds still originate from domestic backers and investors, independently of the crowdfunding model. As suggested above, most platforms may have limited resources and knowledge to support foreign operations, while they have superior knowledge of domestic markets. Furthermore, prospective backers may find it easier to tap into local networks than international ones when fundraising, as local contacts may, again, have superior understanding of local market conditions, needs, opportunities, and be better able to interpret informational nuances.

Nevertheless, there are notable differences in the portion of international flows between models. Data for 2021 shows that international flows account for about 17.4% of the total flows in lending and 2.3% in equity-based crowdfunding, respectively. International flows into non-investment models appear to be negligible. Data for 2022 shows an increase in the portion of international flows into equity-based crowdfunding reaching 5.4%. In contrast, the portion of international funds flowing into lending crowdfunding dropped to 12%.

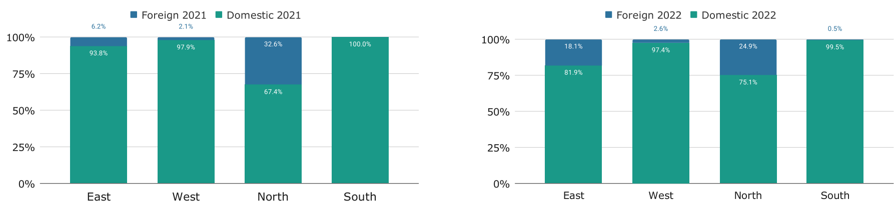
Figure 2.6. Share of volumes raised from domestic vs. international flows by model 2021-2022



Finally, when examining the share of domestic versus international flows by region, interesting differences emerge. Northern Europe is the region that benefited the most from international flows, which accounted for 32.6% of total volumes, while international volumes amounted to 6.2% and 2.1% of total volumes in Eastern and Western Europe, respectively. International flows in Southern Europe were negligible.

Data for 2022 captures some differences in comparison with the previous year. The portion of international funds flowing into Northern Europe decreased to 24.9% of total funds. In contrast, Eastern Europe experienced a relative increase in the portion of funds stemming from international backers, amounting to 18.1%. No sizable differences when compared to 2021 were noted in crowdfunding markets in Western and Southern Europe, which remain driven by domestic flows.

Figure 2.7. Share of volumes raised from domestic vs. international flows by region 2021-2022

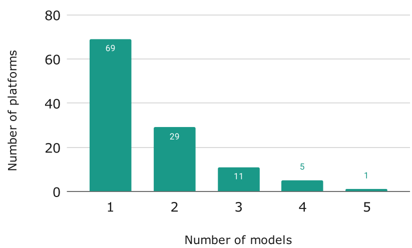


2.3 Models and model combinations

While some platforms offer crowdfunding services with respect to a single model, others offer multiple models. Among respondents within the Equity cluster (49 platforms), the most common model used is equity crowdfunding (48 platforms) followed by debt-based securities (27 platforms). Within the Lending cluster (58 platforms), the most common model used is P2P business lending (45 platforms) followed by P2P property lending (25 platforms). In the Non-Investment cluster (31 platforms), the most common model used is reward crowdfunding (21 platforms) followed by donation crowdfunding (15 platforms).

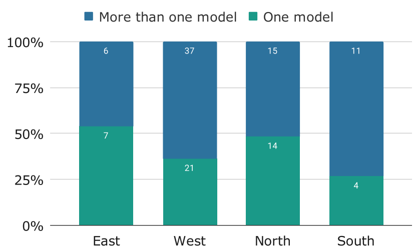
Some crowdfunding models share several common characteristics allowing platforms to combine them and offer their investors a choice between different instruments. However, 60% of respondents (69 out of 115 survey respondents) indicate that their platform operates a single model. 25% of platforms combine 2 models, 10% of platforms operate 3 models, whereas 4% of platforms offer 4 models under one roof. Only 1 platform indicates operating 5 different models.

Figure 2.8. Number of platforms by number of models they offer



When looking into regional dispersion, model combinations are least frequent in Southern and Western Europe with 27% and 36% of platforms respectively, reporting operating more than one model. In Eastern and Northern Europe, single model platforms represent close to half of all platforms.

Figure 2.9. Number of platforms offering one versus multiple models by region



Presenting relative frequencies of model combinations, Table 2.1. shows the share of platforms in each model that offer combination with a different model.

Table 2.1. Number of platforms offering combination of models

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Total
A - Equity crowdfunding	-	6.3%	2.1%	4.2%	0.0%	0.0%	14.6%	0.0%	14.6%	4.2%	6.3%	2.1%	6.3%	0.0%	8.3%	4.2%	48
B - Fractional ownership of Real Estate assets	42.9%	-	14.3%	0.0%	0.0%	0.0%	28.6%	0.0%	42.9%	14.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7
C - Fractional ownership of non-Real Estate assets	100.0%	100.0%	-	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1
D - Revenue or profit-sharing agreements	66.7%	0.0%	0.0%	-	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	0.0%	33.3%	33.3%	0.0%	66.7%	0.0%	3
E - Royalty payments	0.0%	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1
F - Community shares	0.0%	0.0%	0.0%	0.0%	0.0%	-	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1
G - Debt-based securities	25.9%	7.4%	3.7%	0.0%	0.0%	3.7%	-	0.0%	11.1%	3.7%	7.4%	0.0%	7.4%	0.0%	0.0%	3.7%	27
H - P2P lending for consumers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	31.3%	25.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16
I - P2P lending for business	15.6%	6.7%	0.0%	0.0%	0.0%	0.0%	6.7%	11.%	-	24.4%	4.4%	0.0%	2.2%	0.0%	4.4%	4.4%	45
J - P2P lending for property development	8.0%	4.0%	0.0%	4.0%	0.0%	0.0%	4.0%	16.0%	44.0%	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25
K - Mini-bonds	60.0%	0.0%	0.0%	0.0%	0.0%	20.0%	40.0%	0.0%	40.0%	0.0%	-	0.0%	20.0%	0.0%	0.0%	20.0%	5
L - Microfinance and P2P Prosocial lending	50.0%	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	50.0%	0.0%	50.0%	0.0%	2
M - Donation - one time	20.0%	0.0%	0.0%	6.7%	0.0%	0.0%	13.3%	0.0%	6.7%	0.0%	6.7%	6.7%	-	20.0%	26.7%	0.0%	15
N - Donation - subscription	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	75.0%	-	50.0%	0.0%	4
O - Reward-based crowdfunding	19.0%	0.0%	0.0%	9.5%	0.0%	0.0%	0.0%	0.0%	9.5%	0.0%	0.0%	4.8%	19.0%	9.5%	-	0.0%	21
P - Security Token Offering (STO)	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	0.0%	50.0%	0.0%	25.0%	0.0%	0.0%	0.0%	0.0%	-	4

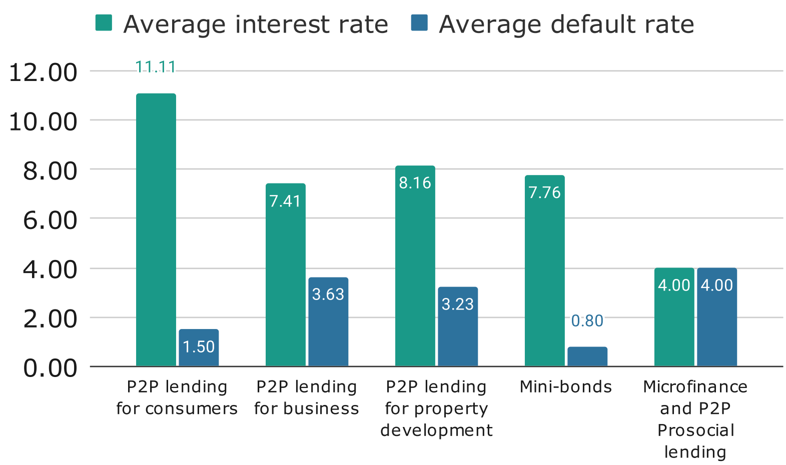
First, within model clusters results indicate that in the equity cluster, revenue sharing is often combined with equity crowdfunding. In the lending cluster, P2P business and property lending are often combined. And in the non-investment cluster, one-time and subscription-based donations are often combined.

Second, when examining combinations across clusters, most combinations involve mixes of equity and lending models. Here, one can identify a tendency where 43% of platforms offering fractional ownership of real estate assets to also offer P2P business lending. 50% of platforms offering security tokens also engage in P2P business lending. And 60% of platforms offering minibonds also engage in equity crowdfunding.

2.4 Interest and default rates

Specific to lending models are the concerns with the interest rates charged and the default rates observed in the alternative credit sphere. Here, based on 53 survey responses for 2022, results suggest that P2P lending for consumers generates the highest average interest rate of 11.11%, accompanied by a moderate average default rate of 1.5%. In contrast, and in line with their social aims, platforms operating microfinance and P2P prosocial lending models appear to generate the lowest returns among all debt models with an average interest rate of 4%, as well as a default rate of 4%.

Figure 2.10. Average interest and default rates in European crowdlending platforms



Lending models focusing exclusively on businesses offer comparable interest rates. The highest average interest rate is reported by P2P property lending platforms (8.16%), followed by platforms intermediating mini bonds (7.76%), and P2P business lending platforms (7.41%). The average default rate is also comparable between these platforms, with P2P business and property lending reporting 3.63% and 3.23% defaults, respectively. Yet, platforms intermediating mini bonds report a much lower average default rate amounting to only 0.8%.

2.5 Licensing

48 equity, 58 lending, and 31 non-investment platforms have reported on their licensing status. The data captures a sharp contrast between investment and non-investment platforms. In line with the risks associated with each model, results indicate that while a large majority of equity (81.6%) and lending (65.5%) platforms are licensed, this holds for only 27.6% of non-investment platforms.

Table 2.2. Platform licensing status by region and model[1]

Region	Model group	Licensing Status			Percent licensed
		No	Yes	Total	
East	Equity	2	2	4	50.00%
	Lending	6	2	8	25.00%
	Non-investment	3	1	4	25.00%
Total		**9**	**4**	**13**	**30.77%**
West	Equity	7	31	38	81.58%
	Lending	11	20	31	64.52%
	Non-investment	7	8	15	53.33%
Total		**18**	**49**	**67**	**73.13%**
North	Equity	3	9	12	75.00%
	Lending	3	22	25	88.00%
	Non-investment	7	1	8	12.50%
Total		**11**	**29**	**40**	**72.50%**
South	Equity	2	8	10	80.00%
	Lending	4	6	10	60.00%
	Non-investment	6		6	0.00%
Total		**10**	**11**	**21**	**52.38%**
Total Equity		9	40	49	81.63%
Total Lending		20	38	58	65.51%
Total Non-investment		21	8	29	27.58%

[1]Platforms may be counted more than once when operating more than one model (across clusters).

Regional disparities in licensing are pronounced. The percentage of licensed platforms is the smallest in Eastern Europe (30.8%), followed by Southern Europe (52.4%). While the situation in Eastern Europe can be explained by younger platforms and late regulatory work, when compared to other regions, the situation in Southern Europe is explained by a relatively high share of platforms operating non-investment models that often do not require special licenses. This stands in sharp contrast to Western and Northern Europe, where 73.1% and 72.5% of all platforms are licensed, respectively. When looking into model groups, Eastern Europe stands out with a low percentage of licensed platforms among investment models. For instance, only 25% of lending platforms are licensed. In contrast, Southern Europe is characterized by a high percentage of licensed platforms among investment models (80% of equity and 60% of lending platforms are licensed). Yet, none of the non-investment platforms captured in the sample are licensed in this region.

2.5.1 Volume differences in licensed versus non-licensed investment platforms

Since investor protection safeguards play a more important role in investment models than in non-investment models, we examine differences in terms of average volumes raised by licensed versus unlicensed platforms. The general trends indicate that licensed platforms oversee substantially higher volumes than unlicensed platforms.

- In the Equity cluster, licensed platforms oversaw an average of 49m EUR and 51m EUR in 2021 and 2022 respectively, while unlicensed ones oversaw an average of 6.4m EUR and 7.4m EUR respectively in the same years.
- In the Lending cluster, while differences persist, they are somewhat smaller, most likely due to the clustering of consumer and business loans together. Here, while regulation of the latter is now clearer, regulation of the former remains elusive and inconsistent across countries. Overall, licensed platforms oversaw an average of 25.8m EUR and 32.5m EUR in 2021 and 2022 respectively, while unlicensed ones oversaw an average of 18m EUR and 24m EUR respectively in the same years.

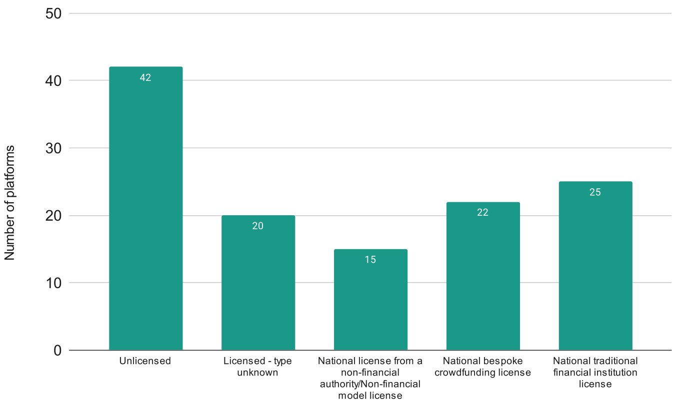
2.5.2 Types of licenses used by platforms

All licensed platforms were further asked to indicate the specific license that they hold or that they held before applying for the license under the European Crowdfunding Service Provider Regulation (ECSP)[2]. Answers from 124 responses were cross-checked and complemented with desk-based research. The authors then categorized licenses into one of the following types:

1. Unknown license type
2. National license from a non-financial regulatory authority
3. Bespoke national crowdfunding license
4. National traditional financial institution license (e.g., payment institution, MiFID license[3]).

It is worth noting that licenses used by traditional financial institutions can also be used by crowdfunding platforms. Such situations often occur due to three different reasons. First, when platforms wish to operate legally and in a regulated way in countries where no crowdfunding-specific regulation has existed thus far. Second, when platforms opt-in for a traditional financial institution license to achieve market legitimacy and trust by signaling commitment to higher investor protec-

Figure 2.11. Number of platforms by type of license



[2]The Regulation on European Crowdfunding Service Providers (ECSP) for business ((EU) 2020/1503).

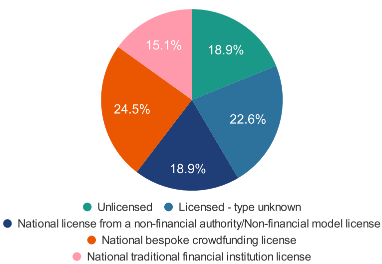
[3]A license under the Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

tion safeguards. Finally, an existing financial intermediary can decide to offer crowdfunding services, alone or in partnership with a company operating a crowdfunding platform to whom it extends its license.

When looking into all crowdfunding models together, the greatest number of platforms remain unlicensed (42), however many of these represent non-investment platforms (see further information in analysis below by model) that do not require special licensing in most countries. This is followed by platforms holding a license of a traditional financial institution (25), and platforms with a bespoke national crowdfunding license (22). 15 platforms obtained a license from a non-financial authority, while 20 licensed platforms did not report the details of their licensing status.

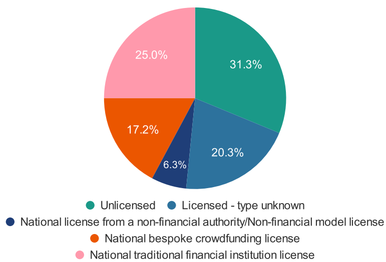
Among equity platforms (based on information from 52 platforms), it appears that there is not a single dominant license type being used. Here, 81.1% report operating under one form of license or another, while 18.9% remain unlicensed. The most frequently license type used, in relative terms, is the one relating to bespoke national crowdfunding license (25%).

Figure 2.12.1 Share of equity platforms by license type



Licensing disparity is also observed among lending platforms (based on information from 64 platforms), with the greatest portion of platforms being unlicensed (31.3%). Here, part of the challenge remains the unclear licensing requirements for operating P2P consumer lending platforms in various jurisdictions. Nevertheless, one-fourth of all lending platforms hold a traditional financial institution license. Moreover, a bespoke crowdfunding license is also frequently reported by lending platforms (17.2%), whereas only 6.3% of platforms have a license from a non-financial authority.

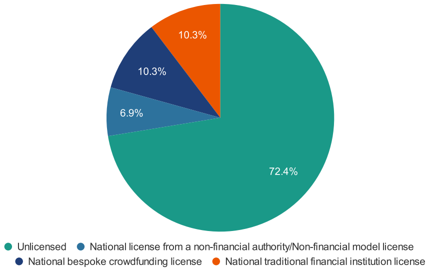
Figure 2.12.2 Share of lending platforms by license type



Non-investment models (based on information from 31 platforms) remain mostly unsupervised by national authorities (72.4%).

Among platforms that fall under regulatory oversight, 10.3% of platforms hold a traditional financial institution license, whereas the same portion of platforms (10.3%) indicate having either a bespoke crowdfunding license or a license from a non-financial regulator. Here, some of the platforms operating under licenses may be affiliated with institutions offering broader scopes of financial services (such as banks) that go beyond non-investment crowdfunding models.

Figure 2.12.3 Share of non-investment platforms by license type



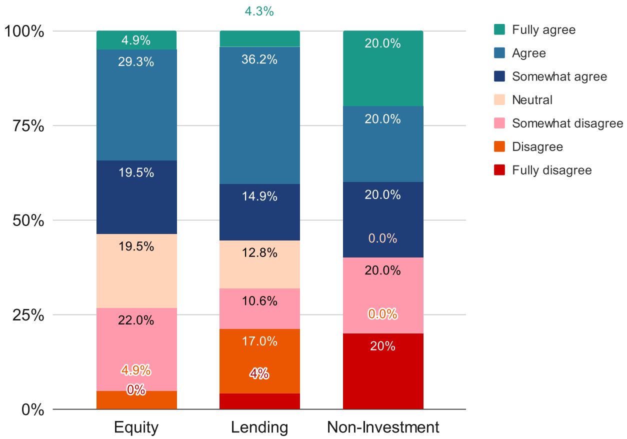
2.5.3 Perceived regulatory needs and adequacy

To assess the perceived need for regulation, platforms were asked whether the services they offer should be regulated under a dedicated license. Unsurprisingly, most equity- and lending-based crowdfunding platforms, which already operate with a license, also think that platforms offering such services should be licensed. 70% of equity-platforms and lending-based platforms which are not licensed yet report that this activity should become licensed. Two thirds of reward-based crowdfunding platforms do not see a need for licensing.

Platforms were also asked to indicate the extent to which they perceive the current regulation as adequate, ranging from fully disagree (1) to fully agree (7). Responses are collected for 47 equity, 41 lending, and 5 non-investment platforms. In all three model groups, most respondents somewhat agree, agree, or fully agree that regulation is adequate. In contrast, 27% of equity, 32% of lending, and 40% of non-investment platforms are rather critical of current regulation, expressing that they somewhat disagree, disagree, or fully disagree with the statement that the regulation is adequate. Relative higher discontent among lending platforms may be explained by a lack of regulatory clarity with respect to P2P consumer lending, as well as with limitations on platforms' abilities to implement automatic agents for investing in portfolios rather than single loans.

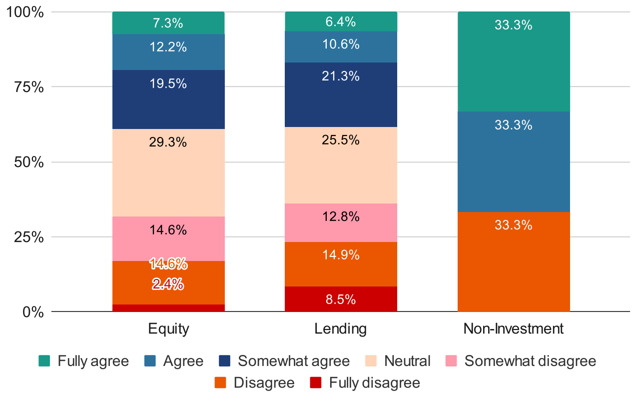
To get a deeper understanding of the desired direction of a regulatory change, platforms were asked whether they would prefer less

Figure 2.13. Perceived regulatory adequacy by platforms per model (share of respondents)



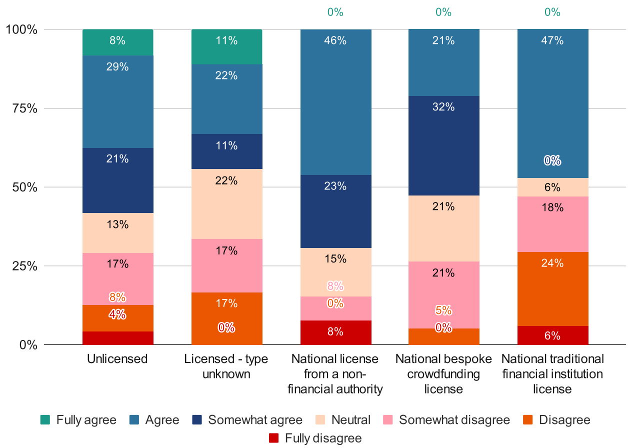
stringent regulations. Results presented here are based on responses from 47 equity, 41 lending, and 3 non-investment platforms. Interestingly, there is no wide agreement on how stringent regulation should be. 39% of equity and lending platforms somewhat agree, agree, or fully agree with the statement that regulation should be less demanding or stringent. However, at the same time, 34% of equity and lending platforms do not agree with the statement, and suggest regulation is either sufficiently stringent or should be even more stringent.

Figure 2.14. Perceived need for regulation to be less stringent per model (share of respondents)



Some of these inconsistencies may be a result of the different types of licenses being used by different platforms. Accordingly, when looking into perceived regulation adequacy per license type (based on 91 responses), notable differences emerge. First, the greatest satisfaction exists among platforms that hold a license from a non-financial authority, with 69% of respondents at least somewhat agreeing with the statement that the regulation is adequate. Regulation is also mostly seen as adequate among platforms holding a bespoke crowdfunding license, as reported by 53% of respondents in this group. In contrast, the lowest level of satisfaction is captured among platforms holding a license of a traditional financial institution. Here, 48% of platforms within this group somewhat disagree, disagree, or fully disagree that the regulation is adequate.

Figure 2.15. Perceived regulation adequacy per license type (share of respondents)



2.5.4 Status of ECSP licensing

At the time when the data was collected in the first half of 2023, ECSP requirements were not yet applicable to platforms with prior authorization under national rules. However, these platforms were aware of this regulatory development and had to receive authorization under ECSP before the 10th of November 2023, if they intended to continue their operations after this date (so-called ECSP transition period)[4]. However, this only applies to platforms whose business model falls within the scope of the ECSP[5].

In contrast, new platforms established after the ECSP entered into force (10 November 2021), had to apply directly for an ECSP license to begin offering their services.

Results indicate that 48% of all equity-based crowdfunding platforms had not yet applied for an ECSP license. Similarly, 56% of lend-ing-based crowdfunding platforms had not yet applied for an ECSP license. France was the leading jurisdiction where applications had been submitted (8 platforms), followed

[4]It was possible for platforms already holding a national license to obtain authorization under ECSP before the expiration of the transition period. Only a few platforms have done so ahead of deadline.

[5]Platforms operating P2P consumer lending, some hybrid instruments (e.g., profit-participating loans), or shares in private limited liability companies in some counties (depending on the national rules defining the scope of admitted instruments for crowdfunding purposes), will fall outside the scope of ECSP.

by the Netherlands (5 platforms). Germany, Italy, and Spain each had received 4 ECSP applications.

Furthermore, the survey asked whether platforms had already received an ECSP-license or are planning to apply for an ECSP license in the future. Here, 20.6% of all equity- and lending-based platforms would operate outside the scope of the ECSP regime – stating that they neither have been approved already, nor have applied or intended to apply for the ECSP license in the future.

It is further helpful to examine the ECSP status by distinguishing between licensed and unlicensed platforms at the time of responding to the survey. Among 91 platforms operating equity- or lending-based crowdfunding model, 74% are licensed, and 26% are unlicensed. However, 14.1% of all investment platforms currently hold a license but neither applied nor intend to apply for the ECSP authorization. Thus, these platforms would either continue operating under national rules or cease their operations after the 10th of November 2023 (if their model falls under the scope of the ECSP).

6,5% of all investment platforms are unlicensed and are planning to stay outside of the ECSP regime. These platforms neither applied for nor intend to apply for the ECSP authorization. This means that, roughly, every fourth currently unlicensed platform does not plan to subject itself to the ECSP.

2.5.5 Attitudes towards ECSP

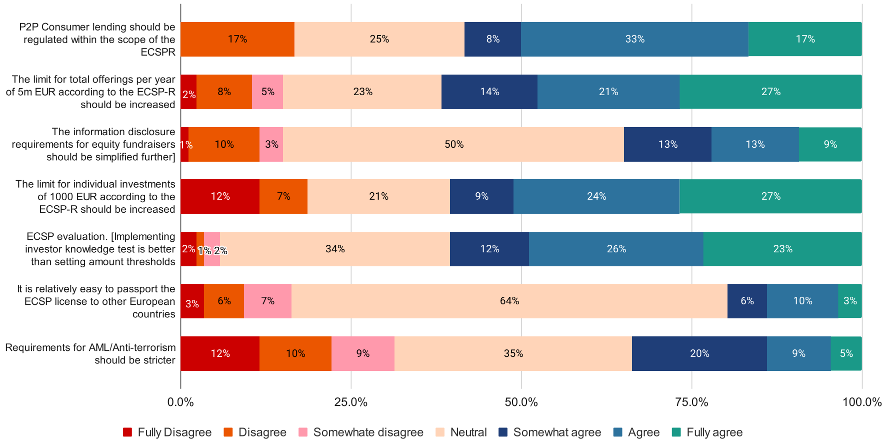
When examining attitudes towards current ECSP provisions, most respondents view four main proposed changes favorably. First, 58% of respondents at least somewhat agree with a proposed inclusion of consumer credit lending into the scope of the ECSP, while only 17% disagree with such action. Second, 62% of respondents at least somewhat agree with a proposed increase of the 5m EUR limit for offerings under the ECSP, while 17% did not see a need for such a change. Third, 60% of respondents at least somewhat agree with a proposed increase of the 1000 EUR limit on individual investments, while 19% disagreed with such proposal. Finally, 61% of respondents agree that implementing investor knowledge qualifications is better than setting a fixed amount threshold, whereas only 5% of respondents disagreed with such an approach.

The greatest disagreement was recorded with respect to potential stricter AML/CTF requirements, with 31% of platforms disagreeing to some extent with such proposal.

Other proposals for making disclosure requirements even simpler were mostly viewed neutrally by respondents, with 66% of respondents being either neutral or having weak opinions about such a change.

Finally, 64% of respondents hold a neutral opinion about the extent to which the ECSP makes it easier to passport the license to other European countries. This result likely stems from the limited experience of platforms with the license, with most platforms having not yet received the ECSP authorization.

Figure 2.16. Attitudes towards ESCP



2.6 Relations with traditional finance

Crowdfunding platforms often benefit from diverse types of collaborations with traditional financial institutions. As reported by 49 equity, 58 lending, and 31 non-investment platforms, collaborative practices exist across all three model types, although they are not equally widespread. 68.6% of equity, 61.8% of lending, and 43.2% of non-investment platforms report at least one type of relationship with traditional financial institutions. Equity-based platforms most commonly benefit from a lead exchange (25.7%), followed by having a strategic partnership (20%). Other types of collaborations, such as being fully or partially owned by a traditional financial institution, or having a promotional partnership are reported by 10% or less of platforms. Similarly, among lending-based platforms, the most common type of relationship is having a strategic partnership (25%), followed by a lead exchange (17.1%). As in the case of equity-based platforms, other partnership types each account for less than 10%. Non-investment platforms commonly partner with traditional financial institutions in relation to promotional (17.1%) and strategic matters (14.3%). Surprisingly, 11.4% of non-investment platforms are also fully owned by a traditional financial institution, thus, more frequently than investment-based platforms. Some of these are related to banks' wider programs within corporate social responsibility and local community support.

Figure 2.16.1. Share of equity platforms by collaboration type with traditional finance

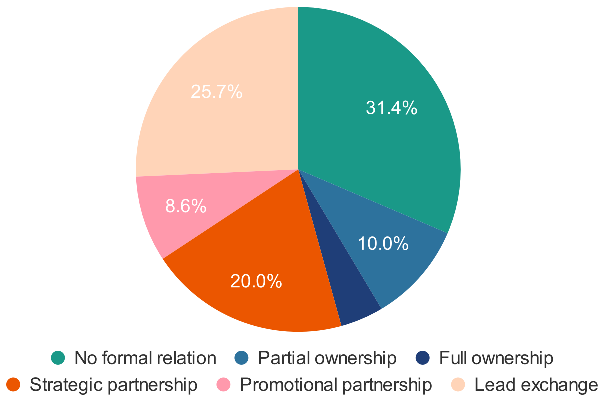


Figure 2.16.2. Share of lending platforms by collaboration type with traditional finance

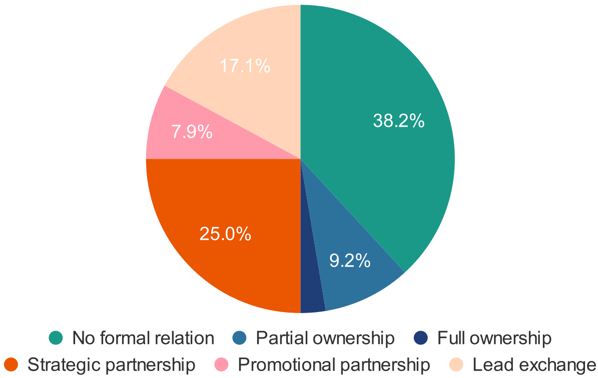
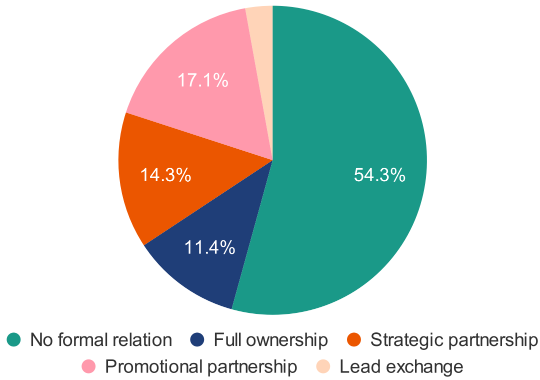


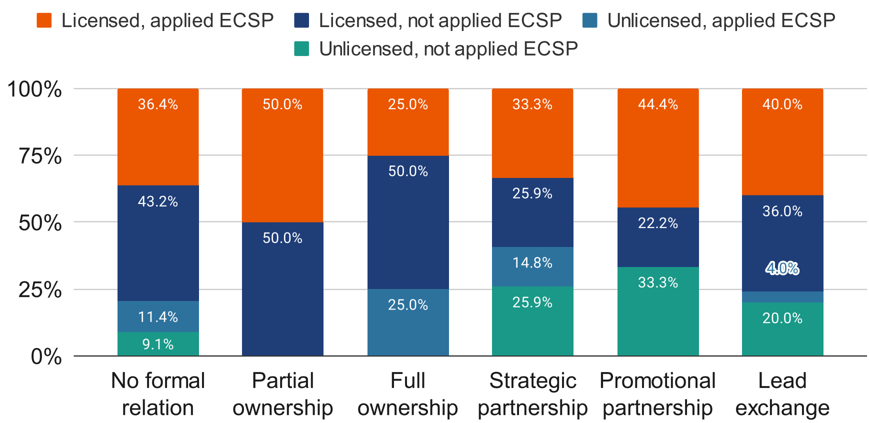
Figure 2.16.3. Share of non-investment platforms by collaboration type with traditional finance



When analyzing different types of collaborations, it is useful to put them into the context of licensing. Namely, licensing can affect platforms' incentives to partner with traditional financial institutions. Platforms that are partially owned by a traditional financial institution are all either licensed (50%) or applied for the ECSP license (50%). Similarly, platforms that are fully owned by a traditional financial institution, are either licensed (with or without an intention to obtain the ECSP license) or represent new unlicensed platforms that applied for the ECSP license.

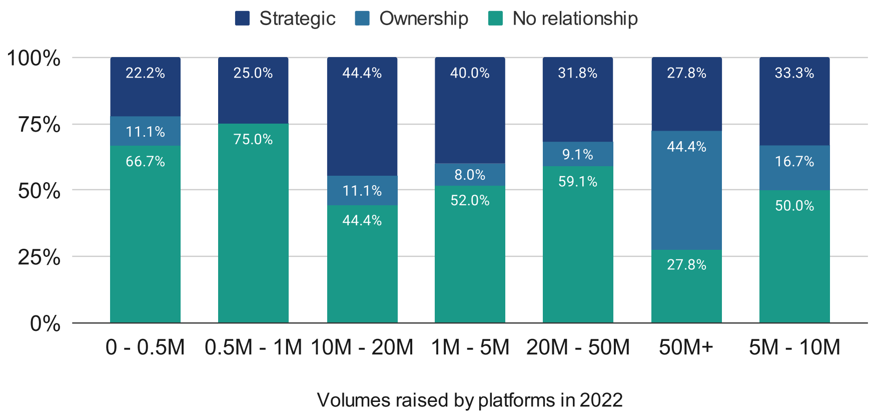
Unlicensed institutions, that do not intend to obtain the ECSP license, usually collaborate with the traditional financial sector for strategic or promotional purposes, or they exchange leads.

Figure 2.17. Collaboration with traditional finance by licensing status of platforms



The type of collaboration with the traditional financial sector can also depend on the platform size. Platforms that fall within small volume ranges (below 1m) predominantly have no established relations with the traditional sector. When they do, it is usually for strategic purposes. Platforms that fall within intermediate volume ranges (between 10m and 50m) have more frequent relations with traditional financial institutions, some of which are also based on ownership. Most of the biggest platforms, intermediating above 50m, collaborate with the traditional sector. It is also common for these platforms to be partially or fully owned by a traditional financial institution.

Figure 2.18. Collaboration with traditional finance by volumes raised by platforms



2.7 Mergers and acquisitions

As the industry matures, the future is likely to bring a greater degree of consolidation in the European crowdfunding market. This finds support in responses from 115 platforms which reported on previous mergers and acquisitions (M&A), as well as their plans for the coming years. Among the 49 surveyed equity platforms, only 12% indicate that they were involved in an M&A in the past, while 42% state that they expect to acquire, be acquired, or merge with another platform in the future. Likewise, among 58 lending platforms in the sample, 15.5% report already taking part in an M&A, in contrast to 53.4% that plan to do so in the coming years. Finally, M&A trends among non-investment platforms indicate that 31% of them expect to be involved in an M&A in the future, while only 6.8% of them acquired, were acquired, or merged with another platform in recent years. Such trends suggest that industry consolidation may have seen its earlier steps and expected to intensify industry maturation.

Figure 2.19. Mergers and acquisitions among European platforms in the past

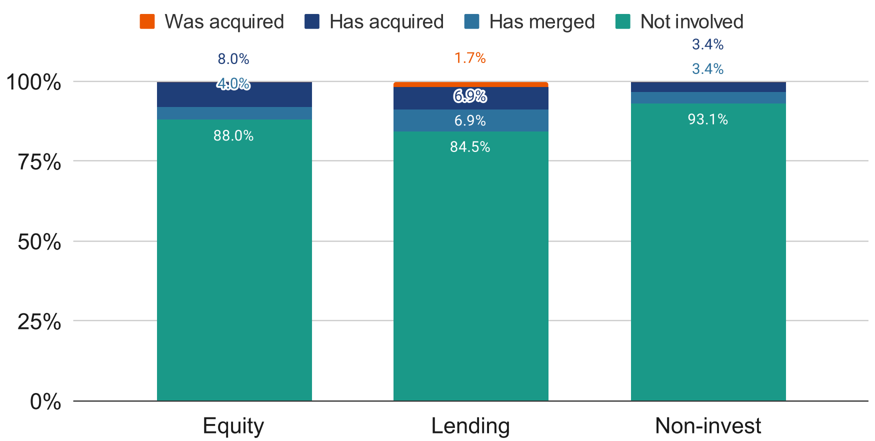
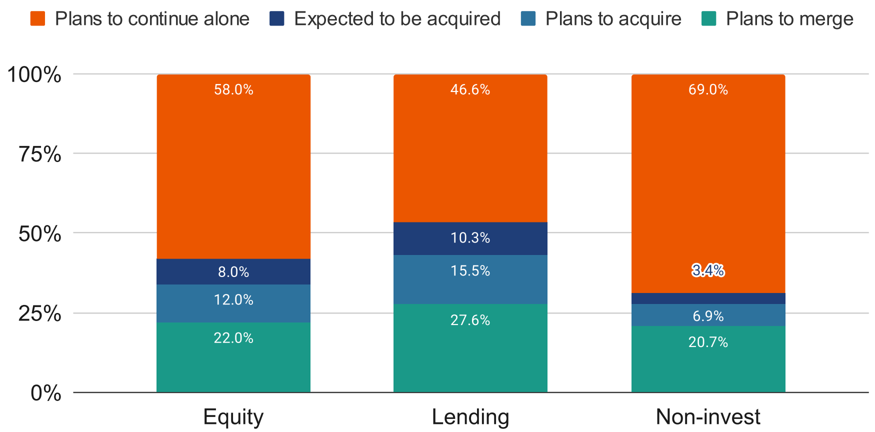


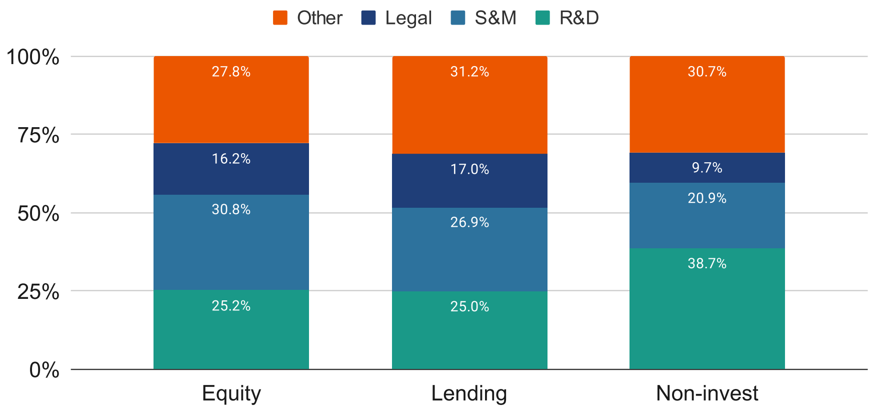
Figure 2.20. Mergers and acquisitions among European platforms in the future



2.8 Costs

When it comes to platforms' cost structures, there are no major differences between platforms operating under different models. This is particularly true for equity (36 responses) and lending platforms (44 responses). The share of costs for research and development (R&D) is about 25% for both investment-based models. Similarly, expenditures for legal compliance account for 16% and 17% of the total costs of equity and lending platforms, respectively. A small difference is captured concerning sales and marketing (S&M). Namely, equity platforms allocate 30.8% of their total expenses to S&M, while lending platforms allocate 26.9%. Non-investment platforms (25 responses) spend the most on R&D (37.2%). When compared to investment models, they spend relatively less on S&M (21%) and legal costs (10%). This trend may be related to a greater focus on process efficiencies than on achieving wider operational scale for improving profitability.

Figure 2.21. Platform's costs structure by model

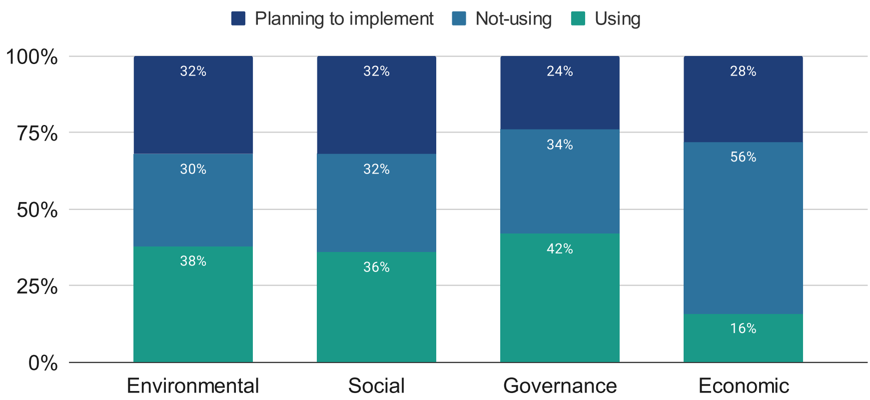


2.9 Impact measures

49 equity, 58 lending, and 31 non-investment platforms indicated whether they already have or plan to introduce internal systems for assessing the impact of their operations in terms of environmental, social, governance, and economic impacts. Interestingly, across all model types, impact on governance is commonly measured (by 41%, 43%, and 52% of equity, debt, and non-investment platforms, respectively). Equity platforms also frequently assess the impact on the environment (38%), the social impact (36%), and to a lesser extent the economic impact (16%). Debt platforms show similar patterns. 41% of them measure the environmental impact, 40% measure the social impact, and 19% measure the economic impact. Non-investment platforms appear to be concerned with different kinds of impact. 62% of them have internal systems that track their environmental impact, whereas 41% and 48% track the social and economic impact, respectively.

The surprising finding that non-investment platforms' exhibit greater engagements in impact measurements in general and economic impact in particular, when compared to investment platforms, may be explained by three main reasons. First, externally, they may experience a stronger need to establish legitimacy by showing their value adding potential versus investment models. And second, internally, they operate under tighter profit margins from smaller sum campaigns, which may require an even greater careful

Figure 2.22.1. Equity platform's impact measurement



management of internal cost structures. Finally, since they are more dependent on backers that are motivated by altruistic action and pro-social orientations, they may be more concerned with relevant value creation for better satisfying such backers than investment platforms.

Figure 2.22.2. Lending platform's impact measurement

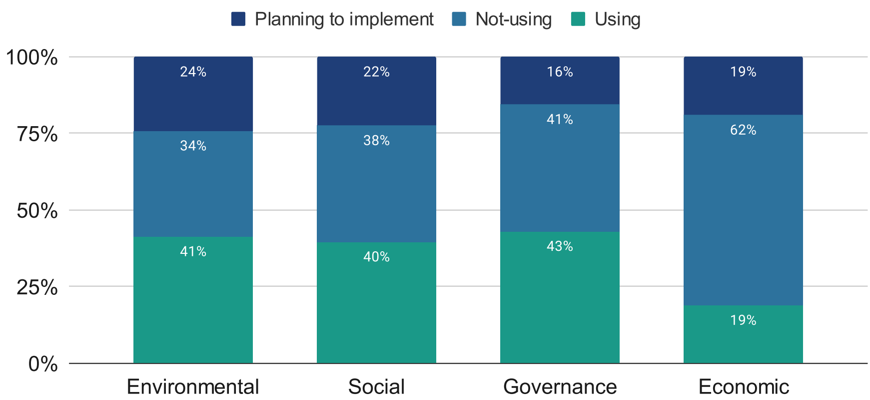
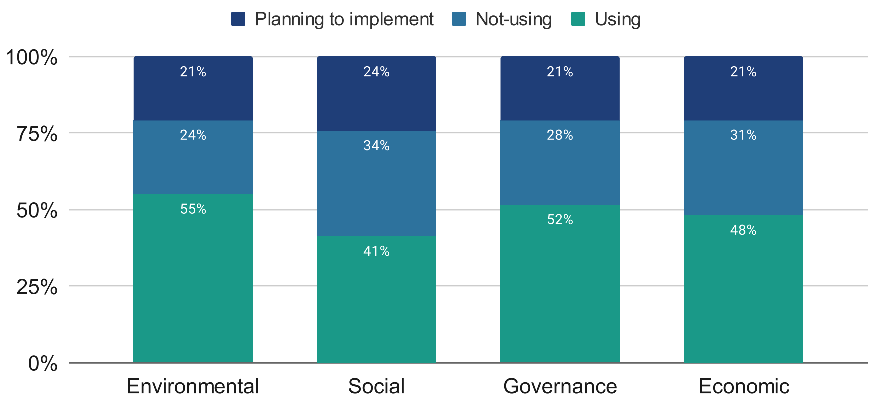


Figure 2.22.3. Non-investment platform's impact measurement



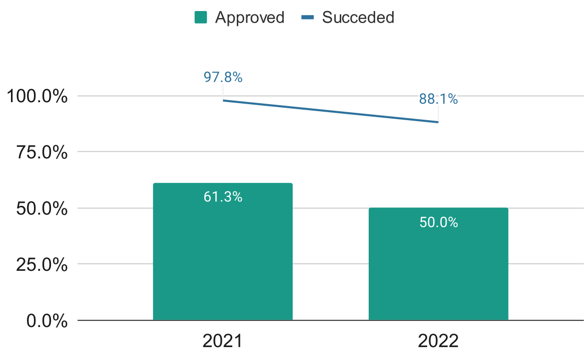
Chapter 3

Fundraisers

3.1 Fundraiser onboarding and success rates

Platforms serve as important quality guarantors and trust facilitators between backers and fundraisers. Accordingly, they engage in campaign filtration by approving only a part of campaign applications after relevant compliance and quality checks. Figure 3.1. shows that, across models, approximately 61.3% of fundraisers' campaigns were approved for publication by platforms (onboarded) in 2021, while only 50% of them were approved in 2022. The fact that platforms report rejecting publication requests from at least 50% of interested fundraisers provides strong evidence for their commitment to onboarding quality cases. While success rates remain high in both years, the figure in 2021 is exceptionally high with close to 98% success reported by platforms. In 2022, this falls 10% to 88%. This, again, may reflect growing market uncertainties in 2022 which impacts both the quality of fundraisers seeking to launch campaigns, as well as backers' appetite for supporting them.

Figure 3.1. Fundraiser onboarding and success rates 2021-2022 – All models



When examining these figures by model, significant differences are evident especially when comparing investment and non-investment models. Non-investment platforms seem to engage in minimum campaign filtering beyond the absolute minimum necessary (i.e., AML[1], CTF[2], and fraud detection), while accepting more than 95% of campaigns

[1]AML = Anti Money Laundering
[2]CTF = Counter-Terrorist Financing

for publication. Investment platforms apply much more stringent filtering both as required by law, as well as for ensuring quality investment cases as a critical basis for long-term platform survival and growth. In equity only 10% of campaigns are onboarded, while in lending the share stands closer to 16% in 2021 and 14% in 2022.

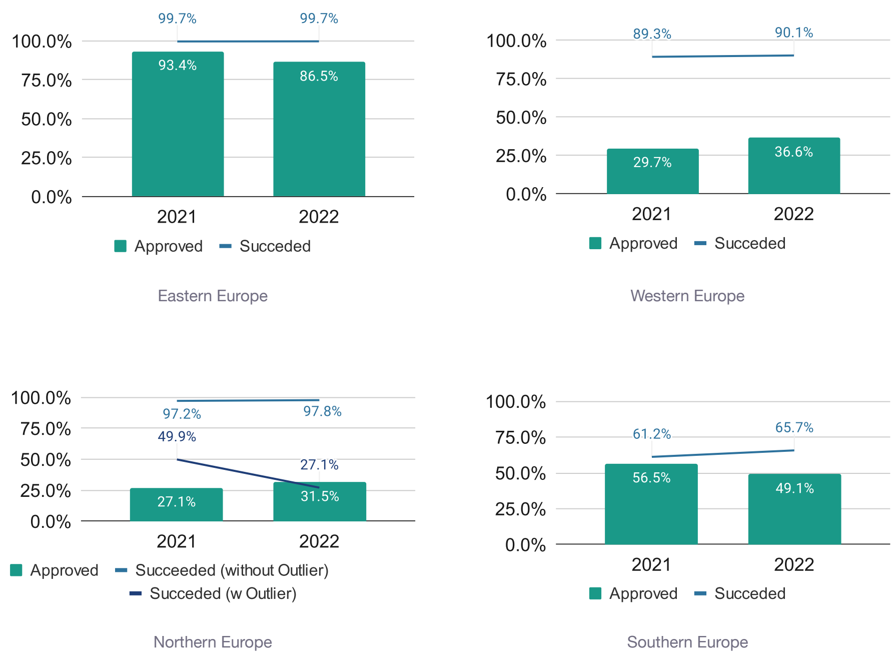
It is unsurprising that the more stringent and demanding the onboarding process is the higher the success rates, ranging between 92% in equity and 99% in lending. Nevertheless, non-investment fundraisers still enjoy very high success rates that range between 75% and 92%.

Figure 3.2. Fundraiser onboarding and success rates 2021-2022 by model

Also, when examining the same figures by region, some interesting differences emerge. Onboarding rates are significantly lower in Western and Northern Europe, roughly ranging around 30% every year. Rates of around 50% are recorded in Southern European platforms, while rates closer to 90% are recorded in Eastern Europe. This may relate to lower volumes and lower number of fundraisers recorded in the latter regions, when compared to the former two. Alternatively, it may also relate to a larger share of non-investment platforms operating in these regions, which have higher onboarding rates than investment models.

Regardless of onboarding rates, success rates remain high regardless of region, with particularly high success rates in Eastern and Northern Europe. The lowest success rates are recorded in Southern Europe while still standing at above 60%. Specific to Northern Europe is that there is one outlier platform facilitating donation crowdfunding, where the number of fundraisers is exceptionally high, and success rates are exceptionally low, indicative of an abnormally low quality-control. Accordingly, the relevant chart for Northern Europe presents the figures with and without this outlier.

Figure 3.3. Fundraiser onboarding and success rates 2021-2022 by region



3.2 Number of fundraisers

Pivotal to the discussion of crowdfunding's enhancement of financial inclusion, is the number of fundraisers involved in crowd-funding activities. The participating plat-forms provided data concerning 443,424 fundraisers i.e., those who seek funding on their platforms across Europe. Analyzing the platform data points that contained pertinent fundraisers information bare a few notewor-thy insights.

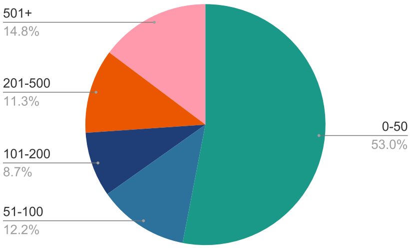
Overall, the number fundraisers across Europe fell from 254,288 in 2021 to 189,136 in 2022, indicating a non-trivial reduction of 25.6%. However, a reduction in the number of fundraisers should not be confused with a reduction in total funds raised. Indeed, data from 129 platforms shows an increase of 21% in total volumes raised between 2021 and 2022. This means that fewer fundraisers have raised more money each on aver-age. Keeping that in mind, the reduction in number of fundraisers remains significant and could be explained by two parallel explanations: (1) the emergence of several government and state support schemes across Europe for helping firms following the covid-19 pandemic, which may have reduced potential fundraisers' funding needs; and (2) growing legal uncertainty around P2P consumer lending, may have shifted inves-tors' attention to P2P business and property lending, where each fundraiser raises higher sums on average compared to consumer lending.

Narrowing this to model levels, we find mixed results for investment models in terms of fundraisers in 2021 and 2022 where equity models recorded 43.1% increase, lending model recorded 45.6% decrease while non-investment models record an 84.5% increase. This development again is in tune with growing legal clarity concerning equity crowdfunding and growing legal uncertainty concerning consumer loans. This is further exacerbated by reduction in appetite for consumer lending in face of major market uncertainties, which followed the Covid-19 pandemic, as well as growing consumer prices following the energy and food crises that emerged after the eruption of the war in Ukraine.

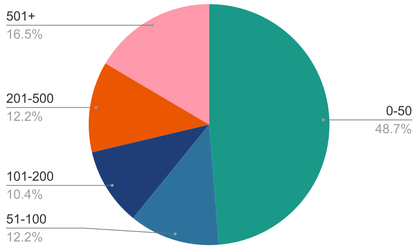
3.3 Number of fundraisers per platform

At the platform level, results indicate that most platforms had less than 51 fundraisers in both 2021 (53.0%) and 2022 (48.7%). Platforms belonging to the group with highest number of fundraisers (501 and above), represented 14.8% and 16.5% of all platforms respectively in 2021 and 2022.

Figure 3.4. Platform distribution by number of fundraisers



Number of fundraisers 2021



Number of fundraisers 2022

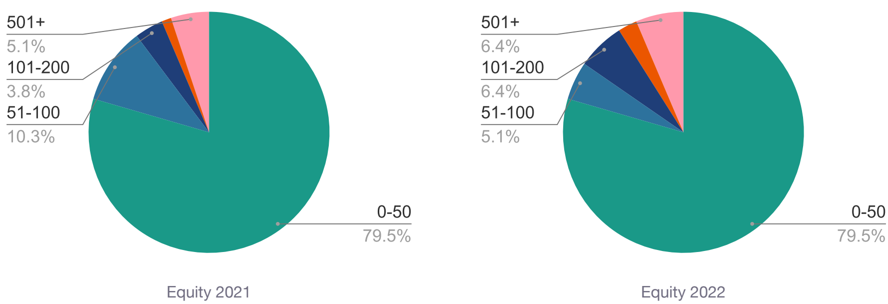
When examining the 2022 figures in parallel with the licensing status of platforms, the data suggests that unlicensed platforms report overseeing 199 fundraisers on average, while licensed platforms report overseeing 2,026 fundraisers on average. Furthermore, platforms having collaborations with traditional financial institutions report overseeing an average of 2,702 fundraisers, while those without such collaborations oversee an average of 393 fundraisers. And in addition, platforms perceiving the public in their country of operations to be sufficiently knowledgeable about crowdfunding report overseeing an average of 6,317 fundraisers, while those deeming their public's knowledge to be insufficient report overseeing 235 fundraisers on average. These differences suggest that platforms that are licensed, those collaborating with traditional financial institutions, and those operating in markets where the public is sufficiently knowledgeable about crowdfunding, can attract substantially larger numbers of fundraisers than those that do not.

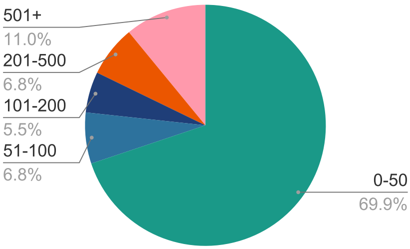
When examining the number of fundraisers per platform based on models, we see that the lowest number of fundraisers is reported in equity platforms, followed by lending platforms, and the highest number is reported by reward platforms. This is unsurprising, as this follows the average value of a fundraiser, often highest in equity, lower in lending, and lowest in non-investment.

In equity platforms, we find that 79.5% of platforms had less than 51 fundraisers in 2021 and 2022. In lending 69.9% and 63.0% of the platforms had less than 51 fundraisers in 2021 and 2022 respectively. On the other hand, among non-investment platforms 37.5% and 34.4% had less than 51 fundraisers in 2021 and 2022 respectively. Again, this follows the logic that non-investment platforms facilitate more campaigns that seek to raise lower sums each compared to investment platforms, as well as engage in much weaker filtration efforts when compared to due diligence and risk assessments of investment platforms.

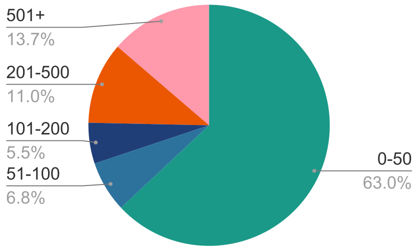
Compared to investment platforms, non-investment platforms represent a wider variety of fundraising scales. The share of mid-range level (51-200 fundraisers) platforms has increased from 21.9% to 31.2% between 2021 and 2022. However, the share of large-scale platforms (above 200 fundraisers) has decreased from 40.7% in 2021 to 34.4% in 2022. This trend, however, seems to be the opposite in investment models where the share of large-scale equity platforms (overseeing more than 200 fundraisers) increased from 6.4% in 2021 to 9.1% in 2022 while the share of large-scale lending platforms has also increased from 17.8% to 24.7% in the same period.

Figure 3.5. Platform distribution by number of fundraisers per model 2021-2022

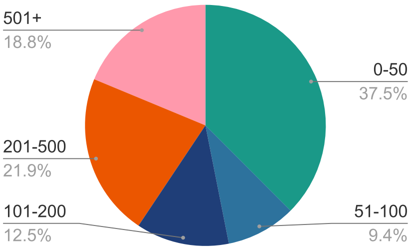




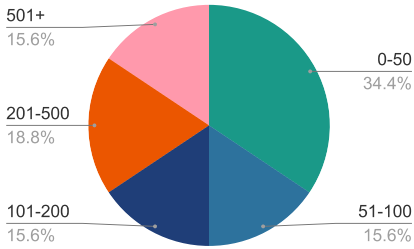
Lending 2021



Lending 2022



Non-invest 2021

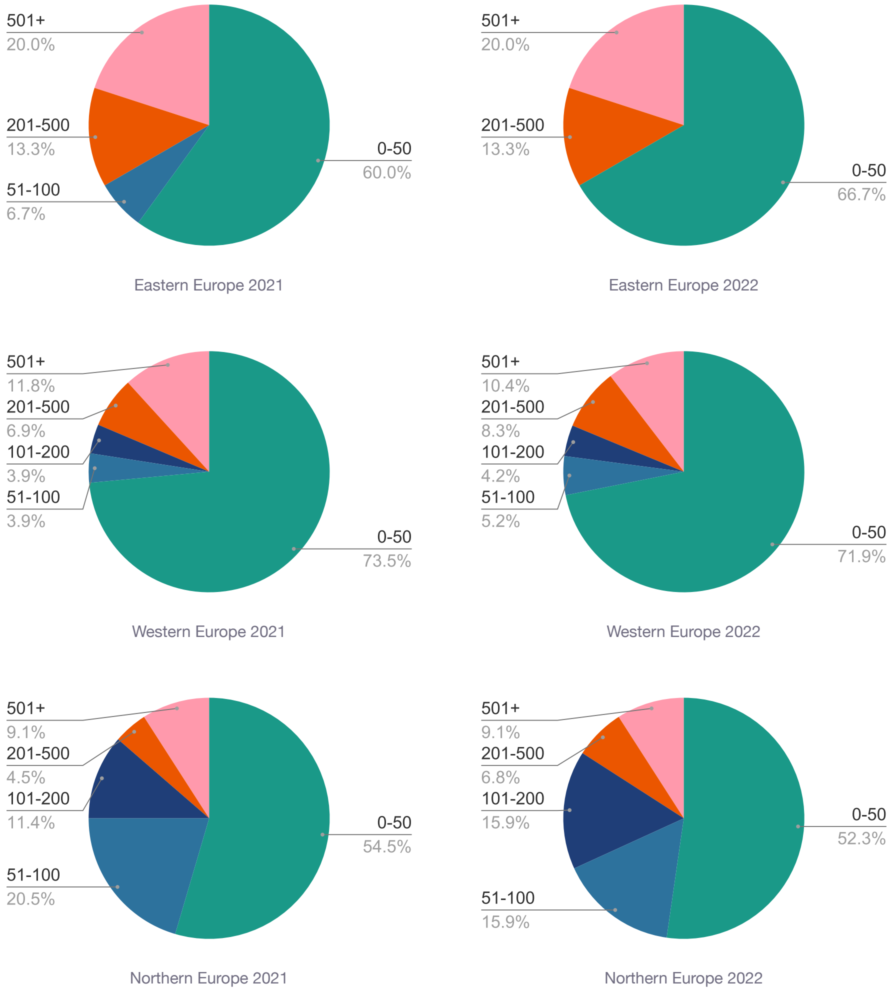


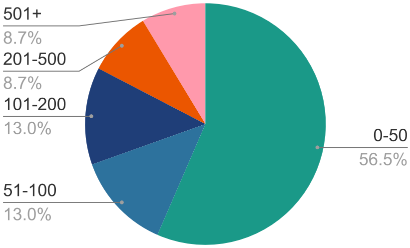
Non-invest 2022

Furthermore, when examining fundraiser figures at the regional levels it becomes apparent that, across regions, more than half of the surveyed platforms confirmed to have less than 51 fundraisers both in 2021 and 2022. Nevertheless, Western Europe represents the region with the highest proportion of such fundraiser-range as indicated by over 70% of platforms, while the lowest share is found in Northern Europe with 53% on average reporting similar number of fundraisers. Overall, this may indicate the industry is still at its growth stage, and has not yet matured, with many relatively small-scale platforms and fewer dominant players.

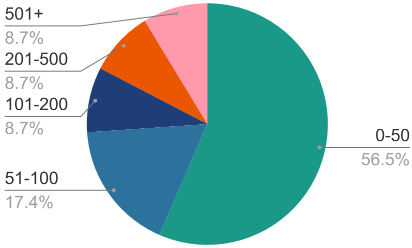
The results also indicate that 20% of platforms in Eastern Europe had over 500 fundraisers in both 2021 and 2022, while in other regions this group of platforms captures only between 9%-12%. Furthermore, mid-range platforms (overseeing 50-200 fundraisers) are the least frequent in Western Europe (around 8%-9%), followed by Eastern Europe (13%). In other regions, this group of platforms represents a larger share capturing 32% in Northern Europe, and approximately 25% in Southern Europe.

Figure 3.6. Platform distribution by number of fundraisers per region 2021-2022





Southern Europe 2021



Southern Europe 2022

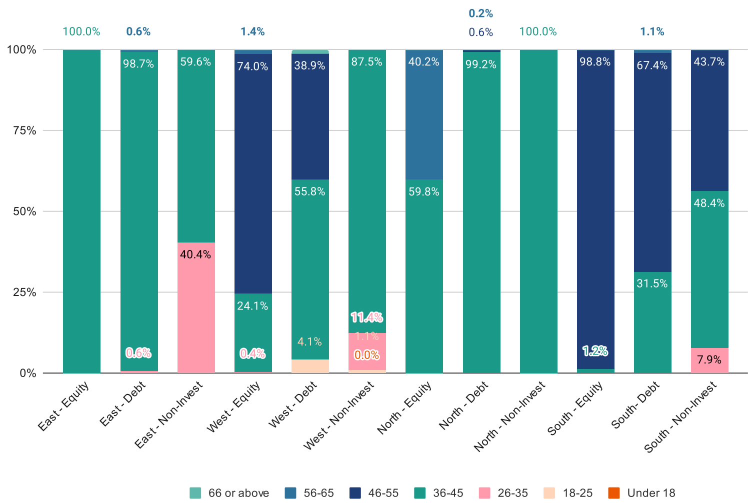
3.4 Age distribution of fundraisers

When observing fundraisers' age by crowdfunding models and region, the overall dominance of the age group 36-45 in both 2021 and 2022, acts as an indication for its critical relevance as a target group for platforms. Such an age group represents more digital savvy adults, who may have some professional track-record to build on in their fundraising activities. Notably, only equity models in Western and Southern Europe were dominated by an older age group of 46-55, again representing an even more mature and experienced group that may have opted for venturing later in life, while bringing with them substantial human capital.

From a crowdfunding model perspective, younger people are more likely to engage in fundraising employing non-investment or lending services. In contrast, more mature individuals appear as fundraisers in equity, where 98% of fundraisers in Southern Europe and 74% of fundraisers in Western Europe are 46-55 years old, and 40% of fundraisers in Northern Europe are 56-65 years old. Again, as equity platforms seek to minimize risks for investors, they may be more prone to approve campaigns by more mature entrepreneurs that bring with them longer experience and human capital.

From a regional perspective, more mature adults in the age group of 46-55 represent a particularly high share of fundraisers in Southern Europe, which may be linked to lower appetite for risk in such markets. On the other hand, the slightly younger group of people aged 36-45 dominates fundraising activities in Northern and Eastern Europe, with both regions characterized by smaller and younger capital markets that may not sufficiently fill the needs of enterprising adults.

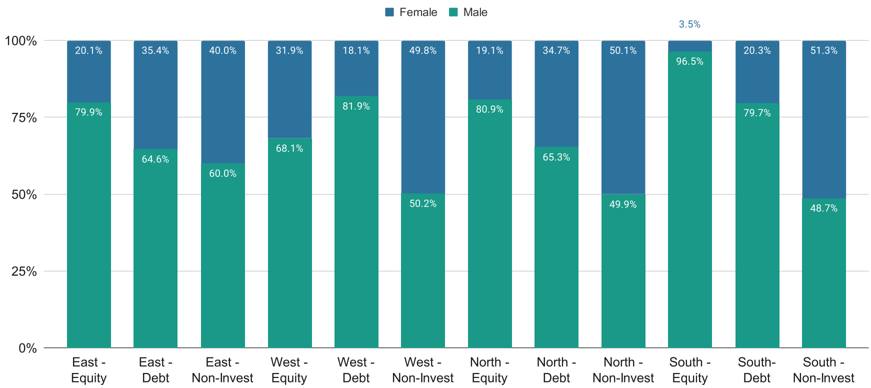
Figure 3.7. Fundraiser age groups by model and region 2022



3.5 Sex distribution of fundraisers

The sex of fundraisers plays a pivotal role in conversations about financial inclusion. Here, while results suggest that males continue to represent most fundraisers across most models and regions, the discrepancy between males and females seems to follow more along model than regional lines. Specifically, investment models present larger imbalances between men and women, while in non-investment models sex distribution among fundraisers is more equal. This may link to lower entrepreneurial activity among women, as well as well documented stronger risk aversion among women in career choices[3].

Figure 3.8. Fundraiser sex distribution by model and region 2022



The largest share of female equity fundraisers is recorded in Western Europe, representing 32% of fundraisers, while the lowest is recorded in Southern Europe with just 3.5% of fundraisers. The largest share of female borrowers is recorded in Eastern and Northern Europe with roughly 35% of borrowers in each, while the lowest share is recorded in Western Europe with 18% of borrowers, while Southern Europe is close with 20%. Fi-

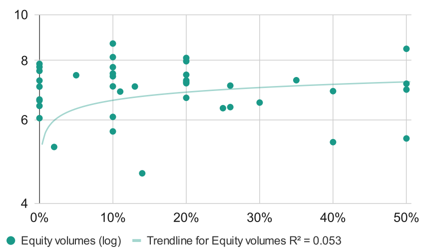
[3]See: Serwaah, P., & Shneor, R. (2021). Women and entrepreneurial finance: a systematic review. Venture Capital, 23(4), 291-319.

nally, the largest shares of female non-investment fundraisers are reported in Southern, Northern, and Western Europe with close to 50% of fundraisers, while in Eastern Europe this share stands at 40%.

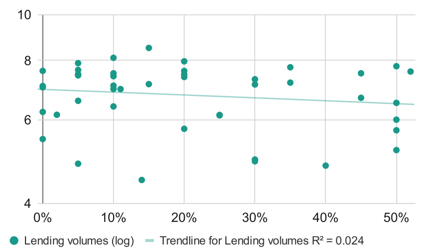
Furthermore, when correlating the share of female fundraisers and volumes raised on a platform, significant associations can be identified. First, in equity platforms, the larger the share of female fundraisers the higher the volumes raised. Here, sex of fundraiser presents a modest predictor explaining 5% of volumes raised on platform. Second, in lending platforms, the higher the share of female fundraisers the lower the volumes raised, but the explanatory power captures only 2% of the variance in volumes. And third, in non-investment platforms we see a curvilinear relation, where there is an optimal share of female fundraisers at about 40%, where lower or higher shares of females are associated with decreasing volumes. Interestingly, this association is deemed particularly strong, explaining close to 29% in the variance of platform volumes raised. Research generally finds that women set lower sum goals than men[4]. Hence, the decline above 40% may be associated with a large proportion of fundraisers being women targeting lower sums in their campaigns, while lower levels below 40% may be associated with majority fundraisers being men that set higher goal sums, leading to lower success rates and volumes overall.

Nevertheless, from a technical perspective, the high concentration of observations around the 40% level, and fewer observations at higher and lower levels, may suggest a non-significant association if seemingly ‘extreme’ values are removed. Since analysis of non-investment platforms includes fewer platforms overall, retained seemingly ‘extreme’ values in the current analysis.”

Figure 3.9. Share of female fundraisers vs. volumes raised on platform (Log value) 2022

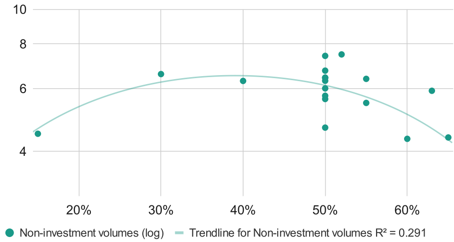


Equity 2022



Lending 2022

[4]See: Serwaah, P. (2022). Crowdfunding, gender and the promise of financial democracy: a systematic review. International Journal of Gender and Entrepreneurship, 14(2), 263-283.

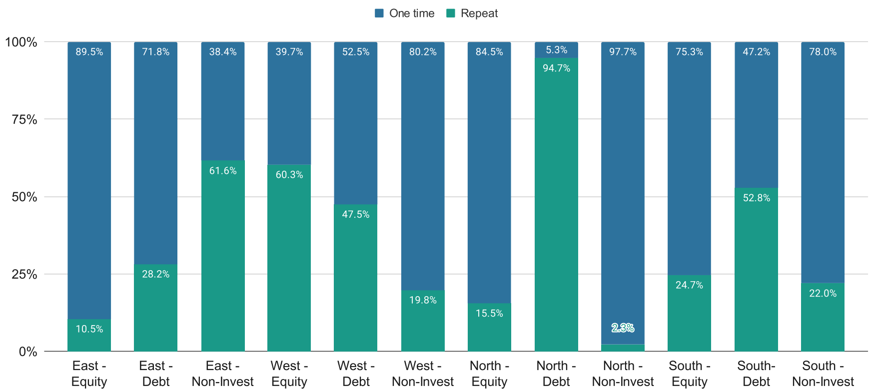


Non-investment 2022

3.6 Repeat fundraisers

When splitting fundraisers between one-time and repeat fundraisers, data suggests that while equity and non-investment models are dominated by one-time fundraisers, lending attracts a greater degree of repeat fundraisers. Shares of repeat borrowers are particularly high in Northern Europe, where close to 95% of fundraisers are repeat borrowers, which is followed by 53% of borrowers in Southern Europe, and 47.5% in Western Europe. Here, it is worth noting that repeat borrowers are particularly common in property lending, where loans are often broken into a series of loans sometimes known as 'trenches', where successful repayment of one loan is followed up with a new loan for a different stage of the property development.

Figure 3.10. Share of repeat fundraisers by model and region 2022

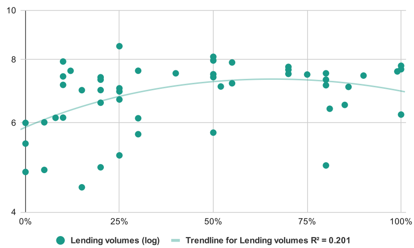


Repeat fundraising is less common in equity in most regions, where its share ranges between 10%-25%, except for Western Europe, where 60% of fundraisers have been identified as repeat fundraisers. Here, while some of these are the result of multiple equity rounds of startups progressing on their growth plan, a large portion of this is also captured by subordinated loans used in Germany as a proxy for equity investments. Like other loans, these special loans are again easier to repeat than equity emission rounds.

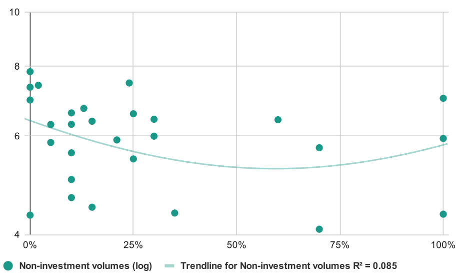
The share of non-investment repeat fundraisers varies more dramatically between regions, with 62% of fundraisers in Eastern Europe versus 2% in Northern Europe. In Southern and Western Europe, it stands at around 20%. The abnormality in Northern Europe is associated with an outlier platform that follows context-specific specialized strategies to inflate campaign numbers (such as nationwide school campaigns with thousands of small-scale collections which are not repeated), also exhibiting very low success rates.

Figure 3.11. Share of repeat fundraisers vs. volumes raised on platform (Log value) 2022

Equity 2022



Lending 2022



Non-investment 2022

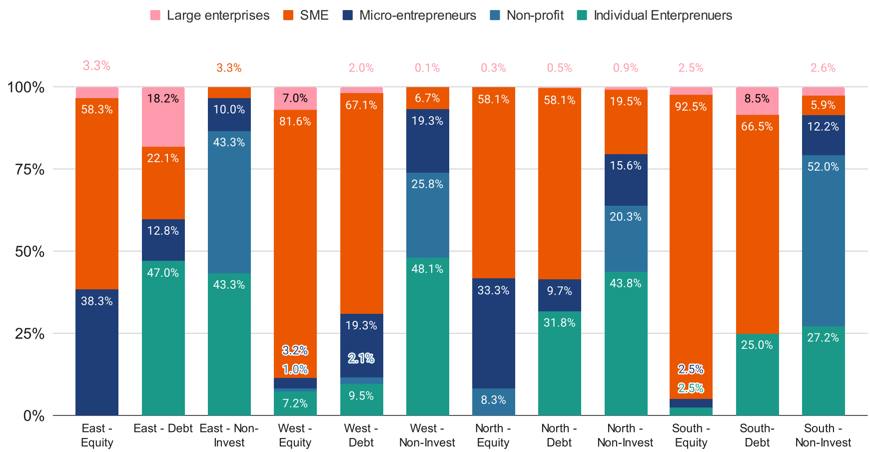
Furthermore, we find strong associations between the share of repeat fundraisers and volumes raised on platforms in 2022. In investment models, this relationship is curvilinear, explaining 4.5% of volumes in equity, and 20.1% in lending; also suggesting optimal points around 50% in equity and 60% in lending. Decrease in volumes beyond these points may indicate platforms' difficulties in recruiting new fundraisers and investors' need for greater diversification of investments on the platform.

Interestingly, the relationship is opposite in non-investment models, while explaining 8.5% of variance in volumes. Here, low shares and high shares of repeat fundraisers result in higher volumes, with lowest results reached when 50% of fundraisers are repeat fundraisers. A possible explanation is that most non-investment fundraisers are one-time efforts, as revolving around concrete opportunities for consumption or donation that are often resolved once funding is allocated. Repeat fundraising in this context may indicate failure to fulfill original campaign goals or viewed as opportunistic behavior by backers, whose willingness to help is gradually exhausted with repeat fundraising. The balancing back up at high rates of repeat fundraisers may be associated with subscription schemes of donations, where backers sign up in advance for supporting fundraisers repeatedly.

3.7 Organizational type of fundraisers

When considering the organizational type of various fundraisers, the results show that across regions and models, SME fundraisers dominated equity models in all regions with 92.5%, 81.6%, 58.3%, and 58.1% in Southern, Western, Eastern, and Northern Europe respectively. Similarly, SME fundraisers dominated lending models in most regions with 67.1%, 58.1%, and 66.5% in the Western, Northern, and Southern Europe respectively. In Eastern Europe lending was dominated by individual entrepreneurs with 47%.

Figure 3.12. Fundraisers' organizational type distribution by model and region 2022



Unsurprisingly, non-investment models recorded a good proportion of non-profit fundraisers with 52.0%, 43.3%, 25.8% and 20.3% in Southern, Eastern, Western and Northern respectively. Notably, large enterprises represented only small portions of fundraisers across regions and models.

The largest proportion of such organizations is recorded with respect to lending in Eastern and Southern Europe with 18.2% and 8.5% of fundraisers respectively.

Regardless, the above findings confirm that crowdfunding is fulfilling its role in catering to small and medium-sized enterprises as well as individual entrepreneurs, as segments that have been underserved and overlooked by traditional financial institutions.

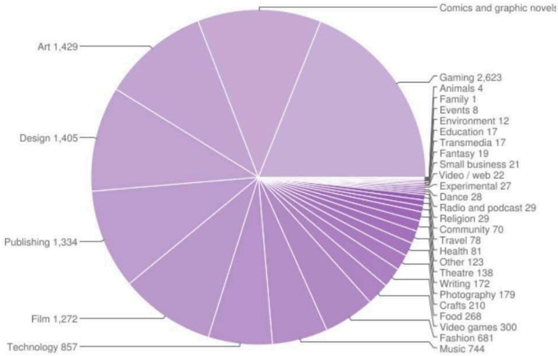
Furthermore, when exploring the association between the share of SME fundraisers and the volumes raised on a platform, we only find weak or non-existent associations. In equity share of SME fundraisers only explains 1% of the variance in volumes. In lending, and when excluding consumer lending platforms, there is no association. And in non-investment platforms, the share of SME fundraisers explains 4.5% of volumes with a negative association. The latter may suggest that platforms focused on donations rather than commercial rewards attract higher levels of funding.

Additional Insights from
THECROWDDATACENTER

INDUSTRY SECTORS

Funded Campaigns by Sector

The projects data is sorted into 41 different sectors which are determined by the options available on each platform. The defined sector is due to the selection of the campaign owner when creating their project.



Showing the number of projects which reached their target in all sectors.
Data presented covers all reward crowdfunding campaigns published globally on the Kickstarter and Indiegogo platforms during 2022

The most campaigns reached their goal in **Gaming, Comics And Graphic Novels and Art** and the sectors which raised the most overall were **Design, Technology and Gaming**

Top Sectors Worldwide

Active Projects		
1	Film	6107
2	Gaming	3751
3	Publishing	2941
4	Art	2790
5	Technology	2595
6	Design	2515
7	Comics And Graphic Novels	2433
8	Music	2219
9	Fashion	1912
10	Food	1294

Campaigns Funded		
1	Film	3091
2	Gaming	2655
3	Comics And Graphic Novels	1733
4	Art	1591
5	Design	1452
6	Publishing	1350
7	Music	1078
8	Technology	1018
9	Fashion	739
10	Food	367

Amount Funded		
1	Design	$925,707,927
2	Technology	$344,541,093
3	Gaming	$171,755,655
4	Photography	$164,815,748
5	Travel	$92,567,003
6	Publishing	$65,166,235
7	Fashion	$43,102,432
8	Film	$33,715,060
9	Video Games	$25,431,340
10	Comics And Graphic Novels	$24,509,668

Data presented covers all reward crowdfunding campaigns published globally on the Kickstarter and Indiegogo platforms during 2022
Table 1 shows the number of campaigns active during 2022
Table 2 shows the number of projects which ended and raised funds (including flexible funding) during 2022
Table 3 shows the funds raised successfully in sectors (including flexible funding) during 2022Data presented covers all reward crowdfunding campaigns published globally on the Kickstarter and Indiegogo platforms during 2022

Chapter 4

Backers

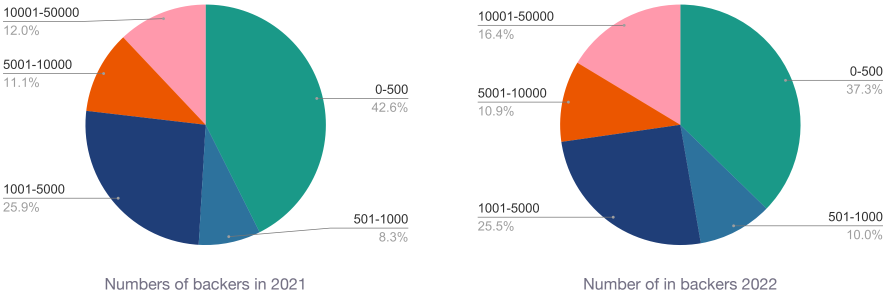
4.1 Number of backers

Crowdfunding's promises of financial democracy manifest both in improved access to finance for fundraisers, as well as in improved access to investment and other financing participation opportunities for wider members of the public. The current section reviews the status as reported by European platforms about the latter. Overall, platforms provided data related to 3,617,831 backers. Backers are providers of financial resources in response to a crowdfunding campaign. These are investors in equity models, lender-investors in lending models, consumers in reward crowdfunding, and donors in donation crowdfunding. And while it is not possible to assess the degree of overlap between backers active on multiple platforms in parallel, the figure of 3.6 million backers recorded on surveyed platforms, does provide valuable insight into the scope of crowdfunding reach in Europe currently standing at roughly 0.5% of the total European population. Also indicating that much room for further growth remains.

Overall, the number of backers across Europe fell slightly by 1.91% between 2021 and 2022. This reduction is considered trivial amid the aftermath of the COVID-19 pandemic and growing economic uncertainties surrounding price increases in energy and consumer goods following the war in Ukraine. Nevertheless, when examining this trend by model, a more substantial reduction in number of backers was recorded in equity models with 18.7%. The reduction in non-investment models involved a decline of 4.5% in the number of backers. Contrary to these trends, the number of lenders in lending models increased significantly by 29.6%. This may indicate a difference in preferences, where fundraisers (as shown in chapter 3) increasingly prefer equity models, investors increasingly prefer lending models. Such preferences may align with equity models greater flexibility in accommodating greater risks, in comparison to lending models which represent commitments to fixed returns and schedule for such payments.

Figure 4.1. shows that most platforms reported serving less than 500 backers in both 2021 (42.6%) and 2022 (37.3%). The second largest group of platforms are those reporting serving between 1001-5000 backers (roughly 25% of platforms in both years). Finally, the group of platforms servicing 10K-50K backers grew from 12.0% in 2021 to 16.4% in 2022.

Figure 4.1. Share of platforms by number of backers 2021-2022



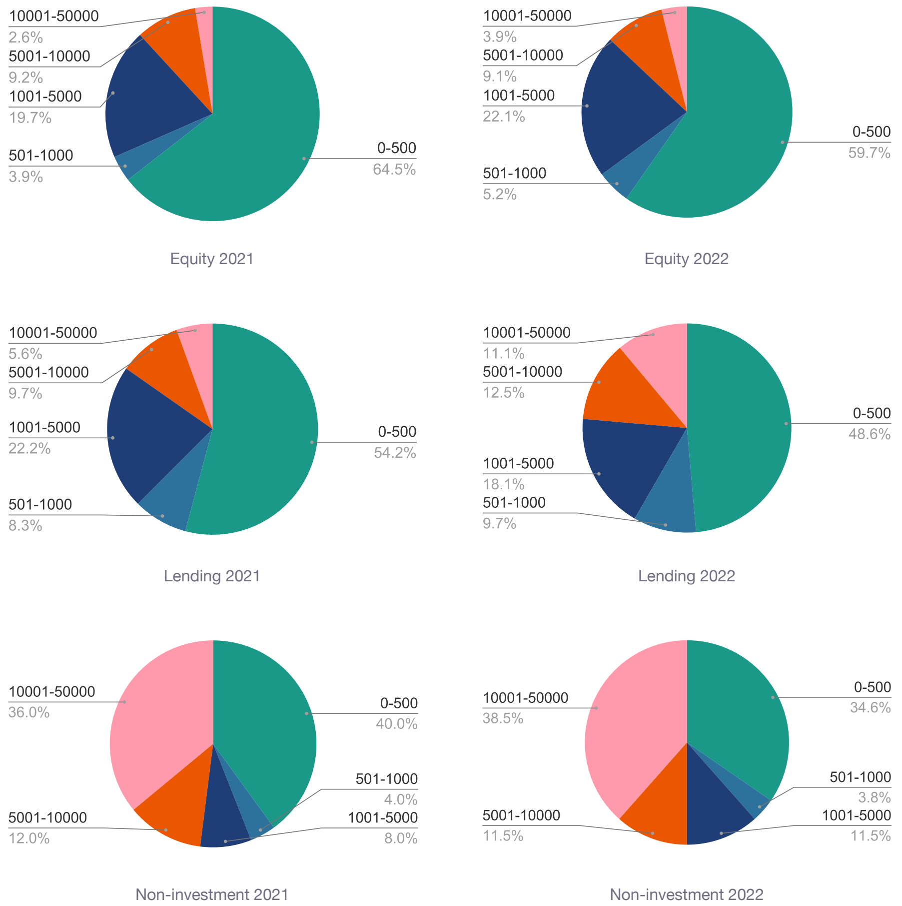
When examining the number of backers served by platforms by model, we find that 64.5% and 59.7% of equity crowdfunding platforms had fewer than 500 backers in 2021 and 2022 respectively. This trend was mirrored in both lending, where 54.2% and 48.6% of the platforms served fewer than 500 backers in 2021 and 2022, respectively; and non-investment, where 40% and 34.6% of the platforms served fewer than 500 backers in 2021 and 2022, respectively. This corresponds with earlier findings in chapter 3 that a substantial share of platforms also reports a relatively low number of fundraisers, representing the actual opportunities to back campaigns.

Non-investment models seem to represent a split between two main types of platforms, one serving a large (10K-50K) number of backers, and one serving very small (less than 500) number of backers, each representing roughly 40% of the respondents.

The remaining platforms serving a mid-range (between 500-5000) number of backers represent 20%.

The stark difference between non-investment and investment platforms is particularly evident with respect to platforms serving the highest range of backers' numbers. Here, in 2022 while 38.5% of non-investment platforms reported operating in this range, only 3.9% of equity and 11.1% of lending platforms reported operating in this range. This relates to several important barriers for participation in investment activities involving investor qualification procedures (such as tests of knowledge and ability to bear losses), limited public knowledge about investment opportunities on crowdfunding platforms, as well as substantially higher monetary sums required for participation in related transactions, and the willingness to take the risks that come with them.

Figure 4.2. Share of platforms by number of backers per model 2021-2022

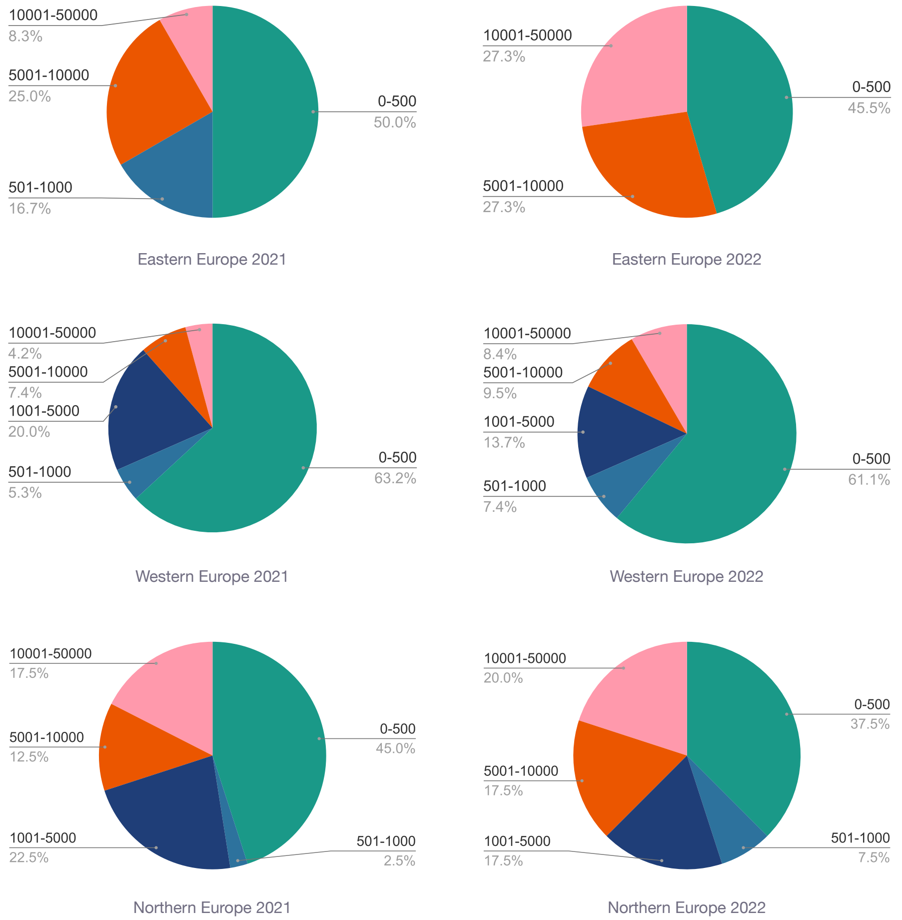


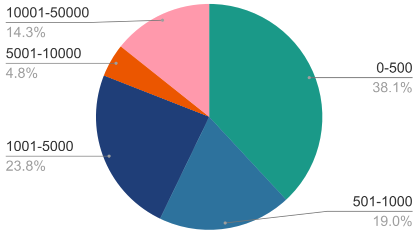
Furthermore, when splitting the sample by regions, several similarities and differences emerge. First, the largest share of platforms in all regions is represented by those serving a very small number of backers (less than 500). In 2022, such platforms represented 45.5% of platforms in Eastern Europe, 61.1% in Western Europe, 37.5% in Northern Europe, and 34.8% in Southern Europe.

All regions also report a growth in the share of platforms serving 5K-10K backers between 2021 and 2022. Growth from 25% to 27.3% in Eastern Europe, from 7.4% to 9.5% in Western Europe, from 12.5% to 17.5% in Northern Europe, and 4.8% to

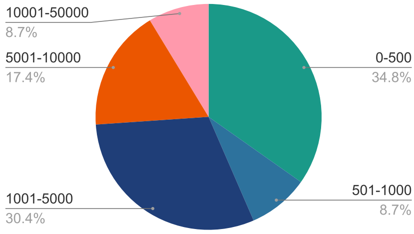
17.4% in Southern Europe. However, while the growth in Eastern, Western, and Northern Europe came in parallel to growth in the share of platforms serving 10K-50K backers, in Southern Europe the growth in the 5K-10K came at the expense of a decline in the share of platforms serving 10K-50K backers.

Figure 4.3. Share of platforms by number of backers per region 2021-2022





Southern Europe 2021



Southern Europe 2022

Furthermore, we explore three conditions and whether they result in different numbers of backers. First, when investigating differences between licensed and unlicensed platforms we find that unlicensed platforms have an average of 28,447 backers while licensed platforms have 9,076 backers on average. This corresponds well with stringent onboarding of investors in investment models, which require licensing, versus less demanding onboarding of backers and donors on non-investment platforms, which often do not require special licenses.

Second, when examining differences between platforms that have collaborations with traditional financial institutions versus those that do not, we find that the former group has an average of 5,449 backers, while the latter has 7,060 backers on average. This implies that collaboration with traditional financial institutions does not provide clear benefits in attracting more backers[1].

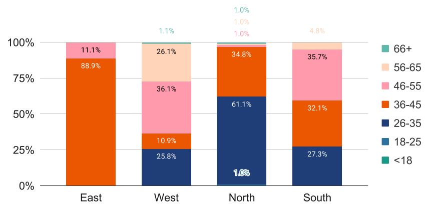
And third, we find that platforms that report that the publics they serve are sufficiently knowledgeable about crowdfunding have 10,110 backers on average, while those reporting the public is not sufficiently knowledgeable about crowdfunding have 3,988 backers on average. This implies that in markets where the public is better informed about crowdfunding, platforms can attract a higher number of backers and investors to the campaigns they publish.

[1]Partnership with traditional financial institutions may still aid in attracting more sophisticated investors, but the current study does not have data for confirming such assumption.

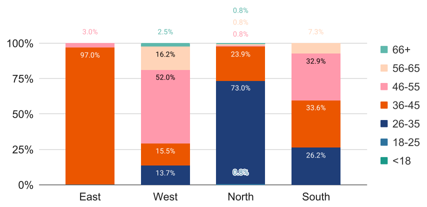
4.2 Backer age

Backers' age distributions vary by model and region. First, in the equity model investors aged 36-45 dominate Eastern Europe, representing 89% and 97% of investors in 2021 and 2022, respectively. In Northern Europe even younger investors, aged 26-35, dominate the market representing 61% and 73% of investors in 2021 and 2022, respectively. In contrast, in Western Europe, older investors, aged 46 and higher, dominate representing 63% of investors. In Southern Europe no age group dominates the market, exhibiting a more balanced distribution of backers' age groups.

Figure 4.4.1 Age distribution of equity crowdfunding backers by model and region



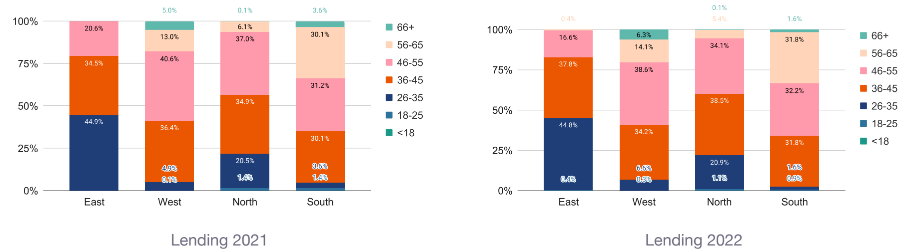
Equity 2021



Equity 2022

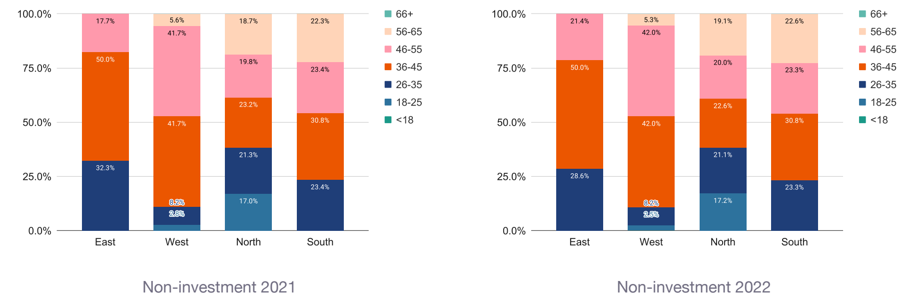
Second, in lending crowdfunding lender-investors aged 36-45 seem to capture a similar proportion of investors regardless of region, while ranging between 32% in Southern Europe to 38% in Northern Europe in 2022. Under this model, young investors, aged 25-36 dominate Eastern Europe, representing close to 45% of investors in both 2021 and 2022. Older investors, aged 46 and above, again dominate Western Europe, while representing 59% of investors. In Northern Europe, the two largest age groups capture similar proportions, with investors aged 36-45 representing 38.5% and investors 46 and older representing 39.6%. Also, with respect to lending, Southern Europe presents the most balanced distribution of these three main age groups, each capturing roughly a third of the market.

Figure 4.4.2 Age distribution of lending crowdfunding backers by model and region



Finally, in non-investment crowdfunding, backers aged 46 and above represent the largest portions of backers in Western, Southern, and Northern Europe capturing 47.3%, 45.9%, and 39.1% of backers, respectively during 2022. The only exception is Eastern Europe where backers aged 36-45 represent the largest portion of backers, representing 50% of backers in 2021 and 2022. The highest proportion of young backers, aged 18-35, is recorded in Northern Europe, capturing 38.3% in 2021 and 2022.

Figure 4.4.3 Age distribution of non-investment crowdfunding backers by model and region



Interestingly, and across models, the age group of 56 and older is largely absent in Eastern Europe. The younger profile overall of Eastern European backers may represent generational change of those growing after regime transitions following the fall of the Soviet bloc, who are more financially literate, more experienced with capitalist market dynamics, are more tech-savvy and trusting than older generations.

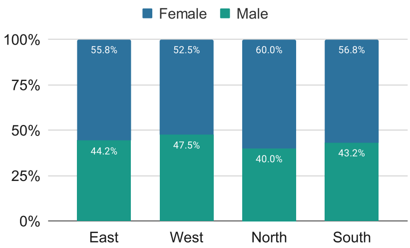
4.3 Backer sex

When dividing backers between men and women, data shows little differences in their relative distribution between years but does identify major differences by model and region. First, we see that while women dominate backers of non-investment models, representing between 52% and 60% across regions, they are a minority group among investors in investment models. Accordingly, women only represent between 18% and 27% of investors in equity, and 7% to 27% of investors in lending in 2022 respectively. This is consistent with research showing that women are more risk-averse, less confident in financial decision-making than men[2], as well as often earning less than men in most job categories which also implies less disposable income when compared to men[3].

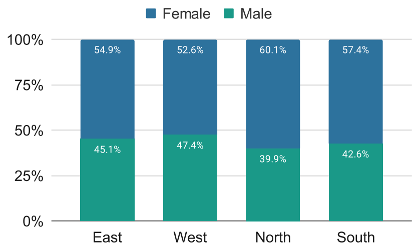
Figure 4.5. Sex distribution of backers by model and region 2021-2022

[2]See: Serwaah, P., & Shneor, R. (2021). Women and entrepreneurial finance: a systematic review. Venture Capital, 23(4), 291-319.

[3]See: OECD. (2012). Closing the Gender Gap: Act Now. OECD Publishing.



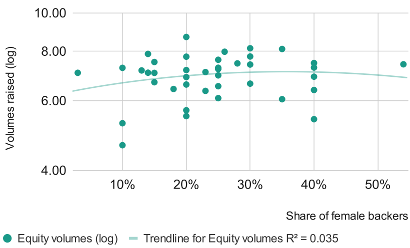
Non-investment 2021



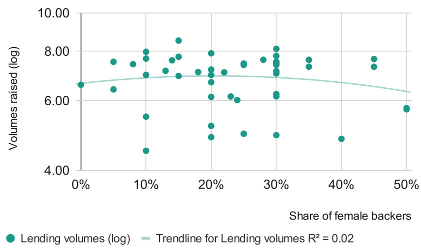
Non-investment 2022

When examining investment models regionally, the lowest shares of women backers are documented in Southern Europe, where 6.7% of lenders and 18.1% of equity investors are women. On the other hand, relatively higher shares of women backers are documented in Western and Northern Europe, where these shares range between 24.8% to 26.7%.

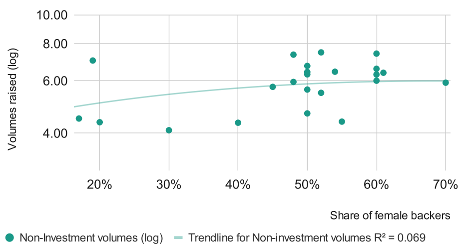
Figure 4.6. Share of female backers versus volumes raise on platform 2022



Equity 2022



Lending 2022



Non-investment 2022

Furthermore, when exploring the association between the proportion of female backers and volumes raised by the survey platforms, we find significant relations between the two. Notably, the explanatory power of the correlations differs across models where the share of female backers explains 7.1% of the variance in volumes raised by equity platforms, 3% of the variance in volumes raised by lending platforms, and 6.8% of the variance in volumes raised by non-investment platforms in 2022. In the case of non-investment, the trend is clear where higher share of females leads to higher volumes raised. In equity the same logic follows, but up until the point where most investors are women, and then volumes raised fall slightly. In lending, however, there seems to be an optimal point at around 30% female lenders. Up to this point increasing shares of female investors lead to volume increase, but after it they lead to volumes' decrease. In both investment cases, declining volumes with higher share of women investors, may be related to earlier research suggesting that women invest smaller sums than men[4].

[4]See: Serwaah, P., & Shneor, R. (2021). Women and entrepreneurial finance: a systematic review. Venture Capital, 23(4), 291-319.

4.4 Repeat backers

When examining the relative proportions of backers that are one-time versus repeat backers, we again find differences across models and regions. Overall, the findings suggest that, across regions, most backers on investment platforms during 2022 were repeat investors, representing 60.6% of equity investors and 66.6% of investor-lenders.

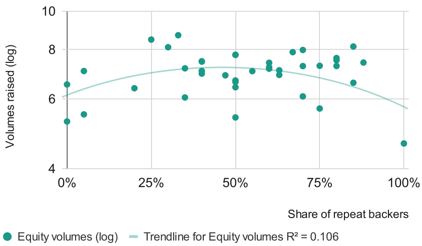
This was different in non-investment models where 79.4% of backers across regions were first time backers, and only 20.6% were repeat backers. This may reflect the need to spread risks by managing a portfolio of investments in equity and lending, which is not necessary when pre-purchasing products or supporting a donation collection.

Figure 4.7. Share of repeat backers by model and region 2022

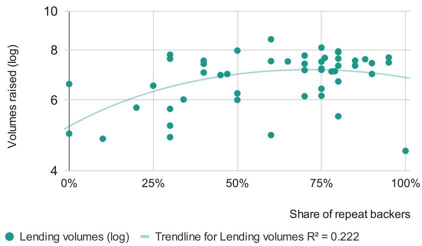
Hence, repeat backers in non-investment platforms are more akin to patrons who seek enjoyment from helping others, and while they may be interested in actual products or services, they do not view related transactions as investments whose risks need to be managed.

Moreover, the analysis of relations between share of repeat backers and volumes raised on platforms presents interesting insights. Here, results indicate that the share of repeat backers explains 10.6% of variance in volumes raised by platform, and that this relation has an optimal point around 50%, meaning that up to 50% repeat backers in equity platforms lead to increasing volumes, and above it, volumes decrease. A similar pattern is also identified with respect to lending with even stronger associations, explaining 22.2% of the variance in volumes raised. Here, again, an optimal point emerges around 75% of repeat investors. Accordingly, in platforms with up to 75% of repeat backers, volumes increase, and shares above it led to decrease in volumes. In non-investment, the relationship follows an opposite trend, where up to 60% repeat backers, volumes decrease albeit to a relatively low degree, and after it they increase. Here, this association explains 4.4% of the variance in volumes raised by non-investment platforms.

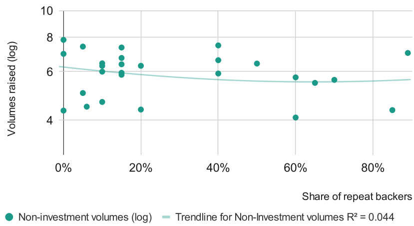
Figure 4.8. Share of repeat backers versus volumes raised on platform in 2022



Equity 2022



Lending 2022



Non-investment 2022

4.5 Type of backers

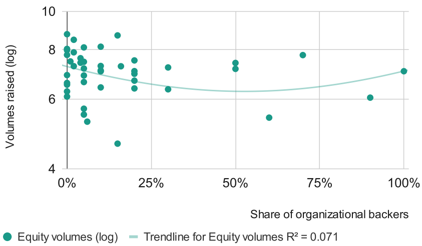
When distinguishing between backers that are private individuals versus backers that are organizations, differences across models and regions emerge again. Across all regions and models, private investors represent most backers in both 2021 and 2022. Private investors constituted 72.4% of equity and 78.5% of lending investors, as well as 94.5% of non-investment backers in 2022.

Figure 4.9. Types of backers by model and region 2022

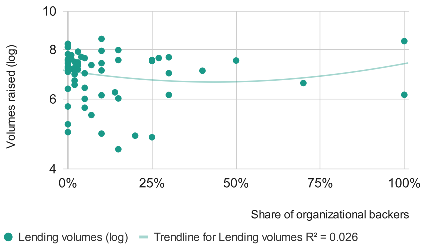
Furthermore, in equity platforms organizational investors captured similar shares ranging between 26% and 32% of investors in Eastern, Western, and Southern Europe. However, organizational investors represented a substantially lower share of equity investors in Northern Europe (11%). A possible explanation here is a combination of extreme institutional rigidity in Nordic countries and limited availability of early-stage venture financing in both Nordic and Baltic Europe. A slightly different picture is evident in lending, where Western and Northern Europe sees organizational investor involvement representing 20%-23%, whereas in Eastern and Southern Europe it stands at 9.1% and 13.9%. Finally, since non-investment campaigns do not present prospects of financial return, limited backing by organizations is mostly linked to smaller-scale donation activities as part of broader corporate social responsibility and community involvement. In this context, the results seem to suggest that organizations from Southern Europe may be using crowdfunding for such activities to a greater extent than organizations in other regions.

If organizations have larger resources than individuals, it is worth investigating whether a greater share of organizational backers also leads to higher volumes raised by platforms. Overall, our findings suggest this is not the case across models. First, there is no clear association between organizational backers and volumes raised on non-investment platforms. Second, this association does exist in investment models, but is not linear. Indeed, it mostly takes a U-shape.

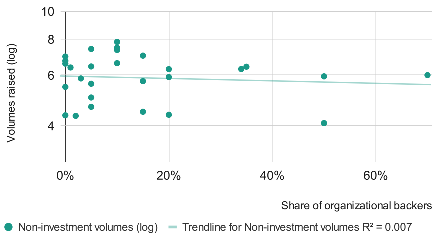
Figure 4.10. Share of organizational backers versus volumes raised on platform 2022



Equity 2022



Lending 2022



Non-investment 2022

In both equity and lending, volumes decrease up to a level where around 50% of investors are organizational investors and rise again when the share of organizations investors increases above 50%. This association explains 7.1% of the variance of volumes raised in the case of equity, while explain only 2.6% of the variance in volumes raised on lending platforms. Taken together, this suggests that when organizational investors represent up to 50% of investors on a platform, their involvement actually reduces the volumes raised rather than increases them. This may be explained by a combination of gradual erosion of private investors' impact with growing involvement of organizational investors, discontent of private investors with benefits enjoyed by organizational investors such as first or preferred access to opportunities, as well as loss of interest by investors who view such trends as countering original value proposition of crowdfunding in enhancing financial democracy. Nevertheless, on investment platforms where more than 50% of investors are organizations rather than individuals, higher shares of the former lead to increasing volumes.

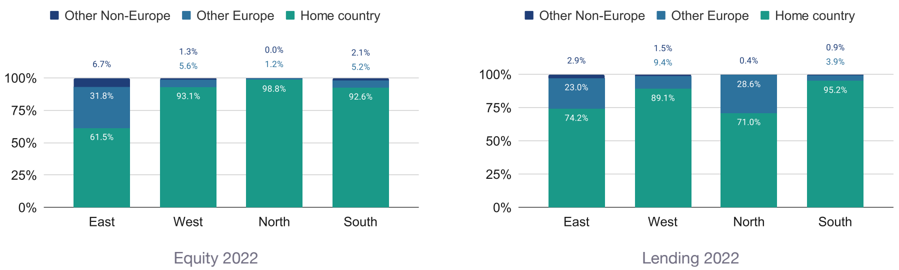
4.6 International backers

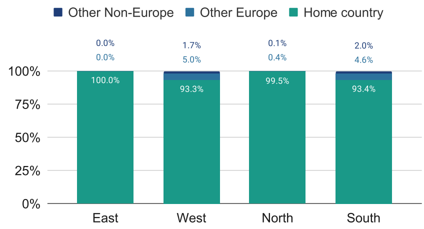
Until recently, crowdfunding regulations have been overseen locally in each country within Europe largely hampering cross-border flows and investments. The data captured in the current study represents the last year preceding regulatory harmonization in Europe, at least with respect to business investment crowdfunding models. Unsurprisingly, data shows that across models and regions, most backers originate domestically.

In equity, platforms in Western, Northern, and Southern Europe report 1%-7% international investors, while only Eastern Europe reports a larger share of international investors standing at 38.5% of all investors. Nevertheless, a large portion of these is likely to include home-nationals that have migrated to work in other regions of Europe, as part of a wider migration wave from Eastern Europe in the past three decades.

Lending, on the other hand, represents the most internationally influenced model in relative terms. Where 29% of investors in Northern Europe, 25.9% of investors in Eastern Europe, and 10.9% of investors in Western Europe are international investors. Unlike equity, loans don't have physical anchoring in foreign markets and mostly represent temporary digital agreements, and hence 'easier' to invest in across borders. In addition, lending models rarely fall within the scope of securities regulations, which typically require fundraisers and platforms to comply with regulatory requirements of a jurisdiction where investors are based. The latter situation creates a great regulatory burden in terms of scoping and complying with many different regulatory regimes.

Figure 4.11. Share of international versus domestic backers by model and region 2022



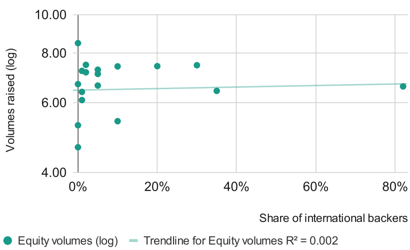


Non-investment 2022

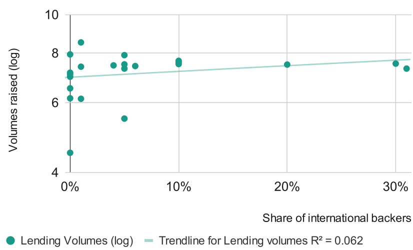
Surprisingly, and despite minimal limiting regulations in most instances of non-investment crowdfunding, international backing remains limited. This may be due to the domination of global players such as Kickstarter and Indiegogo which may attract internationally oriented projects, while more domestically oriented projects end up being promoted on locally anchored platforms in local languages, often limiting international appeal and access to such projects.

Regardless of model and region, most international backers come from other and neighboring European countries rather than non-European countries. The largest share of non-European based investors was reported by equity platforms in Eastern Europe with 6.7% of all investors. While, such information was not available, one may speculate that these may include groups of Russian investors as well as Eastern European migrants in North America.

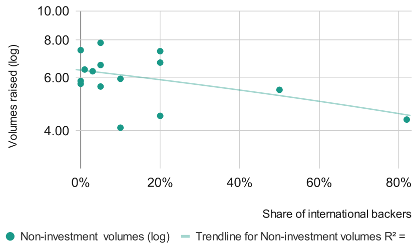
Figure 4.12. Share of international backers versus volumes raised on platform 2022



Equity 2022



Lending 2022



Non-investment 2022

When examining relations between share of foreign backers and volumes raised on platforms, we find no clear association in the case of equity platforms. Nevertheless, a positive association is identified in the case of lending platforms, indicating that a higher share of international investors leads to higher volumes being raised. Here, the share of foreign investors explained 6% of the variance in volumes raised on lending platforms. In non-investment the relationship is significant but negative, indicating that higher shares of foreign investors were evident in platforms raising smaller volumes. In this case, the share of foreign backers explained 20% of the variance in volumes raised by platforms. This surprising finding can be explained by the fact that higher levels of international backing are recorded in donation crowdfunding, where campaigns raise modest sums, and relatively lower sums overall when compared to all other models.

Additional Insights from THECROWDDATACENTER

SECTORS COMPARISON

Sectors By Most Backers

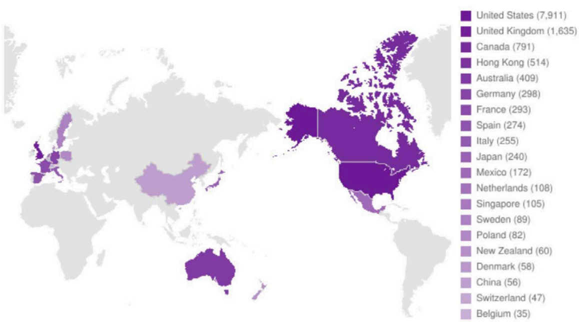
Sectors ordered by average numbers of backers, per campaign, from January to December 2022

	Ended	Funded	% Success	Avg Raised	Avg Goal	Avg Pledge	Avg Backers
Gaming	3751	2623	70%	$65,463	$28,115	$88	527
Design	2515	1405	56%	$658,798	$64,646	$1,504	245
Travel	298	78	26%	$1,185,662	$260,741	$1,320	236
Technology	2598	857	33%	$401,687	$843,339	$630	212
Video Games	1267	300	24%	$84,568	$258,544	$114	203
Animals	10	4	40%	$58,763	$10,346	$137	178
Comics And Graph	2433	1654	68%	$14,776	$8,456	$59	175
Publishing	2941	1334	45%	$48,840	$25,674	$141	162
Religion	74	29	39%	$24,485	$25,384	$104	101
Other	286	123	43%	$21,409	$83,223	$108	93

Data presented covers all reward crowdfunding campaigns published globally on the Kickstarter and Indiegogo platforms during 2022

Find out more and see the full tables at TheCrowdDataCenter.com

The Top 20 Countries for Funded Campaigns During Jan-Dec 2022



This map shows the top 20 countries by number of campaigns which reached their target.

Data presented covers all reward crowdfunding campaigns published globally on the Kickstarter and Indiegogo platforms during 2022

The most campaigns reached their goal in **United States, United Kingdom and Canada** and the countries which raised the most overall were **Japan, United States and Hong Kong**

Chapter 5

Crowdfunding technology

5.1 Technology overview

Technology plays a defining role in the crowdfunding industry. It facilitates the fund-raising process by offering global access to investment opportunities, providing a smooth and modern user experience, payment security, regulatory compliance, data analytics, marketing communication, scalability and performance optimization.

Crowdfunding and online investment platforms typically use a mix of different technologies and services to ensure streamlined and automated processes, with the core technology—the platform itself—lying at the center. There are several ways to build a crowdfunding platform's tech core: use a software-as-a-service solution (SaaS), buy ready-made (proprietary) crowdfunding software, create the platform in-house or outsource building the platform to a third-party team.

Software-as-a-service crowdfunding technology (also called white-label crowdfunding software) allows platforms to go to market quickly but with certain limitations regarding features, custom functionality and overall platform scalability.

Proprietary crowdfunding software is usually more flexible than pure SaaS solutions. Depending on the software vendor, ready-made software can be customized to fit specific business needs or left as it is. The main difference from the SaaS option would be the absence of vendor lock-in in most cases.

Building a platform in-house or with an outsourced tech team allows firms to create the most bespoke platform software from scratch and tailor it to all business and regulatory requirements. In-house-built software tends to be more expensive due to the cost of keeping the whole team, but it also allows tweaking things quickly and retaining the organization's knowledge. All of this makes a business more sustainable and flexible. Crowdfunding software built with an outsourced provider may be cheaper for the company but requires more resources to manage the development process.

5.2 Tech strategies by model and region

In our sample, 60% of equity and 64% of lending-based crowdfunding platforms, built their crowdfunding software in-house, which could be either a sign of business maturity, a strong preference for flexible and timely design and adaptation, as well as concerns with proprietary ownership. At the same time, only 19% of the platforms operating non-investment-based models built their software in-house. This may be related to lower revenue levels from success fees on smaller campaigns when compared to investment models, requiring opting for the most cost-efficient platform development options. Accordingly, the most popular tech-building strategy for them was to build a platform with an outsourced team, which accounted for 50% of non-investment respondents, not requiring a commitment to labor costs that may be associated with in-house development. In contrast, only 19% of lending and 22% of equity platforms chose to build software with an outsourced provider.

Figure 5.1. Percentage of equity-based crowdfunding platforms by technology

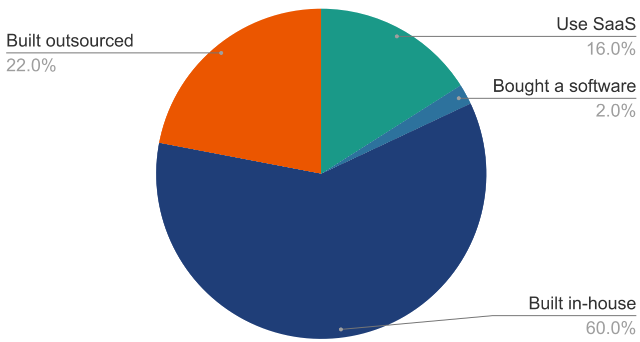
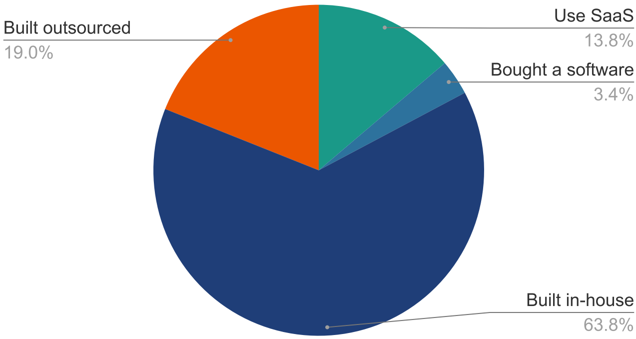


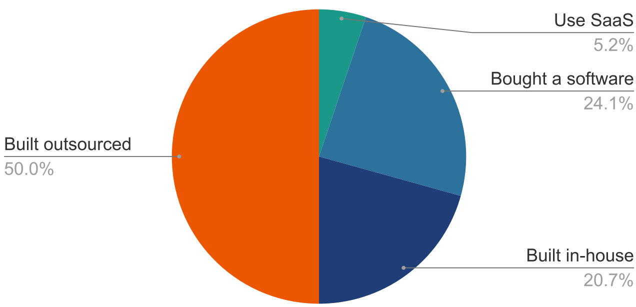
Figure 5.2. Percentage of lending-based crowdfunding platforms by technology



Buying crowdfunding software was the second most popular strategy for non-investment-based platforms, as 24% of platforms chose this option. This was, however, the least popular option for lending and equity platforms with 3% and 2% of the platforms reporting this choice, respectively.

SaaS software was used only by 14% of lending and 16% of equity platforms. In comparison, non-investment platforms were even less inclined to run on SaaS, as was reported by 5.2% of these respondents.

Figure 5.3. Percentage of non-investment-based crowdfunding platforms by technology



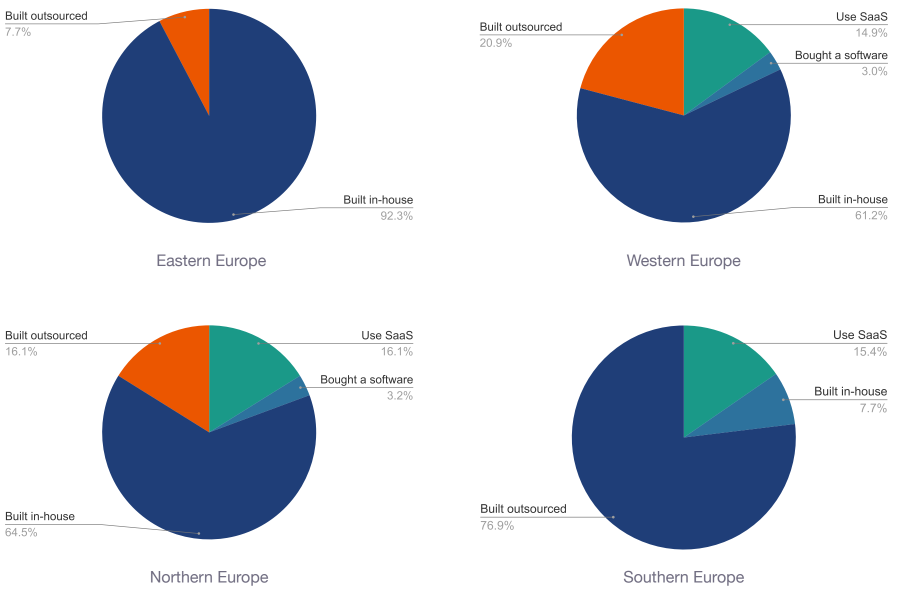
When reviewing the tech strategy by region, platforms from Eastern (92%), Western (61%) and Northern Europe (64%) built the platform in-house, while in Southern Europe this proportion was substantially lower (8%). At the same time, platforms from Southern Europe have not reported buying software, and the proportion of those who outsourced crowdfunding software development reaches 77%.

Software outsourcing is less popular in Western (21%) and Northern Europe (16%) and is least popular in Eastern Europe (8%). The latter might have to do with a higher concentration and availability of affordable tech talent in Eastern European countries, which gives the platforms from this region an advantage in building new tech and implementing advanced user experience much quicker.

Regarding SaaS software usage, respondents from Eastern Europe have not reported using it at all, while this solution was used by 15% of the platforms from Western, 16% from Northern and 15% from Southern Europe.

Finally, software purchasing is the least popular option among our respondents from Western (3%) and Northern Europe (3%). None of the responding platforms from Eastern and Southern Europe indicated using this strategy.

Figure 5.4. Crowdfunding technology used by platforms per region

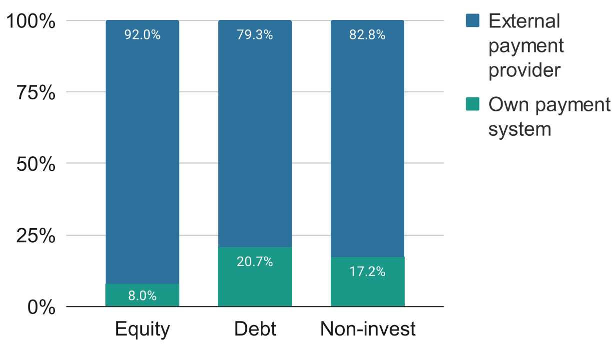


5.3 Payment processing

Crowdfunding platforms usually process payments either through a third-party provider (e.g., Lemonway, Mangopay, Paysera, Mollie, Sofort, Secupay, etc.) or through their own payment gateway, in which case they are required to hold a relevant license of a payment service provider. Payment processing typically involves several underlying processes like KYC and AML/CTF verification, wallet creation, scheduled payment and refund management, escrow or money holding, etc. All of this can be highly demanding for a platform to handle in-house, at least when it is an early-stage business.

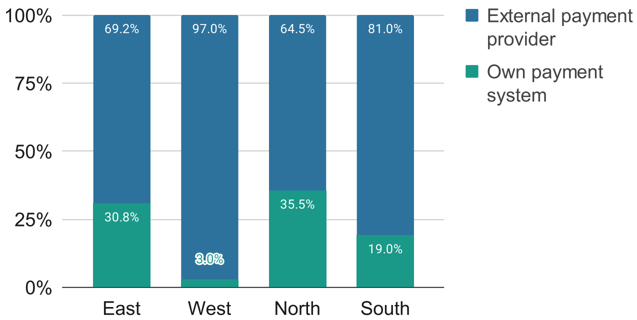
We found that the usage of third-party payment service providers, predictably, prevails across all models as reported by 92% in equity, 79% in lending and 83% in non-investment crowdfunding platforms. Only 8% of our respondents who run equity crowdfunding platforms use their own payment processing system, while this parameter is a bit higher for lending (21%) and non-investment platforms (17%).

Figure 5.5. Payment processing by business model



The split of payment processing strategies across the regions shows divergent patterns. We established that 31% of platforms from Eastern Europe and 36% from Northern Europe operate their own payment solution, as opposed to just 3% in Western and 19% in Southern Europe. One potential explanation may be a possible higher degree of bank involvement in the alternative finance space in these regions, which may facilitate the adoption of own payment processing mechanisms.

Figure 5.6. Payment processing by region

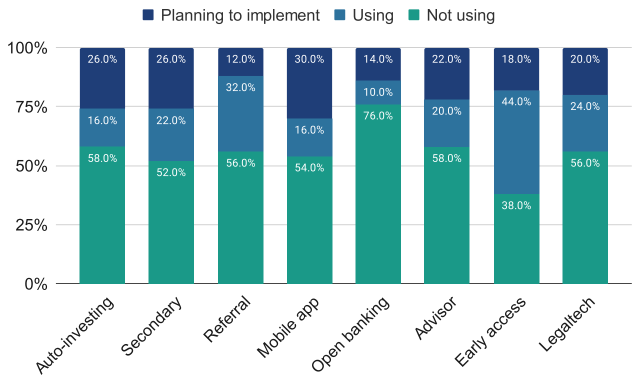


5.4 Advanced feature usage

Crowdfunding platforms introduce additional features beyond the standard setup that includes investment opportunity view, investor registration, actual investing, and receiving returns. These extra features not only help platforms compete by providing better investor and fundraiser experiences, but also move crowdfunding technology forward.

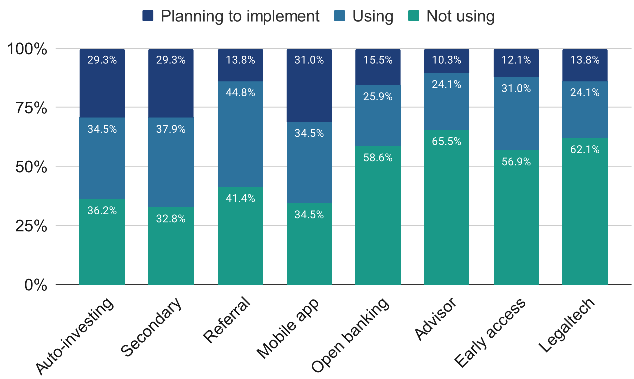
Not all crowdfunding platforms strive to provide additional functionalities, and their interest in doing so depends on a variety of factors like the business model or its capacity to invest in their development and maintenance of new functionalities. We asked our respondents whether they use or plan to implement the following additional features and technologies: auto-investing, secondary market, referral system, mobile app, open banking, investing through an advisor, early access to investment opportunities, and legal tech.

Figure 5.7. Feature usage by equity-based crowdfunding platforms



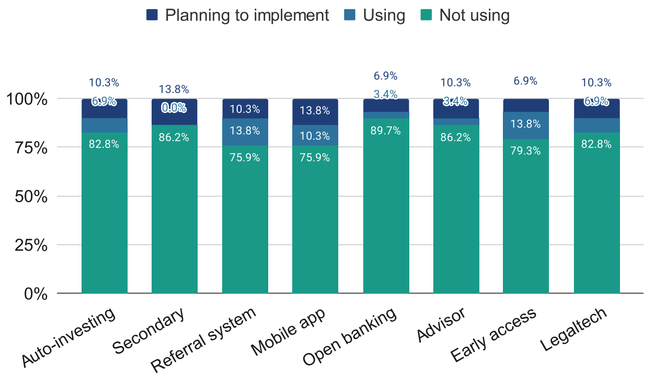
Among the equity-based crowdfunding platforms we surveyed, early access to investment opportunities was the most popular feature that is already implemented by platforms (44%), followed by referral system (32%), legal tech (24%), secondary market (22%), investing through an advisor (20%), mobile app (16%), auto-investing (16%), and open banking (10%). The top features that are planned to be implemented by these platforms are mobile applications (30%), secondary market (26%) and auto-investing (26%).

Figure 5.8. Feature usage by lending-based crowdfunding platforms



In the lending-based cluster, things are somewhat different as more platforms have confirmed to have already implemented referral systems (45%), secondary market (38%), mobile app (35%), auto-investing (35%), early access to investing opportunities (31%), open banking (26%), investing through an advisor (24%), and legal tech (24%). The proportion of the top features to be implemented in the future is similar to the responses from the equity-crowdfunding cluster, and include mobile applications (31%), secondary market (29%), and auto-investing (29%).

Figure 5.9. Feature usage by non-investment-based crowdfunding platforms



Donation- and reward-crowdfunding platforms do not adopt or plan to implement many advanced features due to the nature of their activities. Since entry costs of such platforms are lower than in investment models, it is interesting to observe that most operators do not seek to achieve feature variety, and thus gain an important distinguished market position in a segment characterized by relatively narrow margins and competitive landscape. The most popular features already in use are a referral system (16%), an early access to opportunities (14%), and a mobile app (10%). Some of the features considered for future development, albeit by a small minority, include a mobile app and secondary market feature (14% each), as well as a referral system, advisor, Legal tech, and auto-pledging (by 10% each).

5.5 Blockchain usage

Blockchain technology is not yet widely adopted by the crowdfunding community, yet it can bring many benefits like better data protection and traceability, transparency, transaction security through smart contracts, etc. More tangible solutions include crypto payments, secondary trading, and asset tokenization. The latter is particularly relevant in real estate crowdfunding, where a real estate asset is fragmented into digital tokens, each representing a fraction of the underlying property.

We asked the respondents to answer if they use or plan to use three types of blockchain solutions in crowdfunding: asset tokenization, crypto payments, and secondary trading.

Figure 5.10. Blockchain usage by platforms per model

As seen from the responses we got, quite a small proportion of platforms use or plan to use blockchain across models. The highest adoption is among equity crowdfunding platforms, with asset tokenization being the most popular application (6%), followed by secondary trading (4%), and crypto payments (2%).

Crypto payments are used less by lending crowdfunding platforms (2%). Asset tokenization and secondary trading are equally used by lending platforms, resulting in 3% reporting each.

When assessing the plans of crowdfunding platforms to implement blockchain solutions, the picture looks quite promising. Asset tokenization is in the pipeline for 21% of lending crowdfunding platforms and 18% of equity crowdfunding platforms, followed by secondary trading (19% and 16%) and crypto payments (12% and 8%).

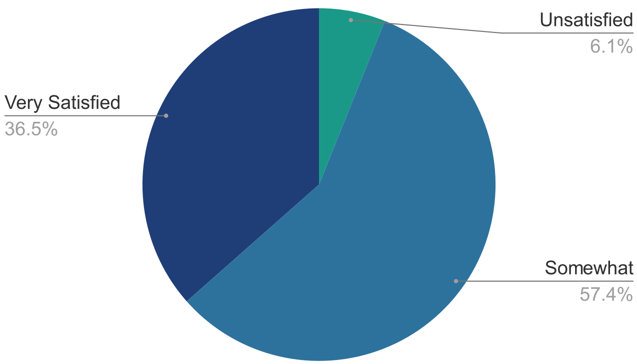
Blockchain might not provide many benefits for non-investment platforms, and the responses we got match these realities. Probably the most relevant application here relates to the use of crypto payments which is already used by 3% of platforms of this type, and another 3% plan on implementing it in the future. Interestingly, 10% have confirmed to implement asset tokenisation in the future, followed by secondary trading (3%).

As blockchain and DLT regulations are being implemented across many European countries, the adoption of these technologies by crowdfunding platforms may become more intensive in the coming years and be a unique selling point for some of them.

5.6 Process automation

Streamlining operations and improving user experiences through automation is key to many crowdfunding platforms, especially in high-competition spheres like consumer and business lending or real estate crowdfunding. For example, the most popular and demanded features identified earlier in this chapter (section 5.4) are auto investing and secondary market features that involve automation. Process automation for client-facing parts of the platform is typically of the highest priority as it has a direct impact on user conversion and retention. Some process automation may also be required by regulators.

Figure 5.11. Satisfaction with process automation on crowdfunding platforms



36% of the platforms surveyed said they are very satisfied with process automation and 58% said they are somewhat satisfied. Only 6% of the platforms were unsatisfied. Accordingly, when asked about processes platforms would automate if they had an unlimited budget, most mentioned payment processing, credit scoring, credit risk assessment, business valuation, due diligence, KYC verification, analytics and reporting tools, AI and machine learning for fraud prevention, project initiation, etc.

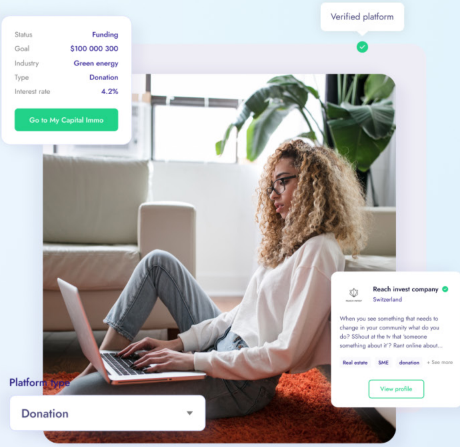
CrowdSpace

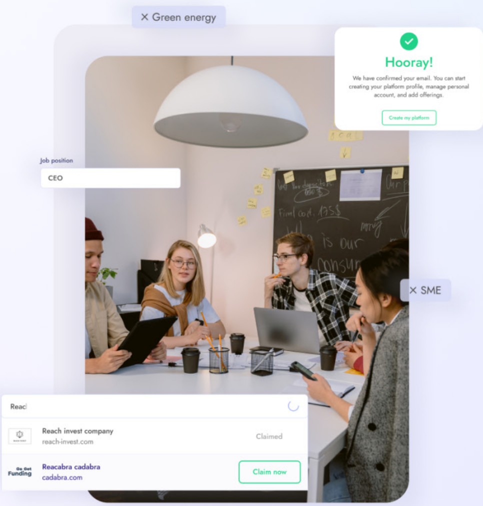
CrowdSpace is a crowdfunding platform aggregator that serves as a comprehensive search tool for everyday investors and fundraisers, unifying over 600 crowdfunding platforms in Europe and the UK.

We provide everyday investors with a collection of platforms across various business sectors, including real estate, SMEs, litigation, sports, farming, sustainability, arts, and education.

CrowdSpace also offers a range of useful tools and resources to help investors make informed decisions. Every platform has detailed information to facilitate the selection process:

- country and investment type;
- business sector and minimum investment;
- secondary market and auto-invest options;
- ECSPR status;
- investor eligibility criteria and signup bonuses;
- statistics etc.





By giving anyone free access to this collection, we aim to provide potential investors and project creators diverse options, ensuring they can find the platform that best aligns with their needs and objectives.

And if you're running a crowdfunding platform, we'd love to help you get more exposure to potential customers by listing or claiming your profile on CrowdSpace. Let's work together to make your crowdfunding journey a success!

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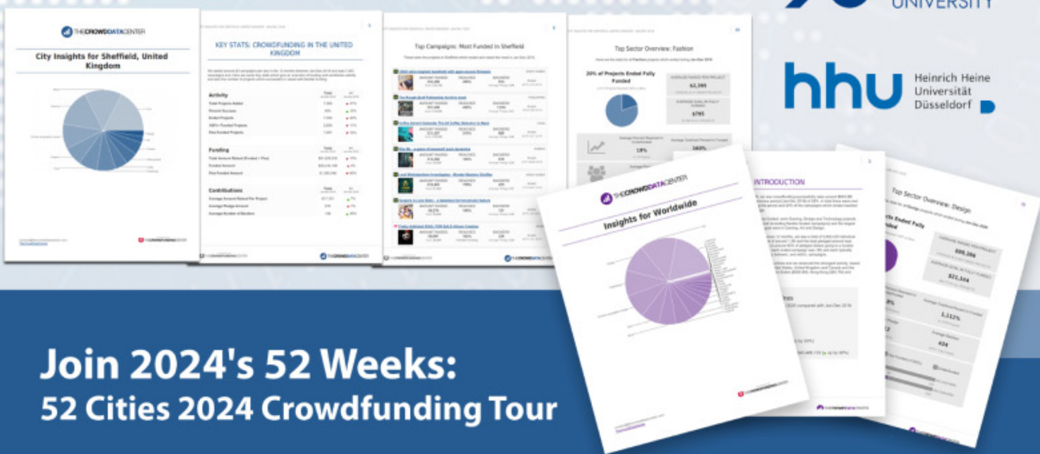

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